

Registered number
07495991

ARCH (CORPORATE HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

**Arch (Corporate Holdings) Limited
Annual Report and Financial Statements
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**Arch (Corporate Holdings) Limited
Officers and Professional Advisors**

Directors

Mr J S Reid
Mr P A Jackson
Mr C M Sayers
Mr G W Daley
Mr R W Wearmouth
Mr J C Woodman

Company Secretary

Eversecretary Limited
Evershed House
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Manchester
United Kingdom
NE63 9JZ

Registered Office

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Ashington
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United Kingdom
NE63 8QZ

Bankers

Cooperative Bank
Norfolk House
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Newcastle upon Tyne
NE1 6BZ

Auditor

Ernst & Young LLP
Statutory Auditor
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Arch (Corporate Holdings) Limited

Registered number: 07495991

Directors' Report

for the year ended 31 March 2017

The Directors have pleasure in presenting their annual report together with the audited Financial Statements and Auditor's Report for the year ending 31 March 2017.

Certain information required to be disclosed in the Directors' Report, including principal risks and uncertainties by regulations made under section 416(4) CA 2006 to be disclosed in the Directors' report, are covered in the Strategic Report as the Directors consider are of strategic importance to the Company.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 15 to the financial statements. Arch (Corporate Holdings) Limited and associated subsidiaries are UK companies limited by shares.

Review of Developments and Future Prospects

Arch will optimise the performance of the property portfolio by driving down the number and duration of voids, reducing debt and ensuring prompt payment. We have merged the residential and commercial portfolio into an integrated property management function with a shared business plan designed to increase operating surpluses year-on-year. As Northumberland's development company, Arch will bring a new dimension to economic development, the creation of sustainable communities and regeneration in the county. By establishing Arch as an arm's length company led by an experienced team of development professionals, the County Council has created an asset-backed vehicle which will leverage investment and engage in joint ventures with private sector partners. During 2016/17 we sold our first homes through our Ascent Homes brand which will provide new homes for sale throughout Northumberland, sales of which are forecast to substantially increase during 2017/18 and 2018/19.

Results and Dividends

The financial position of the company for the year is set out in detail on page 19.

Directors

The following persons served as Directors during the year:

Mr J S Reid	
Mr P A Jackson	
Mr J G Davey	(resigned 17/11/2017)
Mr B Manning	(resigned 28/04/2017)
Mr C M Sayers	
Mr D Ledger	(resigned 21/06/2017)
Mr A Hepple	(resigned 21/06/2017)
Ms G M Hall	(resigned 08/06/2017)
Mr G Webb	(resigned 21/06/2017)
Mr P J Moran	(resigned 16/05/2017)
Mr G W Daley	(appointed 21/06/2017)
Mr R W Wearmouth	(appointed 21/06/2017)
Mr J C Woodman	(appointed 21/06/2017)

The Company is a wholly owned subsidiary and the interests of the Group Directors are disclosed in the Financial Statements of Northumberland County Council. All Directors during the year were insured under Zurich Municipal Trustee and Trust Fund Indemnity Policy, which was obtained through the Groups ultimate shareholder Northumberland County Council.

Future plans, post balance sheet events and basis of preparation

Since the year end, the Board has reviewed the activities and future plans for the Arch Group. In November 2017, the Board decided that their favoured option was that the Arch Group would be dissolved and a new company will be created which will solely focus on Northumberland based regeneration, job creation and economic growth. The new company is not expecting to invest in more executive homes, but is likely to look towards a greater emphasis on more affordable housing schemes. There will be a reduced focus on retail investment but continued emphasis on industrial and commercial infrastructure which will deliver more jobs in Northumberland. This new company will continue proactive management and potential growth of a portfolio of commercial and residential assets to maximise return to ensure the development of jobs and investment alongside assisting in delivering appropriate housing solutions for Northumberland. All staff will transfer into this newly created company.

It is at this point intended that the Arch group of companies will undergo a process of dissolution in line with the shareholder's expectations, with the resultant creation of a new company, sometime over the next twelve months. The group will realise its assets and settle its obligations in the normal course of the business. The business will continue to trade whilst preparations are made to dissolve the Arch Group and the assets will then be disposed of in an orderly fashion, the majority of the process is expected to take place within twelve to twenty four months of the balance sheet date. Northumberland County Council, the group's parent, has agreed to support the group throughout this period to ensure that all external creditors are paid.

As a result of the above plans, the accounts have been prepared on a basis other than going concern basis, given that it is expected that the above changes will be made within twelve months of the date of approval of these financial statements. This is set out in the accounting policies in note 1.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Financial risk management objectives and policies

The financial instruments used by the group are cash, working capital and loan facilities from banks and its parent undertaking, as well as bank loans. The management of these instruments provides finance for the group's operations.

The main risks arising from the group's financial instruments are cash flow, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks, which are outlined below.

Credit risk

The Group's principal financial assets are cash and debtors. All cash deposits at the balance sheet date were held in the UK. Reputable financial institutions are used in the placement of cash deposits, to reduce the overall credit risk to the group. In addition the group reviews the debtor position regularly. Given the nature of the group's customers and their credit worthiness the group considers the risk of significant bad debts to be low.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

Wherever possible, cash reserves are held within a high interest current account to achieve the best interest

Donations

During the year the company made contributions amounting to £15,451 (2016 - £11,600), these related to Ashington Football Club £10,000 (2016 - £10,000), Parkhead and Wansbeck Powersports £250 (2016 - £0), Ashington Football Club Under 21's £821 (2016 - £0) all in support of our Hirst Strategy, Ashington Rugby Club, match sponsorship £1,000 (2016 - £1,600), Action for Children £3,380 (2016 - £0).

In addition to the above we were able to account for £1m charitable contribution into Active Northumberland (2016 - £1m).

Provision of Information to Auditors

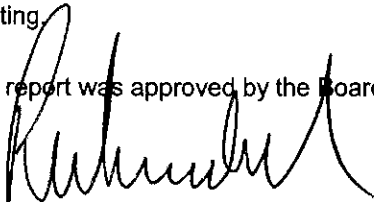
Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have indicated their willingness to be appointed for the year and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General Meeting

This report was approved by the Board on 21st December 2017 and signed on its behalf by:



R Wearmouth
Director

Registered Office: Wansbeck Workspace, Rotary Parkway, Ashington, Northumberland, United Kingdom, NE63 8QZ

**Arch (Corporate Holdings) Limited
Strategic Report
for the year ended 31 March 2017**

Strategy and Objectives

Arch, the Northumberland Development Company, has a county-wide remit to deliver development and regeneration and to attract investment. The Arch Group brings together services in housing, commercial property, physical regeneration and business growth. Wholly owned by Northumberland County Council and with a mixed public, private and third sector Board, Arch brings an enterprising business-like approach to promoting economic growth in Northumberland.

2016/17 marked the second year of the Arch Groups second Corporate Strategy covering the period 2015-2018 and its transition from a provider of homes in South East Northumberland to a development company operating across the county.

Arch's mission is to lead the way in delivering sustainable economic and social prosperity for Northumberland by:-

- helping create prosperous, attractive, sustainable communities across Northumberland;
- promoting enterprise and supporting business growth;
- attracting private sector investment in business and property; and
- supporting the regeneration of struggling places and disadvantaged neighbourhoods.

We have an ambitious but focused work programme, based on our six key programmes:-

- Investment
- Development
- Estate Management
- Regeneration and Infrastructure
- Inward Investment and Account Management
- Growth, Enterprise and Skills

We operate on commercial principles. We are acquiring, developing and upgrading an extensive portfolio of residential and commercial property across Northumberland. We use this asset base to secure project funding, and by raising the performance of the portfolios we generate surpluses that are recycled into business development and other non-commercial services. In addition we deliver some projects on behalf of Northumberland County Council, and we secure funds from UK Government, the EU and other sources. This arm's length model has been recommended by the Confederation of British Industry in its recent report on local regeneration. During 2016/17 we sold our first homes through our Ascent Homes brand which will provide new homes for sale throughout Northumberland, sales of which are forecast to substantially increase during 2017/18 and 2018/19.

