

Registered number  
07497567

**ARCH (DEVELOPMENT PROJECTS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**Arch (Development Projects) Limited**  
**Annual Report and Financial Statements**  
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**Arch (Development Projects) Limited  
Officers and Professional Advisors**

**Directors**

Mr J S Reid  
Mr P A Jackson  
Mr J G Davey  
Mr B Manning  
Mr C M Sayers  
Mr D Ledger  
Mr A Hepple  
Ms G M Hall  
Mr G Webb  
Mr P J Moran

**Company Secretary**

Eversecretary Limited  
Evershed House  
70 Great Bridgewater Street  
Manchester  
United Kingdom  
NE63 9JZ

**Registered Office**

Wanbeck Workspace  
Rotary Parkway  
Ashington  
Northumberland  
United Kingdom  
NE63 8QZ

**Bankers**

Cooperative Bank  
Norfolk House  
84/86 Grey Street  
Newcastle upon Tyne  
NE1 6BZ

**Auditor**

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

**Arch (Development Projects) Limited**

**Registered number: 07497567**

**Directors' Report**

**for the year ended 31 March 2016**

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 2016.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

**Principal Activities**

The principal activities of the Company during 2015/16 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 Ascent Homes will provide new homes for sale throughout Northumberland.

**Results and Dividends**

The results of the Company for the year are set out in detail on page 9. The Directors proposed a dividend of £100,000 however it was determined, due to potential budget pressures, that this should not be paid for the financial year ended 31 March 2016 (2015: £20,000).

**Directors**

The following persons served as Directors during the year:

Mr J S Reid  
Mr P A Jackson  
Mr J G Davey  
Mr B Manning  
Mr C M Sayers  
Mr D Ledger  
Mr A Hepple  
Ms G M Hall  
Mr G Webb  
Mr P J Moran

No Director has an interest in either the ordinary or voting share capital of the Company. All Directors during the period were insured under Zurich Municipal Trustee and Trust Fund Indemnity Policy, which was obtained through the Groups ultimate shareholder Northumberland County Council.

**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.

**Provision of Information to Auditors**

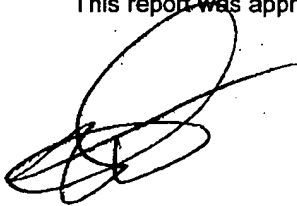
Each of the persons who is a Director at the date of approval of this report confirms that:

- 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 14 DEC 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Ledger', written over a horizontal line.

D Ledger  
Director

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

**Arch (Development Projects) Limited  
Strategic Report  
for the year ended 31 March 2016**

**Strategy and Objectives**

Arch (Development Projects) Limited is part of the Arch Group of companies, it is fully owned by Arch (Corporate Holdings) Limited "the Northumberland Development Company". The Arch Group's overall aim is to drive economic benefit for businesses and the people in Northumberland.

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 the Arch Group as an arms-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 principal activities of the Company during 2015/16 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.

**Business Model**

Arch (Development Projects) Limited financial model from 2014/15 onwards were based on transforming the Company from a cost recovery position to a fully-fledged operational development company.

In the past Arch (Development Projects) Limited has been budgeted to simply recharge project delivery costs based on costs incurred without having any regard to profit margins however, in order for it to act as a true development company in accordance with the corporate strategy, the Company now applies a management fee percentage to the schemes it delivers and this will be incorporated into all subsequent feasibility studies.

For the purpose of the medium term financial plan covering 2016/17 and 2017/18 this has been based on between 3% and 5%, however each scheme will be assessed on its merit and this management fee will be amended to reflect the nature and complexity of delivery. As a result of this change in methodology income levels will flex depending on the pipeline of development projects being delivered. Based on current approved projects and known pipeline projects highlighted within the Arch "forward look" and in Northumberland County Council's indicative capital programme income levels will be as follows:-

- 2016/17 Estimated at £1,431,216
- 2017/18 Estimates £775,000

In addition our house building arm, Ascent Homes, is expected to provide house sales revenue of:-

- 2016/17 Estimated at £639,077
- 2017/18 Estimates £1,764,923

It is anticipated that Arch (Development Projects) Limited, will be in a position to pay dividends into Arch (Corporate Holdings) Limited during 2016/17 of £100,000 (2017/18 indicative £480,000) which will be used towards the wider strategic objectives of the Arch Group.

In addition to the above we expect to be able to make a charitable contribution of £550,000 in 2016/17 and £550,000 in 2017/18 based on indicative estimates.