During 2016/17, through the efficient management of our portfolio, we have been able to provide for a £1m charitable contribution into Active Northumberland.

As Northumberland's Development Company, the Arch Group will bring a new dimension to economic development, the creation of sustainable communities and regeneration in the county. By establishing the Arch Group as an arm's length company led by an experienced team of development professionals, the County Council has created an asset-backed vehicle which will leverage investment and engage in joint ventures with private sector partners.

The Arch Group consists of five companies all focussed and working towards our mission. The operational companies within the Group are:-

- Arch (Corporate Holdings) Limited
- Arch (Housing) Limited
- Arch (Commercial Enterprise) Limited
- Arch (Development Projects) Limited
- Arch (Financial Services) Limited

We also have three dormant companies of Arch (DigEco) Limited, Northern Coalfields Property Company and Wansbeck Life.

In addition we have two 50/50 Joint Ventures, Prudhoe LLP and SLJH Ltd, which will deliver both commercial and residential developments respectively in the future.

Each Company within the Group have their own principal activities, as shown below which are all aligned to achieve the overall Arch mission.

Arch (Corporate Holdings) Limited

The Company acts as a holding entity for the companies that comprise the Arch Group. Arch (Corporate Holdings) Limited conducts no business in its own right.

The activities of the company are:-

- Strategic Management overview
- Financial Control and Monitoring
- Transactional Finance (Accounts Payable, Accounts Receivable and Payroll)
- HR services
- Corporate Policy monitoring and creation
- Secretarial Services
- Tax Advice
- Company Secretary role
- Strategic Corporate Objectives
- Marketing and Communications
- Programme Management

Arch (Commercial Enterprise) Limited

The activities of the company are:-

- to further the needs of the community within the boundaries of the area currently known as Wansbeck (the "Community") and the wider area of Northumberland;
- to protect, restore and enhance the environment of the Community through the purchase lease and management of land in the Community;
- to provide land, commercial accommodation or services to the Community and Businesses;
- to promote economic regeneration in the community through the provision of light industrial, retail and office accommodation to small businesses; and
- to provide business advice and support to businesses through Inward Investment initiatives and the administration of the Regional Growth Network.

Arch (Commercial Enterprise) Limited optimises the performance of the property portfolio by driving down the number and duration of voids, reducing debt and ensuring prompt payment. We have merged the residential and commercial portfolio into an integrated property management function with a shared business plan designed to increase operating surpluses year-on-year.

Arch (Housing) Limited

The principal activity of the Company during the year was the provision of rented residential accommodation in South East Northumberland. There was no change to the principal activities of the Company during the year ended 31 March 2017.

Arch (Development Projects) Limited

The principal activities of the Company during 2016/17 were to provide project management services in connection with capital developments undertaken by the Arch Group and Northumberland County Council. In addition, the launch of the Ascent Homes brand will provide new homes for sale throughout Northumberland.

Arch (DigEco) Limited

Arch (DigEco) Limited carried out the revenue related projects of digital business support and the development of community digital champions, this revenue element was financially accounted for within Arch (DigEco) Limited. This scheme completed with effect of 31st December 2015, with no trade having subsequently taken place during 2016/17.

Arch (Financial Services) Limited

Arch (Financial Services) Limited; remained relatively inactive during financial year 2016/2017, transactions that have been processed relate to repayments on loans that were previously granted by Northumberland County Council.

Review of the Company's Business during 2016/17

2016/17 has seen a period of significant growth within the Group, turnover has increased from £10.3m in 2015/16 to £22.4m during 2016/17 and gross profit has also increased from £7.1m to £16.7m during the financial year. We have also been able to provide for a charitable contribution to Active Northumberland of £1m across the Group. Asset revaluations for the year have largely been positive with the Groups accumulated revaluation gains increasing from circa £47.7m to £53.9m, there were a number of properties down valued in year and therefore the relevant impairment has been charged into the profit and loss account.

Fixed assets values have increased from £137.2m at the start of the financial year to £318.8m at the Balance Sheet date. Current assets amount to £10.5m, whilst short term creditors of £11.2m exist at the Balance Sheet date. Long Term Creditors have risen to £247.8m through the use of our commercial loan facility with Northumberland County Council, which was used to finance the increase in our fixed assets. Cash levels within the Group have increased to £6.2m as at 31/03/2017 in comparison with £3.9m as at 31/03/2016.

Shareholders' funds within the Balance Sheet now amount to £60.1m, a significant increase from the previous year level of £53.5m. This increase is largely down to three factors, the overall increase on the revaluation of our investment portfolio of net £6.2m, and capital contribution of £0.6m from the Group's Ultimate Parent, Northumberland County Council and a decrease in the Groups Profit and Loss reserve of £0.2m.

Financial Ratios

As described previously there has been a substantial movement in the level of activity within the Group throughout 2016/17.

Current Ratio

2015/16	0.75:1
2016/17	0.96:1

Gearing Ratio

2015/16	0.74:1
2016/17	0.24:1

Although we haven't been set specific financial ratio targets by either our Board or Shareholder we will continue to monitor these ratios, during 2017/18.

Non-Financial key achievements during 2016/17

Arch (Commercial Enterprise) Limited

We have grown our asset base significantly during the 2016/17 financial year, with Arch (Commercial Enterprise) Limited now effectively managing over circa 175,000 sq m, an increase of over 71,000 sq m throughout 2016/17. This has been achieved through the following:

- Acquisition of Manor Walks Shopping Centre, Cramlington
- Acquisition of Westmorland retail Park, Cramlington
- Completion and Subsequent letting of Offices at Berwick Walkergate, Berwick
- Acquisition of Tyne Valley Retail Park, Hexham
- Completion and Subsequent letting of Commissioners Quay Hotel, Blyth
- Acquisition of Ramparts, Berwick
- Acquisition of unit 1 Wansbeck Business Park
- Acquisition of Blyth Firestation
- Acquisition of 12-14 Woodhorn Road, Ashington
- Acquisition of Former RWE land, East Sleekburn

Inward investment and business support services have continued to be a key service delivery during 2016/17. Following the appointment of a new Head of Economic Growth and 2 x Business Investment and Growth Managers in Q1 2016/17 the team have worked hard to attract new investment into the region whilst closing down a number of legacy programmes where funding has ended. The team has also been developing and securing funding for a new Business Support programme which launched early December 2016 following the recruitment of a Programme Manager and 3 x Business Support Advisors.

Key achievements in 2016/17

- Through our inward investment and strategic account management activities the Economic Growth Team has contributed to the leverage of £143m Private Sector investment into Northumberland and the creation of over 409 jobs.
- 2016/17 was the second year of delivery for the £6m Rural Growth Network Programme funded by the North East LEP Growth Deal – Local Growth Fund. The programme supports the growth of the economy through expansion of businesses and creation of economic infrastructure within the rural parts of Northumberland, Gateshead and Durham. By the end of 2016/17 year a total of 15 businesses had received grant funding of £621,813 leveraging a further £8,796,404 of public funding and £599,803 of private sector investment.

- In August 2016 an application for European Funding was approved to support the delivery of the new Business Northumberland 2016 – 19 project and following the recruitment of 3 x Business Growth Advisors the programme launched in early December 2016. By the end of 2016/17 120 businesses were receiving support through the programme.

Arch (Housing) Limited

The number of residential properties we now own and manage has increased to over 1000 with a total of 121 units having been acquired / developed throughout the financial year, including the following:

- The purchase of Arch Housing Ltd's first Affordable Homes (55)
- The purchase of Arch Housing Ltd's first High Quality Executive Homes (41)
- 25 additions to the existing PRS portfolio

Arch (Development Projects) Limited

- Work has continued on the development of Ashington North East Quarter (Portland Park) on behalf of Northumberland County Council. Following receipt of the final planning consents in April 2016 procurement of a Principal Contractor commenced in May 2016 concluding in the appointment of Galliford Try in December 2016 and a start on site in February 2017.
- A mixed use development on the former Dolphin and Railway public house sites started on site in January 2017. This scheme will deliver two ground floor retail units, a Town Council office, public conveniences and four 2-bed apartments on the 1st and 2nd floor.
- The development of The Commissioners Quay Inn, Blyth, a 2,384 m2 food led public house with 40 en-suite letting bedrooms, was completed in June 2016.
- Restoration works to the 'blue' Cowe Building was completed in March 2017. The building now features a ground floor space suitable for a shop or café / restaurant and four 2-bed homes, all for private rent through Arch Homes.
- The development of a 1,500 m2 office building on the site of the former Kwik Save site was complete in November 2016. Following completion of the development, which is now known as Berwick Walkergate, tenants Greaves West Ayre took possession of the property in December 2016 and following completion of the building fit-out, took up occupancy in February 2017.
- Ascent Homes, the house building arm of Arch (Development Projects) Limited, achieved 15 sales on the Newbiggin Housing Scheme (Windsor View) site and 4 on the Venture Workshops (Plessey Green) site.
- Planning permission for the development of a 1,880 m2 30 bed, 175 dining cover hotel with restaurant on Coquet Enterprise Park, Amble was granted in March 2017 and, subject to approval, will start on site in July 2017.
- Following the development of a masterplan for Wansbeck Business Park, Ashington we have brought forward the development of 1,557 m2 of industrial floorspace with works commencing in late December 2016 on the development of a small estate comprising of 10 units and planning permission was granted in March 2017 for an additional 2 units which, subject to approval, will start on site in July 2017.
- Following conclusion of site investigation works we secured £24.8m of funding for the acquisition, remediation and reclamation of the former RWE site at East Sleekburn.
- Throughout 2016/17 we have made good progress with development proposals for Bedlington Town Centre and a retail scheme is emerging that will be capable of transforming the town centre, creating exciting new places to visit, dwell and shop.

- Work has continued / started on several other development sites across Northumberland through the Ascent Homes arm of Arch (Development Projects) Limited. The developments currently in construction are as follows:
 - Windsor, Newbiggin - 9 units on a development of 38 were completed and of these, 5 have been reserved for sale.
 - Plessey Green, Blyth - 6 units on a development of 38 units were completed and of these, 4 have been sold.
 - The Maltings, Alnwick - 20 units on a development of 24 were completed and of these, 15 have been sold.
 - Orchard House, Jesmond - the development of 11 luxury homes for sale started on site in February 2017.
 - Ellington (Phase 1) - the development of 99 new build homes started on site in February 2017.
 - Old School, Bedlington - a development of 18 new high quality affordable 2-bed apartments for rent started on site in March 2018.

Principal risks and uncertainties

The Arch group operates a 5 X 5 risk management matrix with high level risks being recorded and presented to each sitting of the Arch Board and the Arch Group Audit Committee. The risk register also incorporates controls that are in place and any further actions that may be required to mitigate risk. The risk register reported to the Arch Board on the 14th February 2017 identified 18 (2016 -18) risks across the Group of companies, some of which are generic and therefore linked to Arch (Corporate Holdings) Limited as the Group parent. The full list on a company by company basis is shown below:-

Arch (Corporate Holdings) Limited

- Partnership working and governance structures (risk around confusion of roles, responsibilities, delegations and authority to act).
- Political change at a local level (risk of change in direction of travel, with differing political parties strategic direction).
- Deterioration in the general economic environment (Financial Risk).
- Increasing local authority aspirations could place strain on the Arch Group's resources and ability to deliver.
- Failure to retain key staff resources.
- Fraud, bribery and malpractice (potential financial loss)
- Broader national economic position may negatively impact on local economic performance and levels of investment activity.
- Failure to implement and embed the Arch Group Health and Safety Policy (Reputational risk and Potential Financial Risk).
- Reduced Risk - IT Hardware Failure, due to ageing servers supporting the Group.
- Budgetary Pressures within Ultimate Shareholder (Northumberland County Council)
- iNorthumberland grant clawback (residual risk)
- Impact of Redundancy Modification Order
- Financial Impact of change in tax legislation regarding Fixed Ratio Rule (Financial Risk)
- Northumberland Conservative Party Manifesto pledge to "Scrap Arch" (Reputational and Financial risk)

Arch (Commercial enterprise) Limited

- Removal of Northumberland County Council commercial loan facility (Risk of non-delivery or achievement of growth targets);
- Impact of legislation changes regarding EPC rating on commercial buildings and the Groups ability to let in future and potential impact on financial required to deliver a capital programme;

Arch (Housing) Limited

- Removal of Northumberland County Council commercial loan facility (Risk of non-delivery or achievement of growth targets); and
- Changes in legislation regarding payment of housing benefit coupled with under-occupancy legislation will lead to a reduced income stream into Arch (Housing) Limited and dependency on tenant paying rent when liable (Financial risk).

Arch (Development Projects) Limited

- Arch (Development Projects) Limited is now operating as a true development company with income driven from projects delivered. If the pipeline of projects are not progressed and approved in a timely manner the level of management fee claimable will reduce and force financial pressures firstly onto Arch (Development Projects) Limited and then further onto the Group.
- Budgetary pressures within Northumberland County Council may have a detrimental effect upon the ability of the Group to achieve strategic objectives. This is a financial risk to Arch (Developments Projects) Limited.
- Delay in securing funding streams for the development of the former RWE power station site. (funding subsequently approved and part received)

2016/17 Key Performance Indicators

In March 2016 the Arch Board approved the 2016/17 Corporate Scorecard objectives and targets, which were aligned to the 2016/17 Medium Term Financial Plan, the 2016/17 Business Plan and the Groups strategic objectives as set out in the 2015 – 18 Corporate Strategy. The key performance indicators were managed in specific scorecard activity areas covering: People, Performance, Partnership, Profit, Customers and Community. A number of the key performance indicators within each category are set out below in comparison with the initial targets set and, where appropriate, with 2016/17 performance.

People

- Annual employee engagement survey (% of staff to complete the survey within the agreed timeframe) – target = 100%, actual = 74.51%
- Employees rating Arch as a good, very good or excellent place to work – target = 90%, actual = 90.79%

- Average sick days per annum per employee (excluding those covered by a doctors certificate) – target = 7 days, actual = 0.82 days

Performance

- Property occupancy levels (existing stock)
 - Residential – target = 95%, actual = 90.60%
 - Commercial – target = 92%, actual = 94.53%
 - Workspace – target = 71%, actual = 79.39%
- Billed vs Collected Rental Income
 - Residential – target = 95%, actual = 97.31%
 - Commercial (including Workspace) – target = 95%, actual = 95.97%
- Movement in former tenant arrears in existence at 31st March 2016
 - Residential - target = -10%, actual = -5.05%
 - Commercial - target = -10%, actual = -29.11%
 - Workspace – target = -10%, actual = 28.94%
- Monitor and maintain all high level strategic risks at green or amber rating – target = 95%, actual 94.44%

Partnership

- Number of inward investment / reinvestments projects attracted – target = 12, actual = 14
- Amount of private sector investment levered from across all Arch recordable activities – target = £54.45m, actual = £143.12m
- Amount of public sector investment levered from across all Arch recordable activities – target = £8.81m, actual = £10.16m
- No of Jobs created/safeguarded across all Arch recordable activities - target = 235, actual = £461.26
- Number of businesses accessing support across all Arch enterprise support services – target = 148, actual = 213

Profit

- Maintain operating surplus in line with MTFP – target = 100%, actual = 71.1%
- Maintain gross to net yield (Group) in line with MTFP:
 - Value - Gross – target = 7.95%, actual 7.16%
 - Value - Net - target = 0.48%, actual = 0.32%
 - Cost - Gross - target = 11.43%, actual = 9.01%
 - Cost - Net - target = 0.69%, actual = 0.40%
- Amount of increased:
 - Residential units Developed – target = 6, actual 4 units
 - Commercial floor space Developed – target = 3,965m², actual = 2,043m²
- Developing homes for sale - target = 35, actual = 26