It is worth noting that in the passing of time income levels within 2016/17 are likely to increase further as new projects progress and receive formal approval.

#### **Review of the Company's Business during 2015/16**

2015/16 has once again seen a period of significant growth, both within our development management activities and the construction of new homes for sale through Ascent Homes. Work in progress levels have increased from £962,336 to £8,413,499 (of which £4,034,187 relates to Ascent Homes), a breakdown of the level of activity during 2015/16 can be found in note 11.

The key developments in the year were:-

- Completion of the Ashington Leisure Facility, which was open to the public in January 2016.
- Completion of Ashington Football Club's stand, changing facilities and bar area completed in March 2016 on behalf of Arch (Commercial Enterprise) Limited.
- Work has commenced on the development of Ashington North East Quarter (Portland Park) on behalf of Northumberland County Council. This will provide a renewed infrastructure network and a new Head Quarters building for Northumberland County Council.
- The development of Ashington and Cramlington Network Centres for Commercial businesses on behalf of Arch (Commercial Enterprise) Limited.
- Site investigation works also continue on the East Sleekburn Enterprise Zone site.
- Work has begun 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:
  - Newbiggin - Former Windsor First School - Delivering 24 new homes for sale
  - Blyth - Venture Workshops - Delivering 39 new homes for sale and rent
  - Alnwick - Former Maltings Building - Delivering 33 luxury apartments for sale

#### **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 1st March 2016 identified four risks attached directly to Arch (Development Projects) Limited as shown below:-

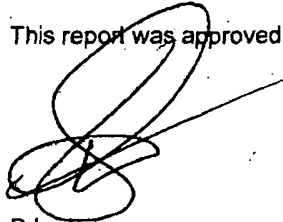
- Arch (Development Projects) Limited is moving towards a true development company model with income driven from projects delivered. If the pipeline of projects are not progressed and approved in a timely manner the level of management fee claimable will reduce and force financial pressures firstly onto 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 Arch Group to achieve strategic objectives. This is a financial risk to Arch (Developments Projects) Limited.
- A land owner has died suddenly prior to exchange of contracts, as a consequence the site assembly process within Ashington North East Quarter will be delayed by probate and contestation of "will" which could take up to twelve months to resolve. (Reputational Risk of non-delivery only).
- Blyth East Sleekburn EZ: Acquisition of land from RWE delayed (reputation risk of non-delivery only).

**Going Concern**

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the Financial Statements.

Further details regarding the adoption of the going concern basis can be found in the note 1 to the Financial Statements.

This report was approved by the Board on 14 DEC 2016 and signed on its behalf by:



D Ledger  
Director

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



**Arch (Development Projects) 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 group and the Company and of the profit or loss of the group for that period. In preparing those 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 (Development Projects) Limited**

### **Independent Auditor's report**

We have audited the financial statements of Arch (Development Projects) Limited for the year ended 31 March 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. 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.

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 page 7, 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 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 company's affairs as at 31 March 2016 and of its 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.

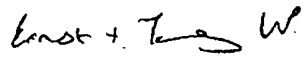
#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion 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.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report.

  
**Caroline Mulley (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Newcastle upon Tyne  
15 December 2016

**Arch (Development Projects) Limited**  
**Profit & Loss**  
**for the year ended 31 March 2016**

	Notes	2016 £	2015 £
Revenue		3,244,459	8,045,626
Cost of sales		<u>(2,693,560)</u>	<u>(7,727,886)</u>
Gross Profit		550,899	317,740
Administrative expenses		<u>(373,930)</u>	<u>(295,491)</u>
Operating Profit	2	176,969	22,249
Interest receivable and similar income		51	149
Interest payable and similar charges		<u>(123,849)</u>	<u>(53,129)</u>
Profit/(Loss) on ordinary activities before taxation		53,171	(30,731)
Taxation on profit/(loss) on ordinary activities	3	7,898	14,008
Profit/(Loss) for the financial year		<u>61,069</u>	<u>(16,723)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>61,069</u>	<u>(16,723)</u>

**Continuing operations**

None of the Company's activities were acquired or discontinued during the above two financial years.