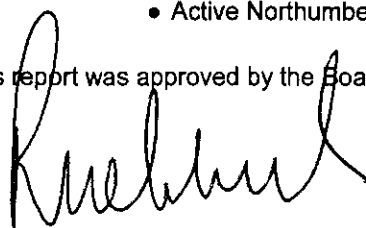
Customers

- % of our customers to rate the overall quality of service provided as good, very good or excellent:
 - Arch Homes - Target 95%, actual 80%
 - Arch Commercial - Target 95%, actual 75%
 - Arch Workspace - Target 95%, actual 94%
- Formal complaints resolved at Stage 1:
 - Target 95%, actual 90.90%
- Formal complaints received at Stage 1 and responded to within defined timescales: target = 100%, actual = 90.90%
- Formal complaints received at Stage 1 and for which Arch has had to admit liability: target = FIO, actual = 54.54%

Community

- Charitable contributions made by Arch:
 - Active Northumberland - Target £1m, actual £1m

This report was approved by the Board on 21st December 2017 and signed on its behalf by:



R Wearmouth
Director

Registered Office: Wansbeck Workspace, Rotary Parkway, Ashington, Northumberland, United Kingdom, NE63 8QZ

Arch (Corporate Holdings) Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 Company will continue in business, and
- prepare the Financial Statements in accordance with applicable accounting standards.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Arch (Corporate Holdings) Limited Independent Auditor's report

We have audited the financial statements of Arch (Corporate Holdings) Limited for the year ended 31 March 2017 which comprise Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in and the related notes 1 to 19. 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 FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland". The financial statements have been prepared on a basis other than going concern, as described in Note 1 (b).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

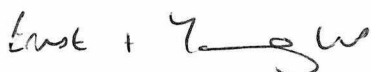
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
21st December 2017

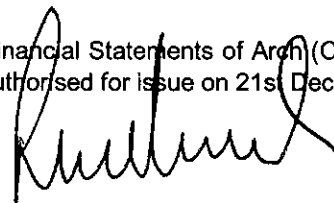
Arch (Corporate Holdings) Limited
Statement of Comprehensive Income (Group)
for the year ended 31 March 2017

	Notes	Continuing Operations 2017 £	Discontinued Operations 2017 £	Total 2017 £	Total 2016 £
Revenue		22,445,326	-	22,445,326	10,321,127
Cost of Sales		(5,762,922)	-	(5,762,922)	(3,221,736)
Gross Profit		16,682,404	-	16,682,404	7,099,391
Distribution costs		(8,230)	-	(8,230)	(4,352)
Administrative expenses		(9,501,058)	-	(9,501,058)	(9,510,979)
Other Operating Income		474,808	-	474,808	4,222,168
Operating Profit	2	7,647,924	-	7,647,924	1,806,228
Share of Joint venture's operating loss		-	-	-	-
Interest receivable		5,790	-	5,790	6,824
Interest payable		(8,336,087)	-	(8,336,087)	(3,261,312)
Gain on revaluation of investment properties		6,646,199	-	6,646,199	8,499,683
Profit on ordinary activities before taxation		5,963,826	-	5,963,826	7,051,423
Taxation on profit on ordinary activities		(444,385)	434	(443,951)	(805,685)
Profit for the financial year		5,519,441	434	5,519,875	6,245,738
Gain/(Losses) arising during the period		-	-	-	-
Less: reclassified to profit and loss		-	-	-	-
Other Comprehensive Income:					
Tax relating to components of other comprehensive income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		5,519,441	434	5,519,875	6,245,738
Profit for the period attributable to:					
Non-controlling Interest		-	-	-	-
Equity Shareholders of the Company		5,519,441	434	5,519,875	6,245,738
Total comprehensive income for the period attributable to:					
Non-controlling Interest		-	-	-	-
Equity Shareholders of the Company		5,519,441	434	5,519,875	6,245,738

Arch (Corporate Holdings) Limited
Registered number: 07495991
Balance Sheet (Group)
as at 31 March 2017

	Notes	2017 £	2016 £
Fixed Assets			
Tangible assets	6	<u>318,740,383</u>	<u>137,213,702</u>
		318,740,383	137,213,702
Investment in Joint Venture			
Assets		2,142,900	939,210
Liabilities		<u>(92,276)</u>	<u>(31,047)</u>
	7	2,050,623	908,163
Current assets			
Debtors	8	4,520,009	1,017,046
Cash at bank and in hand		<u>6,231,090</u>	<u>3,928,384</u>
		10,751,099	4,945,430
Creditors: amounts falling due within one year	9	<u>(11,145,450)</u>	<u>(6,587,840)</u>
		(11,145,450)	(6,587,840)
Net current assets		(394,351)	(1,642,410)
Total assets less current liabilities		320,396,655	136,479,455
Creditors: amounts falling due after one year			
Long Term Borrowing	10	(247,797,514)	(72,111,046)
Deferred Income	11	<u>(3,609,318)</u>	<u>(2,130,174)</u>
		(251,406,832)	(74,241,220)
Provision for liabilities and charges			
Deferred taxation	12	<u>(9,278,975)</u>	<u>(8,684,245)</u>
		(9,278,975)	(8,684,245)
Net assets		<u>59,710,848</u>	<u>53,553,990</u>
Capital and reserves			
Called-up share capital	17	3,340,127	3,340,102
Capital Contribution		6,659,240	6,022,257
Minority Interest		25	50
Profit and loss account	19	49,711,456	44,191,581
Shareholders' funds		<u>59,710,848</u>	<u>53,553,990</u>

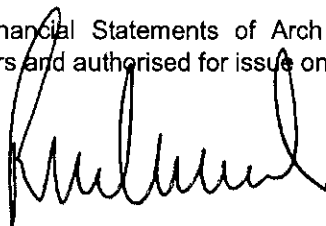
The Financial Statements of Arch (Corporate Holdings) Limited were approved by the Board of Directors and authorised for issue on 21st December 2017 and signed on it's behalf by:


R Wearmouth
Director

Arch (Corporate Holdings) Limited
Registered number: 07495991
Balance Sheet (Company Only)
as at 31 March 2017

	Notes	2017 £	2016 £
Fixed Assets			
Tangible assets	6	59,453	54,664
Investments	7	<u>3,341,027</u>	<u>3,341,002</u>
		3,400,480	3,395,666
Current assets			
Debtors	8	536,328	263,362
Cash at bank and in hand		<u>479,642</u>	<u>485,614</u>
		1,015,970	748,976
Creditors: amounts falling due within one year	9	<u>(207,425)</u>	<u>(170,322)</u>
Net current assets		808,544	578,654
Total assets less current liabilities		4,209,024	3,974,320
Provision for liabilities and charges			
Deferred taxation		<u>(132)</u>	<u>21,145</u>
		(132)	21,145
Net assets		<u>4,208,892</u>	<u>3,995,465</u>
Capital and reserves			
Called-up share capital	17	3,340,127	3,340,102
Profit and loss account		868,765	655,363
Shareholders' funds		<u>4,208,892</u>	<u>3,995,465</u>

The Financial Statements of Arch (Corporate Holdings) Limited were approved by the Board of Directors and authorised for issue on 21st December 2017 and signed on it's behalf by:


R Wearnmouth
Director

**Arch (Corporate Holdings) Limited
Statement of Changes in Equity
for the year ended 31 March 2017**

GROUP	Called up share capital £	Minority Interest £	Capital Contribution £	Profit and loss account £	Total £
At 31 March 2015	3,340,102	50	3,221,795	37,945,843	44,507,790
Receipt of capital contribution	-	-	2,800,462	-	2,800,462
Profit/(Loss) for the year	-	-	-	6,245,738	6,245,738
At 1 April 2016	3,340,102	50	6,022,257	44,191,581	53,553,990
Other comprehensive income	25	(25)	-	-	-
Receipt of capital contribution	-	-	636,983	-	636,983
Profit/(Loss) for the year	-	-	-	5,519,875	5,519,875
At 31 March 2017	3,340,127	25	6,659,240	49,711,456	59,710,848

**Arch (Corporate Holdings) Limited
Statement of Changes in Equity
for the year ended 31 March 2017**

COMPANY	Called up share capital	Profit and loss account	Total
	£	£	£
At 31 March 2015	3,340,102	459,353	3,799,455
Profit for the year	-	196,010	196,010
At 1 April 2016	3,340,102	655,363	3,995,465
Other Comprehensive Income	25	-	25
Profit for the year	-	213,402	213,402
At 31 March 2017	3,340,127	868,765	4,208,892

Arch (Corporate Holdings) Limited
Notes to the Financial Statements
for the year ended 31 March 2017

1 Accounting policies

A summary of the principal accounting policies of the Company, all of which have been applied consistently throughout the current year, is set out below:

a) Basis of compliance

Arch (Corporate Holdings) Limited is a limited liability company incorporated in England. The Registered Office: Wansbeck Workspace, Rotary Parkway, Ashington, Northumberland, United Kingdom, NE63 8QZ.

The Company's Financial Statements have been prepared in compliance with FRS 102 as it applies to the Financial Statements of the Company for the year ended 31 March 2017.

b) Basis of preparation

Since the year end, the Board has reviewed the activities and future plans for the Arch Group. In November 2017, the Board decided that their favoured option was that the Arch Group would be dissolved and a new company will be created which will solely focus on Northumberland based regeneration, job creation and economic growth. The new company is not expecting to invest in more executive homes, but is likely to look towards a greater emphasis on more affordable housing schemes. There will be a reduced focus on retail investment but continued emphasis on industrial and commercial infrastructure which will deliver more jobs in Northumberland. This new company will continue proactive management and potential growth of a portfolio of commercial and residential assets to maximise return to ensure the development of jobs and investment alongside assisting in delivering appropriate housing solutions for Northumberland. All staff will transfer into this newly created company. The business will continue to trade whilst preparations are made to dissolve the Arch Group and the assets will then be disposed of in an orderly fashion, the majority of the process is expected to take place within twelve to twenty four months of the balance sheet date. Northumberland County Council, the group's parent, has agreed to support the group throughout this period to ensure that all external creditors are paid.

In these circumstances it is not appropriate to prepare the financial statements on a going concern basis. As the company plans to continue trading for a period of time and realise its assets in an orderly fashion, the directors have determined that the accounting policies applied to individual items should be consistent with those adopted in the prior year, as set out below, recognising that the majority of the group's assets are investment properties that are already carried at market value. The directors have also considered whether any additional liabilities should be recognised, however no additional amounts have been recognised, given the current plans to transfer staff to a newly created company and to deal with existing contracts in an orderly manner.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and previous year.

The Financial Statements have been prepared in accordance with the Financial Reporting Standard 102 under the historical cost convention. Issued by the Financial Reporting Council

The functional currency of Arch (Corporate Holdings) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated Financial Statements are also presented in pounds sterling. There are no Foreign operations. Arch (Corporate Holdings) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions in relation to presentation of a cash flow statement, disclosure in respect of financial instruments and remuneration of key management personnel.

c) Post balance Sheet Events

Since the year end, the Board has reviewed the activities and future plans for the Arch Group. In November 2017, the Board decided that their favoured option was that the Arch Group would be dissolved and a new company will be created which will solely focus on Northumberland based regeneration, job creation and economic growth. The new company is not expecting to invest in more executive homes, but is likely to look towards a greater emphasis on more affordable housing schemes. There will be a reduced focus on retail investment but continued emphasis on industrial and commercial infrastructure which will deliver more jobs in Northumberland. This new company will continue proactive management and potential growth of a portfolio of commercial and residential assets to maximise return to ensure the development of jobs and investment alongside assisting in delivering appropriate housing solutions for Northumberland. All staff will transfer into this newly created company. The business will continue to trade whilst preparations are made to dissolve the Arch Group and the assets will then be disposed of in an orderly fashion, the majority of the process is expected to take place within twelve to twenty four months of the balance sheet date. Northumberland County Council, the group's parent, has agreed to support the group throughout this period to ensure that all external creditors are paid.

It is at this point intended that the Arch group of companies will undergo a process of dissolution in line with the shareholder's expectations, with the resultant creation of a new company, sometime over the next twelve months. The group will realise its assets and settle its obligations in the normal course of the business.

d) Basis of Consolidation

The Financial results of Arch (Corporate Holdings) Limited and its subsidiaries have been consolidated in accordance with FRS 102 with the year-end accounting date of 31st March 2017. The objective of consolidated financial statements is to present the financial position and results of the parent and its subsidiary undertakings as if they were those of a single company from the point of view of the members of the parent. The combined list of entities is shown below:-

Arch (Corporate Holdings) Limited
Arch (Housing) Limited
Arch (Commercial Enterprise) Limited
Arch (Development Projects) Limited
Arch (Financial Services) Limited
Arch (DigEco) Limited
Wansbeck Life Limited (Dormant)
Northern Coalfields Property Company Limited (Dormant)
Prudhoe Estates LLP (50/50 Joint Venture)
SLJH Ltd (50/50 Joint Venture)

Arch (Financial Services) Limited has once again applied for Audit exemptions, whilst Arch DigEco is applying for the first time during 2016/17 through regulation S479a of the Companies Act, due to the minimal nature of transactions within the entity.

e) Fixed Assets

All fixed assets are initially recorded at cost. Where the Directors become aware of circumstances which indicate that an impairment may have occurred to the value of the assets (other than due to temporary market conditions) a professional valuation of the assets is sought and impairment recognised through operating expenditure where, in the view of the directors, the impact is material.

In accordance with FRS102, investment properties are included in the Balance Sheet at their open market value and the aggregate surplus or deficit is transferred to Profit and Loss. It is the policy of the company for a qualified independent valuer to perform the valuation annually.

The classification of fixed assets between Investment Properties or Land and Buildings is determined by the use of the assets and whether it is an income generating asset and therefore held for current rental income or future Investment opportunities.

f) Capitalisation

The Group capitalises acquisitions based on the following policy:-

- Desk top IT equipment and Software are not capitalised due to their short life span and regular cyclical replacement.
- Fixtures and fittings are capitalised at cost where they provide additional value to the property portfolio offer.
- Vehicles are capitalised at cost.
- Land, Buildings and associated identified investment capital works required at the point of purchase are capitalised at cost, to the extent they add value to the overall fixed asset value and cyclical repairs to maintain current value are financed through profit and loss.

g) Depreciation

Depreciation is calculated so as to write off the cost or revaluation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Arch (Housing) Limited Leasehold property - 2% straight line

Arch (Housing) Limited Plant and machinery -15% - 33% reducing balance

Arch (Development Projects) Other Plant and Machinery - 20 years/5% straight line.