**Arch (Development Projects) Limited**  
**Registered number: 07497567**  
**Balance Sheet**  
**as at 31 March 2016**

	Notes	2016 £	2015 £
<b>Fixed Assets</b>			
Tangible assets	13	<u>2,071,241</u>	<u>2,161,548</u>
		2,071,241	2,161,548
<b>Current assets</b>			
Debtors	4	615,048	1,196,078
Work in progress	11	8,413,499	962,336
Cash at bank and in hand		<u>801,153</u>	<u>1,004,708</u>
		9,829,700	3,163,122
<b>Creditors: amounts falling due within one year</b>	5	<u>(3,729,525)</u>	<u>(2,231,304)</u>
<b>Total assets less current liabilities</b>		8,171,416	3,093,366
<b>Creditors: amounts falling due after one year</b>			
Long Term Borrowings	14	<u>(7,907,771)</u>	<u>(2,899,784)</u>
		(7,907,771)	(2,899,784)
<b>Provision for liabilities and charges</b>			
Deferred taxation	15	<u>(168,810)</u>	<u>(159,816)</u>
		(168,810)	(159,816)
<b>Net assets</b>		<u>94,835</u>	<u>33,766</u>
<b>Capital and reserves</b>			
Called up share capital	7	100	100
Profit and loss account	8	94,735	33,666
<b>Shareholders' funds</b>		<u>94,835</u>	<u>33,766</u>

These Financial Statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Financial Statements of Arch (Development Projects) Limited were approved by the Board of Directors and authorised for issue on 14 Dec 2016. they were signed on it's behalf by:

  
D. Ledger  
Director

**Arch (Development Projects) Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 March 2016**

	Called up share capital	Profit and loss account	Total
	£	£	£
At 31 March 2014 as previously stated	100	74,710	74,810
Changes on transaction to FRS 102	-	(4,321)	(4,321)
At 1 April 2014 as restated	100	70,389	70,489
Profit/(Loss) for the financial year	-	(16,723)	(16,723)
Dividend paid during 2015/16	-	(20,000)	(20,000)
At 1 April 2015	100	33,666	33,766
Issue of ordinary shares	-	-	-
Profit for the year	-	61,069	61,069
Dividend	-	-	-
At 31 March 2016	100	94,735	94,835

**Arch (Development Projects) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2016**

**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 (Development Projects) 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 2016.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 16.

**b) Basis of preparation**

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 prior year Financial Statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 16.

The functional currency of Arch (Development Projects) 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 (Development Projects) 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) Turnover**

There are two main sources of turnover; the undertaking of project development work on behalf of Northumberland County Council (the ultimate parent company) along with development projects for Arch (Housing) Limited and Arch (Commercial enterprise) Limited and additionally as we move through 2016/17 turnover will increase via the introduction of houses for sale through Ascent Homes.

**d) Deferred Income**

Income is deferred where performance conditions, which have not yet been met, are attached to income received. As performance conditions are met the income will be released to match the assessed degree of compliance.

**e) Going Concern**

The Directors anticipate that, for the foreseeable future, the principal client will be Northumberland County Council and other companies within the Arch Group. Based upon the scale of the capital programme of both the Council and the Arch Group with the addition of houses for sale through Ascent Homes brand the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

#### **f) 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 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.

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 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.

#### **g) 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.

**h) Work In Progress**

Work in progress is accounted for at cost and amounts to ongoing residential/commercial development schemes and Ascent Homes new builds.

**i) Fixed Assets**

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a straight line basis over its expected life as follows:-

Other Plant and Machinery - 20 years/5%.

No depreciation is provided in the first year of acquisition.

**j) Benefits Payable during Employment (Staff Costs and Pensions)**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, National Insurance, Pension contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year.

**k) 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.

**l) Borrowing Costs**

The Company raises finance through its commercial loan facility with the Groups Ultimate Parent Company Northumberland County Council. Interest incurred for this facility with regards to fixed assets is accrued to the Profit & Loss and interest incurred for this facility with regards to current work in progress is accrued to the project cost.