Arch (Commercial Enterprise) Limited Leasehold property - Straight line over lease period (30/50 years)

Arch (Commercial Enterprise) Limited plant and machinery - 10% per annum reducing balance – 33% per annum straight line

Arch (Corporate Holdings) Limited plant and machinery - 25% per annum reducing balance

In accordance with FRS 102, investment properties are included in the balance sheet at their open market value and the aggregate surplus or deficit is transferred to Profit and Loss. It is the policy of the company for a qualified independent valuer to perform the valuation annually. No depreciation is provided in respect of investment properties.

h) Investments

Investments are all cash investments which mature within 12 months. Any cash investments maturing in less than 3 months are held as cash equivalents, while all others are included in the Balance Sheet as current asset investments.

j) Work in Progress

Work in progress is accounted for at cost and amounts to ongoing development schemes. Finance costs which are directly attributable to the construction of assets are capitalised as part of the work in progress. The commencement of capitalisation begins when both finance costs and expenditure for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

j) Pension Costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

k) Government Grant and Interest Payable

Deferred Grants are released into the Profit and Loss account in line with the companies depreciation policy, in the event of impairment additional grant will be released. Interest payable to Northumberland County Council on long term borrowing is done so at a commercial rate.

l) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Deferred tax is provided on Revaluation gains.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

m) Agent/Principal Contractor

Arch (Development Projects) Limited operates as an agent on behalf of Northumberland County Council in delivery of elements of their capital programme, all expenditure and income (with the exception of project management fee) is therefore accounted for on the Balance Sheet, with the variation between amounts drawn down for delivery and actual development costs being held on the balance sheet as a creditor.

n) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equipment instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

o) Cash flow statement

Arch (Corporate Holdings) Limited has taken advantage of an exemption, under FRS102, from the requirement to prepare a cash flow statement. This exemption is available to subsidiary companies where the parent organisation, in this case Northumberland County Council, prepares a consolidated cash flow statement

p) Separate company profit and loss

Exemption from publishing a separate Company profit and loss for the year has been taken under s408 (CA2006). The Company's retained profit for the year was £213,402 (2016 - £196,010).

q) Joint ventures and joint arrangements

The Group entered into two agreements during the previous financial year (2014/15) and one during 2016/17.

A) A Partnership arrangement with the Homes and Communities Agency through Arch (Commercial Enterprise) Limited for the development of Blyth Workspace. The Group entered into a 20 year partnership arrangement with the HCA to develop the Blyth Workspace as a Joint Venture that is not an Entity. In accordance with FRS102 the Group recognises and accounts for its share of the workspace asset and the revenues and costs deriving from it.

B) Creation of a joint venture, Prudhoe Estates LLP, where Arch (Commercial Enterprise) Limited and Northumberland Estates are equal partners undertaking works to develop the plot of land known as Princess Way, low Prudhoe in Prudhoe, Northumberland. In the Group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' losses while the Group's share of the net assets of the associates is shown in the consolidated Balance Sheet.

C) Arch (Development Projects) Limited and Hodgson Newcastle Limited are equal partners undertaking works to develop the plot of land known as Orchard House in Jesmond, Newcastle upon Tyne. Under s400 (1) of the CA2006 the Company has elected not to prepare group financial statements as its results are consolidated into Arch (Development Projects) Limited accounts, accordingly this investment has been accounted for at historic cost. The consolidated profit and loss account includes the Group's share of associates' losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet.

r) Joint arrangement that is not an entity

Arch (Commercial Enterprise) Limited has entered into a 20 year partnership arrangement with the HCA to develop the Blyth Workspace as a Joint Venture that is not an Entity. In accordance with FRS102 Arch (Commercial Enterprise) Limited recognises and accounts for its share of the workspace asset and the revenues and costs deriving from it. Therefore in accordance with FRS102 the funding received from the HCA has been offset against the fixed asset valuation shown within these statements. Arch (Commercial Enterprise) Limited will also account for all early trading losses and subsequent trading gains through its Profit and Loss account. Once the Blyth Workspace starts to show a cumulative surplus only Arch's share will be shown within Arch (Commercial Enterprise) Limited's Profit and Loss accounts profits, with the residual HCA entitlement being set aside as a creditors for repayment at the end of the agreement.

s) Borrowing Cost

The Group raises finance through its commercial loan facility with the Groups ultimate parent company, Northumberland County Council. Interest incurred for this facility is accrued to the Profit and Loss.

t) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the amounts reported for assets and liabilities as at balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

u) Valuation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised through the income statement. The group engaged Bradley Hall to determine fair value at 31 March 2017. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual. The determined fair value of the commercial investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The determined fair value of the residential investment property is most sensitive to the latest market information for similar properties in the same locality.

v) Appraisal of future developments

Management appraise all developments for technical, economic and financial feasibility through an established internal criteria. The appraisal is most sensitive to development construction costs and estimated yield.

w) Revenue recognition

Revenue comprises gross rentals exclusive of VAT. Gross rental income is recognised on a straight line basis over the lease term on an accruals basis. The group records deferred revenue when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognised, which mainly is the timing of when rentals are due.

Development site sales are recognised as follows:

- On sites that are sold outright - when legal completion occurs.
- On sites that are developed under a management agreement with a third party the sales are recognised when a certain milestones are achieved, those being: legal completion has occurred on a per plot basis and the overall development site profit can be reasonably measured.

2 Turnover and Operating Profit

Turnover within the profit and loss account is comprised of a number of distinct trading areas as shown below:-

	Group 2017	Group 2016
	£	£
Residential House Rents	4,342,929	4,122,802
Commercial Properties	4,007	4,315,491
Workspace Properties	11,699,602	826,244
Garage	884,499	76,635
Development project delivery	5,495,966	706,495
Management fee on roll out of superfast broadband	-	273,460
	<u>22,427,003</u>	<u>10,321,127</u>

Overall group operating profit is stated after charging:

	Group 2017	Group 2016
	£	£
Depreciation of owned fixed assets	214,724	146,208
Impairment of fixed assets	1,462,076	5,062,626
Reversal of Historic Impairments	(444,086)	(64,266)
Release and Amortisation of Government Grants	(63,277)	(3,367,144)
Gain on disposal of fixed assets	(484,850)	8,771
Auditor's Remuneration - Tax compliance services	95,795	94,333
Auditor's Remuneration - Audit services	29,500	34,500
	<u>29,500</u>	<u>34,500</u>

3 Directors' Emoluments

The Directors received no remuneration from any of the Group companies (2016 - £nil).

4 Pension Scheme

The Company operates a defined contribution pension scheme for the benefit of all employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

The total contributions paid in the year in respect of the scheme amounted to £288,009 (2016 - £182,253). There were no prepayments or unpaid contributions as at 31st March 2017.

5 Taxation on profit on ordinary activities	Group 2017	Group 2016
<i>Analysis of the tax charge on ordinary activities</i>	£	£
Current tax on profit on ordinary activities:		
In respect of the year:		
United Kingdom corporation tax at 20% (2016: 20%) based on the profit for the year	200,471	106,679
(Over)/under provision in prior year	<u>(351,250)</u>	<u>35,338</u>
	(150,779)	142,017
Group relief	<u>-</u>	<u>-</u>
Total current tax	(150,779)	142,017
Deferred tax:		
Origination and reversal of timing differences	1,281,382	10,990
Deferred Tax on Property Revaluation	-	689,281
Adjustment in respect of previous periods	(456,141)	(25,206)
Effect of changes in tax rates	<u>(230,511)</u>	<u>(11,397)</u>
Total deferred tax	594,730	663,668
Tax on profit on ordinary activities	<u>443,951</u>	<u>805,685</u>

The Finance Act 2013, which provided for a reduction in the main rate of UK corporation tax to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted 2 July 2013.

Factors affecting tax charged for the current period

Profit on ordinary activities before tax	<u>5,963,826</u>	<u>7,051,423</u>
Tax on profit at standard UK rate of 20% (2016: 20%)	1,373,270	1,503,492
Tax on discontinued activities	(434)	-
Expenses not deductible for tax purposes	432,437	1,133,245
Income not taxable for tax purposes	(323,954)	(2,523,366)
Deferred Tax on Property Revaluation	-	689,281
Effect of Gains (inc rollover relief)	-	4,300
Adjustments to tax charge in respect of previous years	<u>(1,037,368)</u>	<u>(1,267)</u>
Tax on profit on ordinary activities	<u>443,951</u>	<u>805,685</u>

6 Tangible Fixed Assets

GROUP	Assets	Investment	Land and	Other plant	Total
	Under	Properties	Buildings	and	
Cost	Construction	2017	2017	machinery	2017
	2017	2017	2017	2017	2017
	£	£	£	£	£
At 1 April 2016	8,413,499	119,420,463	7,004,728	3,070,640	137,909,330
Reclassification	-	(1,866,920)	1,866,920	-	-
Additions	9,520,086	161,932,006	5,164,152	120,439	176,736,683
Disposals	-	(79,400)	(100,000)	-	(179,400)
Revaluation	-	6,475,882	170,317	-	6,646,199
Impairment	-	(1,426,538)	(34,588)	(950)	(1,462,076)
At 31 March 2017	17,933,585	284,455,492	14,071,529	3,190,129	319,650,735
Depreciation					
At 1 April 2016	-	-	290,978	404,650	695,628
Charge for the year	-	-	38,388	176,336	214,724
Disposals	-	-	-	-	-
At 31 March 2017	-	-	329,366	580,986	910,352
Net Book Value					
At 31 March 2017	17,933,585	284,455,492	13,742,163	2,609,142	318,740,383
At 31 March 2016	8,413,499	119,420,463	6,713,750	2,665,990	137,213,702

The Group net book value of assets under construction, investment property, land and buildings is comprised of:

	Group	Group
	2017	2016
	£	£
Investment Properties	284,455,492	119,420,463
Freehold Properties	13,742,163	6,713,750
Assets Under Construction	17,933,585	8,413,499
	316,131,240	134,547,712

The freehold investment properties are valued at investment value on 31 March 2017. The properties were valued by Bradley Hall on the basis of open market value for investment purposes, subject to existing tenancies and leases. We have valued the properties according to their Market Value with vacant possession.

Market Value is defined in the RICS Valuation – Professional Standards January 2014 as “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Bradley Hall did not carry out internal inspections of sample Properties, during 2016/17 due to there being no fundamental changes or capital work carried out, therefore desk top valuations were applied across the Portfolio. Internal inspections were selected based on a sample of Properties in terms of geographical location; age and type.

In arriving at valuations Bradley Hall made the following special assumptions:

- a. That all the houses are freehold.
- b. That all the structural aspects of the properties to be in good repairing condition.
- c. That the properties are free from all structural, latent and other defects.
- d. That the majority of properties are let on Assured Shorthold Tenancies and that none of the tenants have security of tenure.
- e. That all the properties have been valued individually and not as part of a portfolio.

The Commercial Investment properties are held for purposes of leasing to tenants on an operating lease basis. In line with the accounting policy set out in note 1, depreciation is not charged on these assets. The properties are valued on the basis of open market value for investment purposes, subject to existing tenancies and leases. The properties were valued by Bradley Hall and have been undertaken by qualified surveyors and in accordance with the RICS Valuation – Professional Standards January 2014, incorporating the International Valuation Standards 2013.

In respect of certain fixed assets stated at valuations and assets under construction, the comparable historical cost and depreciation values are as follows:

	Group 2017	Group 2016
	£	£
Historical cost		
At 1 April 2016	96,455,055	51,879,654
Cost of assets revalued for the first time in year	25,955,341	44,611,369
Depreciation	-	(35,968)
At 31 March 2017	<u>122,410,395</u>	<u>96,455,055</u>

The investment properties included above are held for the purposes of leasing to tenants on an operating lease basis. In line with the accounting policy set out in note 1 depreciation is not charged on these assets.

	Other plant and machinery	Total
	2017	2017
	£	£
Tangible Fixed Assets		
<u>COMPANY</u>		
<u>Cost</u>		
At 1 April 2016	64,788	64,788
Additions	18,456	18,456
Disposals	-	-
At 31 March 2017	<u>83,244</u>	<u>83,244</u>
<u>Depreciation</u>		
At 1 April 2016	10,124	10,124
Charge for the year	13,667	13,667
Disposals	-	-
At 31 March 2017	<u>23,792</u>	<u>23,792</u>
<u>Net Book Value</u>		
At 31 March 2017	<u>59,453</u>	<u>59,453</u>
At 31 March 2016	<u>54,664</u>	<u>54,664</u>

7 Fixed Asset Investments

Share in joint venture	Group 2017 £	Group 2016 £
At 1 April 2016	908,163	909,871
Working capital movements	(7,539)	(1,708)
Additions	1,150,000	-
At 31 March 2017	2,050,624	908,163

Subsidiary Undertaking	Arch (Housing) Limited £	Arch (Commercial Enterprise) Limited £	Arch (Develop- ment Projects) Limited £	Arch (Financial Services) Limited £	C/fwd £
At 1 April 2016	600,201	2,740,301	100	100	3,340,702
Investments 2016/17	-	25	-	-	25
At 31 March 2017	600,201	2,740,326	100	100	3,340,727

Subsidiary Undertaking	B/fwd £	Arch (DigEco) Limited £	Northern Coalfields Property Company £	Wansbeck Life £	Total £
At 1 April 2016	3,340,702	100	100	100	3,341,002
Investments 2016/17	25	-	-	-	25
At 31 March 2017	3,340,727	100	100	100	3,341,027

The company holds 100% investment in the following companies incorporated in England:

Subsidiary undertakings	Principal Activity	Trading Position	Class
Arch (Housing) Limited	The provision of rented residential accommodation in South East Northumberland	Trading	Ordinary
Arch (Development Projects) Limited	The provision of project management services in connection with capital developments undertaken by the Arch Group and Northumberland County Council.	Trading	Ordinary
Arch (Commercial Enterprise) Limited	To provide land, commercial accommodation and services to the Community and Businesses.	Trading	Ordinary and Voting
Arch (DigEco) Limited	The delivery of digital business support programme and the development of community digital champions.	Dormant	Ordinary
Arch (Financial Services) Limited	The collection of historical loan repayments which were previously granted by Northumberland County Council.	Trading	Ordinary
Wansbeck Life	Not Applicable	Dormant	Ordinary
Northern Coalfields Property Company	Not Applicable	Dormant	Ordinary

The company holds 50% investment in the following Joint ventures through its subsidiary companies:

Prudhoe Estates LLP	Property Development Company	Trading	Ordinary
SLJH Ltd	Property Development Company	Trading	Ordinary

8 Debtors	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade Debtors	2,920,745	519,494	28,095	9,529
Corporation tax	220,043	-	219,825	-
Amounts Owed from Group undertakings	-	-	112,311	242,313
Amounts Owed from Group undertakings - Group Relief	146,858	-	146,448	-
Amounts Owed from Ultimate Parent Company	52,274	30,246	-	-
VAT Debtor	475,926	345,067	7,171	2,388
Other Debtors	704,163	122,239	22,478	9,132
	<u>4,520,009</u>	<u>1,017,046</u>	<u>536,328</u>	<u>263,362</u>

9 Creditors: amounts falling due within one year	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	301,308	297,899	-	-
Trade creditors	396,066	233,321	23,562	13,429
Corporation tax creditor	(150,431)	73,098	-	-
VAT Creditor	463,149	52,564	-	-
Amounts owed to related party	-	-	1,857	500
Amount owed to Ultimate Parent Company	730,204	322,048	20,000	-
Other Creditors	2,341,979	3,202,861	-	12,191
Provision for future Costs	297,740	119,682	-	-
Amounts owed to group undertakings - Group Relief	326,012	-	-	-
Accruals and deferred income	6,439,423	2,286,367	162,006	144,202
	<u>11,145,450</u>	<u>6,587,840</u>	<u>207,425</u>	<u>170,322</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

Bank Loans	<u>301,308</u>	<u>297,899</u>	<u>-</u>	<u>-</u>
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Bank loans falling due within one year relate to commercial mortgages provided by Northern Rock Asset management which attract a variable rate of interest calculated in reference to LIBOR.

10 Creditors: Amounts Falling Due After More Than One Year

	Group 2017	Group 2016
	£	£
Bank loans and overdrafts	1,716,225	2,021,345
Amounts owed to related party	246,081,289	70,089,701
	<u>247,797,514</u>	<u>72,111,046</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group 2017	Group 2016
	£	£
Bank loans and overdraft	<u>247,797,514</u>	<u>72,111,046</u>

Included within creditors falling due after more than one year is an amount of £992,474 (2016 - £960,106) Northern Rock Asset Management (NRAM), £246,081,290 (2016 - £69,791,802) of the total outstanding is in relation to related party (Northumberland County Council) in respect of liabilities which fall due for payment after more than five years from the Balance Sheet date.