**2 Operating Profit**

Operating Profit of £176,969 (2015: £22,249) is stated after charging:-

Auditor's Remuneration - Audit services

2016	2015
£	£
4,280	4,280
<u>4,280</u>	<u>4,280</u>



<b>3 Taxation on profit/(loss) on ordinary activities</b>	<b>2016</b>	<b>2015</b>
<i>Analysis of the tax charge on ordinary activities</i>	<b>£</b>	<b>£</b>
<b>Current tax on profit/(loss) on ordinary activities:</b>		
In respect of the year:		
United Kingdom corporation tax at 20.25% (2015: 20%) based on the profit for the year	(16,892)	(173,824)
Over/(under) provision in prior year	<u>(16,892)</u>	<u>(173,824)</u>
Group relief	-	-
<b>Total current tax</b>	<b>(16,892)</b>	<b>(173,824)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences (note 15)	27,750	167,807
Adjustment in respect of previous periods	-	-
Effect of changes in tax rates	(18,756)	(7,991)
Capital allowances	-	-
<b>Tax on profit on ordinary activities</b>	<b><u>(7,898)</u></b>	<b><u>(14,008)</u></b>
The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly 20% has been applied when calculating (un-recognised) deferred tax assets and liabilities as at 31 March 2015.		
<b>Factors affecting tax charged for the current period</b>		
Profit/(Loss) on ordinary activities before tax	<u>53,171</u>	<u>(30,731)</u>
Tax on profit/(loss) at standard UK rate of 20.25% (2015: 20%)	10,634	(6,146)
Expenses not deductible for tax purposes	224	-
Adjustments to tax charge in respect of previous periods	-	-
Effect of Changes of Tax Rates	(18,756)	(7,862)
<b>Tax on profit on ordinary activities</b>	<b><u>(7,898)</u></b>	<b><u>(14,008)</u></b>
<b>4 Debtors</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade Debtors	2,068	-
Amounts due to other group companies	240,594	478,034
Amounts owed from Ultimate Parent	15,532	18,091
VAT	342,679	399,931
Other Debtors	-	300,022
Accrued Income	14,175	-
	<b><u>615,048</u></b>	<b><u>1,196,078</u></b>
<b>5 Creditors: amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors	116,521	13,140
Accruals and deferred income	1,191,260	660,115
Other creditors	1,926,212	1,463,447
Amounts due from other group companies	457,335	71,190
Amounts owed to Ultimate Parent	37,697	23,412
Prepaid Deposits	500	-
	<b><u>3,729,525</u></b>	<b><u>2,231,304</u></b>

## 6 Related Party Transactions

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

Party	Ultimate Controlling Party
Northumberland County Council	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 being a Board Member of Ashington Community Football Club and Arch (Corporate Holdings) Limited
Arch (Corporate Holdings) Limited	Parent Company and subsidiary of Northumberland County Council
Arch (Financial Services) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (DigEco) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (Housing) Limited	Subsidiary of Arch (Corporate Holdings) Limited
Arch (Commercial Enterprise) 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 Wansbeck Life Limited
Enventiv Limited	Investment in company held by Wansbeck Life Limited

The Company's immediate parent company is Arch (Corporate Holdings) Limited. Northumberland County Council is the ultimate controlling party by virtue of its shareholding in Arch (Corporate Holdings) Limited. Northumberland County Council, a local authority statutorily constituted in England, prepared consolidated group accounts which can be obtained by application to Northumberland County Council, County Hall, Morpeth, Northumberland, NE61 2FF.

During the year the Company had the following transactions with other group companies:

Accumulative Funding of £29,718,937 (2012 - £129,184, 2013: £2,690,107, 2014 - £6,679,297, 2015 - £10,742,447, 2016 - £9,477,902) 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 2016 £29,188,396 (2012 - £12,305, 2013 - £2,382,380, 2014 - £6,859,506, 2015 - £11,340,974, 2016 - £8,593,232) had been used to fund the capital programme and the remaining £530,541 (2014 - £244,398, 2015 - £1,327,819) 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.

During the year payments of £452,615 (2015 - £171,479) were made to Northumberland County Council in respect of Planning Applications, Building Regulation fees, Section 278 agreements, Insurance, loan interest and other services.

Arch (Development Projects) Limited was owed £240,594 (2015 - £478,034) from other group companies whilst the Ultimate Parent owed £15,532 (2015 - £18,091), in addition the company owed £457,335 (2015 - £71,190) to other group companies and £37,697 (2015 - £23,412) to the Ultimate Parent.

Arch (Development Projects) Limited, is part of the Arch Group and therefore is consolidated in the Group accounts of Arch (Corporate Holdings) Limited (the smallest group of which it is a member), in turn Arch (Corporate Holdings) Limited is a fully owned subsidiary of Northumberland County Council and is therefore consolidated in the Whole of Government Accounts (the largest group of which it is a member).