Total Interest payable on bank loans and overdrafts amounted to £8,336,087 during 2016/17 (2016 - £3,261,282), of which £8,301,772 was accounted for in relation to Northumberland County Council through its long term borrowing facility (2016 - £3,167,019).

Borrowings are repayable as follows:

Bank Loans and Overdrafts

	Group 2017	Group 2016
	£	£
Between one and two years	332,843	309,335
Between two and five years	992,474	960,106
After five years	390,909	70,841,605
	<u>1,716,226</u>	<u>72,111,046</u>
Within one year	301,308	297,899
	<u>2,017,534</u>	<u>72,408,945</u>

11 Deferred Income

	Group 2017	Group 2016
	£	£
Received and receivable		
At 1 April 2016	7,606,599	7,329,273
Receivable during the year	1,542,421	277,326
At 31 March 2017	<u>9,149,020</u>	<u>7,606,599</u>
Amortisation		
At 1 April 2016	5,476,425	2,109,281
Credit to profit and loss account	63,277	3,367,144
At 31 March 2017	<u>5,539,702</u>	<u>5,476,425</u>
Net balance at 31 March 2017	<u>3,609,318</u>	<u>2,130,174</u>

12 Deferred Taxation	Group	Group
The movement in the deferred taxation provision during the year was:	2017	2016
	£	£
Provision brought forward	8,684,245	8,020,574
Deferred Tax on Property Revaluation	607,420	689,281
Adjustment in respect of previous years	(12,690)	(25,206)
Profit and loss account movement arising during the year	-	(404)
Provision carried forward	<u>9,278,975</u>	<u>8,684,245</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	Group	Group
	2017	2016
	£	£
Fixed Asset Timing Differences	9,445,037	8,816,745
Short Term Timing Differences	(134,916)	(80,082)
Deferred Tax not provided	-	(37,440)
Non trading timing differences	(17,000)	-
Losses	(14,146)	(14,978)
Provision carried forward	<u>9,278,975</u>	<u>8,684,245</u>

13 Work in Progress

Work in progress is accounted for at cost and amounts to ongoing residential and commercial development schemes and Ascent Homes new builds of £17,933,585 (2016 - £8,413,499).

14 Capital Commitments

Capital commitments on schemes being delivered on behalf of Northumberland County Council exist at the Balance Sheet date in relation to the following schemes at the Balance Sheet date:-

Ashington Community Leisure Facility £234,345 ((2016: £298,898 (full contract costs of £16,450,646, in relation to project delivered on behalf of Northumberland County Council, funding also drawn down from Northumberland County Council))

15 Related Party Transactions

The Directors have identified the following related parties by virtue of investment;

Related Party

Northumberland County Council	Immediate and Ultimate Controlling Party
Homes for Northumberland	Subsidiary of Northumberland County Council
Active Northumberland	Jaqui Kell being a Board Member of Active Northumberland and an Operational Director of Arch (Corporate Holdings) Limited.
Ashington Community Football Club	Peter Moran and Peter McIntyre being a Board Member of Ashington Community Football Club and Arch (Corporate Holdings) Limited.
Arch (Housing) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (Financial Services) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (Development Projects) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (Commercial Enterprise) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (DigEco) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Prudhoe Estates LLP	Subsidiary of Arch (Commercial Enterprise) Limited (50% ownership)
Wansbeck Life Limited	Subsidiary of Arch (Corporate Holdings) Limited
Northern Coalfields Property Company Limited	Subsidiary of Arch (Corporate Holdings) Limited
Mobile Colors Limited	Investment in company held by Arch (Commercial Enterprise) Limited
Enventiv Limited	Investment in company held by Arch (Commercial Enterprise) Limited
SLJH Limited	Subsidiary of Arch (Development Projects) Limited (50% ownership)

During the year the company had the following arms length transactions with related parties.

During the year payments of £9,422,893 (2016 - £4,302,210) were made to Northumberland County Council in respect of Loan Interest, Non Domestic Rates, Council Tax, Planning Applications, Section 278 agreements and other services.

As at 31 March 2016 the Group owed £730,204 (2016 - £322,048) to Northumberland County Council (the ultimate holding company) primarily in respect of Interest due on commercial loan facility, whilst Northumberland County Council owed the Group £52,274 (2016 - £30,246).

Accumulative Funding of £31,909,746 (2012 - £129,184, 2013: £2,690,107, 2014 - £6,679,297, 2015 - £10,742,447, 2016 - £8,985,216, 2017 - £2,683,495) was provided by Northumberland County Council to provide working capital towards their capital programme schemes.

Arch (Development Projects) Limited acts as an agent on behalf Northumberland County Council in this respect. At 31 March 2017 £31,787,541 (2012 - £12,305, 2013 - £2,382,380, 2014 - £6,859,505, 2015 - £11,340,974, 2016 - £8,593,232, 2017 - £2,599,145) had been used to fund the capital programme and the remaining £122,205 (2014 - £244,398, 2015 - £1,327,819, 2016 - £530,541) has been carried forward as a short term creditor and will be used in subsequent periods to fund development activity performed by the Company on behalf of Northumberland County Council.

Arch (Corporate Holdings) Limited financial statements represent the consolidated position of the Arch Group (see note 7), in turn Arch (Corporate Holdings) Limited is a fully owned subsidiary of Northumberland County Council and is therefore consolidated in the Whole of Government financial statements.

During the year the Group accounted for a £1m Charitable Contribution to Active Northumberland.

Arch (Corporate Holdings) Limited accounted for £0 payment of a Charitable Contribution to Active Northumberland.

During the year the Group made payments to Ashington Community Football Club of £16,131

Arch (Corporate Holdings) Limited made payments of £5,310 to Ashington Community Football Club.

Northumberland County Council is the immediate and ultimate controlling party. Northumberland County Council, a local authority statutorily constituted in England, prepared consolidated Group financial statements which can be obtained by application to Northumberland County Council, County Hall, Morpeth, Northumberland, NE61 2FF.

16 Operating Leases

The following is a schedule of the minimum future rentals in relation to operational leases as at 31 March 2017.

	Group 2017	Group 2016
	£	£
Expiry Date		
Within one year	2,280	4,140
Within two to five years	4,979	9,063
Total	<u><u>7,259</u></u>	<u><u>13,203</u></u>

17 Called up share capital

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Authorised				
3,340,127 ordinary £1 shares	<u>3,340,127</u>	<u>3,340,102</u>	<u>3,340,127</u>	<u>3,340,102</u>
	<u><u>3,340,127</u></u>	<u><u>3,340,102</u></u>	<u><u>3,340,127</u></u>	<u><u>3,340,102</u></u>
Alotted, called up and fully paid				
3,340,127 ordinary £1 shares	<u>3,340,127</u>	<u>3,340,102</u>	<u>3,340,127</u>	<u>3,340,102</u>
Ordinary £1 shares	<u><u>3,340,127</u></u>	<u><u>3,340,102</u></u>	<u><u>3,340,127</u></u>	<u><u>3,340,102</u></u>

18 Staff Number and Costs

The Average monthly number of employees (including executive directors) was:

	Group 2017	Group 2016
	£	£
Average Employee Numbers	113	74

Their aggregate remuneration comprised:

Wages, Salaries and Allowances	2,995,888	2,373,157
Social Security Costs	577,793	248,384
Pension Costs	272,214	182,253
Total	<u>3,845,895</u>	<u>2,803,794</u>

19 Profit and loss account

	2017	2016
	£	£
Gross Revaluation	13,256,353	47,676,039
Deferred Tax on Property Revaluation	9,278,975	(8,581,687)
Profit and Loss Reserve	27,176,128	5,097,229
At 31 March 2017	<u>49,711,456</u>	<u>44,191,581</u>