<b>7 Called up share capital</b>	<b>Nominal value</b>	<b>2016 Number</b>	<b>2016 £</b>	<b>2015 £</b>
Allotted, called up and fully paid:				
Ordinary shares	£1 each	100	100	100
			<u>100</u>	<u>100</u>
 <b>8 Profit and loss account</b>			<b>2016 £</b>	<b>2015 £</b>
At 1 April 2015			33,666	70,389
Profit/(Loss) for the financial year			61,069	(16,723)
Dividend paid during 2015/16			-	(20,000)
At 31 March 2016			<u>94,735</u>	<u>33,666</u>

**9 Dividends paid and proposed**

The Directors proposed a dividend of £100,000 however it was determined, due to potential budget pressures, that this should not be paid for the financial year ended 31 March 2016 (2015: £20,000).

**10 Directors' Emoluments**

The Directors received no remuneration in the year (2015: £Nil).

## 11 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 as follows:-

<u>Scheme</u>	<u>On Behalf of:</u>	<b>2016</b> £	<b>2015</b> £
• Seaton Delaval	Arch (Housing)	-	910,970
• Berwick Walkergate	Arch (Commercial Enterprise)	253,846	-
• Newbiggin Library	Arch (Commercial Enterprise)	228,480	51,366
• Wansbeck Network Centre	Arch (Commercial Enterprise)	562,178	-
• Commissioners Quay Hotel	Arch (Commercial Enterprise)	2,582,779	-
• Nelson Park Network Centre	Arch (Commercial Enterprise)	604,115	-
• Bedlington Town Centre	Arch (Commercial Enterprise)	55,190	-
• Newbiggin Housing Scheme	Ascent Homes	1,221,154	-
• Venture Workshops	Ascent Homes	605,436	-
• Blyth - Bebside	Ascent Homes	775,176	-
• Commissioners Quay	Ascent Homes	258,029	-
• Newcastle - Orchard House	Ascent Homes	12,953	-
• Alnwick - The Maltings	Ascent Homes	873,731	-
• Bedlington - Old School Site	Ascent Homes	262,711	-
• Alnwick - Allernburn House	Ascent Homes	24,997	-
• Cramlington - St Pauls School	Feasibility & Development	31,940	-
• Former RWE Site (Blyth)	Feasibility & Development	38,499	-
• Amble	Feasibility & Development	15,436	-
• Moorside - Newbiggin	Feasibility & Development	6,450	-
• Newsham Blyth - Resi	Feasibility & Development	400	-
		<b>8,413,499</b>	<b>962,336</b>

Work in progress is accounted for at cost and amounts to ongoing commercial development schemes and Ascent Homes new builds.

## 12 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 £298,898 ((2015 - £8,022,751 (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))

### 13 Tangible Fixed Assets

	Other plant and machinery 2016 £	Total 2016 £
<b>Cost</b>		
At 1 April 2015	2,161,548	2,161,548
Additions	19,739	19,739
Disposals	-	-
<b>At 31 March 2016</b>	<b>2,181,287</b>	<b>2,181,287</b>
<b>Depreciation</b>		
At 1 April 2015	-	-
Charge for the year	(110,046)	(110,046)
Disposals	-	-
<b>At 31 March 2016</b>	<b>(110,046)</b>	<b>(110,046)</b>
<b>Net Book Value</b>		
<b>At 31 March 2016</b>	<b>2,071,241</b>	<b>2,071,241</b>
At 31 March 2015	2,161,548	2,161,548

### 14 Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Long Term Borrowings	7,907,771	2,899,784
	<b>7,907,771</b>	<b>2,899,784</b>

Long Term Creditors owed to Group undertakings are payable with a 40 year maturity period from the date of drawdown. The level of borrowings are likely to fluctuate as projects are completed and transferred to other group companies as well as new homes sold to customers through Ascent Homes.

### 15 Deferred Taxation

	2016 £	2015 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	159,816	-
Profit and loss account movement during the year	8,994	159,816
Provision carried forward	<b>168,810</b>	<b>159,816</b>

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

Accelerated capital Allowances	168,810	159,816
Losses	-	-
Provision carried forward	<b>168,810</b>	<b>159,816</b>

## 16 Transition to FRS102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014.

The impact from the transition to FRS 102 is as follows:-

### Balance Sheet movement for 2013/14

	Balance as at 31/03/2014	Accumula- ted Absence	Change in format	Re-stated Balance as at 01/04/2014
<b>Fixed Assets</b>				
Tangible fixed assets	-	-	-	-
<b>Current assets</b>				
Debtors	503,705	-	-	503,705
Work in progress	67,577	-	-	67,577
Cash at bank and in hand	520,252	-	-	520,252
<b>Creditors: amounts falling due within one year</b>	(1,016,724)	(4,321)	-	(1,021,045)
<b>Total assets less current liabilities</b>	<b>74,810</b>	<b>(4,321)</b>	<b>-</b>	<b>70,489</b>
<b>Creditors: amounts falling due after more than one year</b>	-	-	-	-
Deferred taxation	-	-	-	-
<b>Net Assets</b>	<b>74,810</b>	<b>(4,321)</b>	<b>-</b>	<b>70,489</b>
<b>Capital and reserves</b>				
Called up share capital	100	-	-	100
Profit and Loss account	74,710	(4,321)	-	70,389
<b>Shareholders' funds</b>	<b>74,810</b>	<b>(4,321)</b>	<b>-</b>	<b>70,489</b>

### Balance Sheet movement for 2014/15

	Balance as at 31/03/2015	Accumula- ted Absence	Change in format	Re-stated Balance as at 01/04/2015
<b>Fixed Assets</b>				
Tangible fixed assets	2,161,548	-	-	2,161,548
<b>Current assets</b>				
Debtors	1,196,078	-	-	1,196,078
Prepayments	962,336	-	-	962,336
Cash at bank and in hand	1,004,708	-	-	1,004,708
<b>Creditors: amounts falling due within one year</b>	(2,225,206)	(6,098)	-	(2,231,304)
<b>Total assets less current liabilities</b>	<b>3,099,464</b>	<b>(6,098)</b>	<b>-</b>	<b>3,093,366</b>
<b>Creditors: amounts falling due after more than one year</b>	(2,899,784)	-	-	(2,899,784)
Deferred taxation	(159,816)	-	-	(159,816)
<b>Net Assets</b>	<b>39,864</b>	<b>(6,098)</b>	<b>-</b>	<b>33,766</b>
<b>Capital and reserves</b>				
Called up share capital	100	-	-	100
Profit and Loss account	39,764	(6,098)	-	33,666
<b>Shareholders' funds</b>	<b>39,864</b>	<b>(6,098)</b>	<b>-</b>	<b>33,766</b>

### Profit and Loss movement for 2013/14

	Previously reported Profit and Loss 31/03/2014	Accumula- ted Absences	Change in format	Re-stated Profit and Loss at 01/04/2014
Turnover	1,469,788	-	-	1,469,788
Cost of Sales	(1,140,335)	(4,321)	-	(1,144,656)
<b>Gross Profit</b>	<b>329,453</b>	<b>(4,321)</b>	<b>-</b>	<b>325,132</b>
Administrative expenses	(237,086)	-	-	(237,086)
<b>Operating profit</b>	<b>92,367</b>	<b>(4,321)</b>	<b>-</b>	<b>88,046</b>
Interest receivable	433	-	-	433
Interest payable	(84)	-	-	(84)
<b>Operating profit</b>	<b>92,716</b>	<b>(4,321)</b>	<b>-</b>	<b>88,395</b>
Tax on profit on ordinary activities	(18,543)	-	-	(18,543)
<b>Total Comprehensive Income</b>	<b>74,173</b>	<b>(4,321)</b>	<b>-</b>	<b>69,852</b>

**Profit and Loss movement for 2014/15**

	Previously reported Profit and Loss 31/03/2015	Accumula- ted Absences	Change in format	Re-stated Profit and Loss at 01/04/2015
Turnover	8,045,626	-	-	8,045,626
Cost of Sales	(7,727,886)	-	-	(7,727,886)
<b>Gross Profit</b>	<b>317,740</b>	<b>-</b>	<b>-</b>	<b>317,740</b>
Administrative expenses	(293,714)	(1,777)	-	(295,491)
<b>Operating profit</b>	<b>24,026</b>	<b>(1,777)</b>	<b>-</b>	<b>22,249</b>
Interest receivable	149	-	-	149
Interest payable	(53,129)	-	-	(53,129)
<b>Operating profit</b>	<b>(28,954)</b>	<b>(1,777)</b>	<b>-</b>	<b>(30,731)</b>
Tax on profit on ordinary activities	14,008	-	-	14,008
<b>Total Comprehensive Income</b>	<b>(14,946)</b>	<b>(1,777)</b>	<b>-</b>	<b>(16,723)</b>

**Holiday pay accrual**

Under previous UK GAAP, the company accrued for holiday pay where this was expected to be paid as a cash sum where the employee was entitled to carry forward holidays earned indefinitely. However, the company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the Company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the Balance Sheet. The impact is to increase holiday pay accrued by £4,321 and £6,098 at 1 April 2014 and 31 March 2015 respectively.