

Registered Number 5607342

Northern Arc Limited
Annual Report and Financial Statements
for the year ended 31 March 2009



Northern Arc Limited

Financial statements for the year ended 31 March 2009

Contents

Directors and advisers	3
Directors' report	4
Independent Auditors' report to the members	7
Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Accounting policies	12
Notes to the financial statements.....	14

Northern Arc Limited

Directors and advisers for the year ended 31 March 2009

Directors

N Alberry (Chairman)
P M Smith (Managing Director)
D Milner
M Nicholls
B Phillips
P J Rilett
J C Savage
S Sheather
N J Weaver
J W E Wilson

Secretary

Peake Company Secretaries Limited

Registered Office

Great Western Business Centre
Emlyn Square
Swindon
Wilshire
SN1 5BP

Registered Auditors

PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

Northern Arc Limited

Directors' report for the year ended 31 March 2009

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

Principal activities

The principal activity of the company is to provide support and advice to businesses, mainly through the receipt and administration of grants from various government agencies.

Business Review

2008/09 was Northern Arc's second full trading year and its second year of a 3 year contract from South West Regional Development Agency to deliver Business Link services in the counties of Wiltshire, Gloucestershire and the West of England.

The base Business Link contract, worth approximately £6.1m in 2008/09, revolved around 3 key performance measures - intensive assists, numbers of companies/individuals helped and customer satisfaction. We achieved 107% and 104% respectively for the first two measures and only narrowly missed (97%) the customer satisfaction metric.

The other key Government contract Northern Arc delivered in 2008/09 as part of a consortium was the LSC-funded Train to Gain Brokerage service. Northern Arc, as part of the SW Consortium, achieved 121% of target for Employee Engagements and 95% of target for learner referrals under this contract.

The surplus before tax of £569,140 when added to the successful delivery of these two key contracts presents a successful second full year for Northern Arc Ltd.

During the year a dividend of £225,000 (2008: £Nil) was paid to the holders of the company's Ordinary B shares, in respect of the profits arising in the year ended 31 March 2008, out of the company's unrestricted reserves.

The company has a number of significant ongoing contracts in place, including the base Business Link contract (which has been approved by SWRDA to be extended until March 2012) together with a supplementary ERDF funded IDB service, the Train to Gain Brokerage service and an LSC funded Leadership and Management contract. The Directors envisage that the current levels of activity will continue for the foreseeable future. Surpluses arising from the Business Link contract have been identified and will be used in respect of similar contracts going forward (see note 15).

Key performance indicators ("KPIs")

The company's management uses KPIs for managing the operations of its contractual arrangements with fund providers. These KPIs are not considered necessary in order to provide an understanding of the company's financial performance, as reflected in the accounts. The operating performance and the analysis of the surplus, as shown in note 15, provide appropriate information necessary to assess performance and the position of the business.

Northern Arc Limited

Governance

The board of directors comprises six non-executive directors, a non-executive chairman, the managing director and two other executive directors. All matters regarding future strategy and ongoing monitoring of performance are undertaken by the board.

In addition, an Audit Committee has been established comprising 3 non-executive directors. This committee meets as and when required, but at least twice per annum. The external auditor and financial senior management attend these meetings.

Financial risk management

The company's operations expose it to limited financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk.

The monitoring of financial risk management is performed by the board and the Audit Committee. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company has limited exposure to commodity price risk as a result of the nature of its operations. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly.

Liquidity risk

The company operates without any need for short term debt finance and has limited liquidity risk.

Directors

The directors who held office during the year and, in the period to the date of this report, were as follows:

N Alberry (Chairman)
P M Smith (Managing Director)
D Milner
M Nicholls
B Phillips
P J Rilett
J C Savage
S Sheather
N J Weaver
J W E Wilson

Northern Arc Limited

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2009, that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Each director confirms that on the date that this report was approved:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware;
- they have taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



P M Smith
Director

23 JULY 2009

Northern Arc Limited

Independent auditors' report to the members of Northern Arc Limited

We have audited the financial statements of Northern Arc Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the List of Directors and Advisors, the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Northern Arc Limited

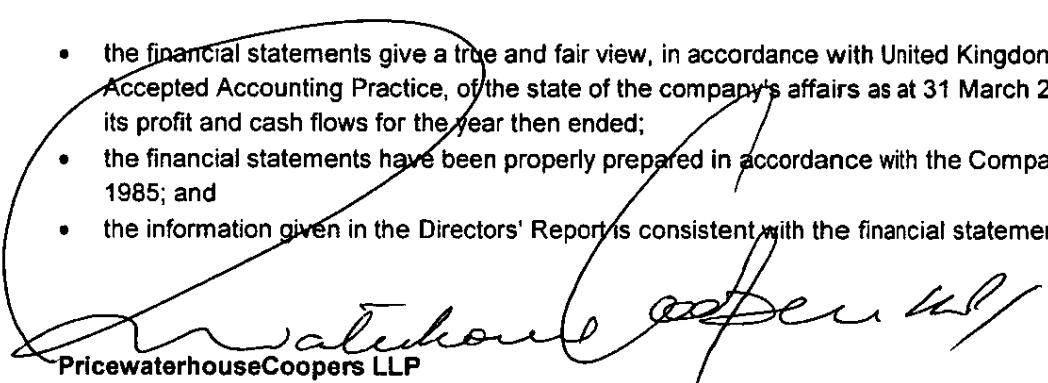
Independent auditors' report to the members of Northern Arc Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

20 July 2009.

Northern Arc Limited

Profit and loss account for the year ended 31 March 2009

	Note	2009 £	2008 £
Gross grants and fees managed		10,119,696	12,286,552
Turnover	2	10,119,696	12,286,552
Direct costs		(8,021,601)	(9,286,792)
Gross profit		2,098,095	2,999,760
Administration expenses		(1,626,677)	(2,038,886)
Operating profit	3	471,418	960,874
Interest receivable	7	97,722	112,395
Profit on ordinary activities before taxation		569,140	1,073,269
Taxation	8	20,296	(65,000)
Profit for the financial year	15	589,436	1,008,269

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

There are no gains and losses in the year other than those disclosed in the profit and loss account, and therefore a separate Statement of Total Recognised Gains and Losses has not been presented.

All of the company's results are derived from continuing operations.

Northern Arc Limited

Balance sheet as at 31 March 2009

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	9	107,840	86,884
		107,840	86,884
Current assets			
Debtors	10	1,148,688	1,520,779
Cash at bank and in hand	11	2,143,826	2,051,363
		3,292,514	3,572,142
Creditors - amounts falling due within one year	12	(1,103,209)	(1,551,978)
Net current assets		2,189,305	2,020,164
Total assets less current liabilities		2,297,145	2,107,048
Creditors - amounts falling due greater than one year	13	-	(174,339)
Net assets		2,297,145	1,932,709
Share capital	14	970,018	970,018
Profit and loss account	15	1,327,127	962,691
Shareholders funds	16	2,297,145	1,932,709

The financial statements on pages 9 to 21 were approved by the board of directors on **23 July 2009** and were signed on its behalf by:



P Smith

Director

Northern Arc Limited

Cash flow statement for the year ended 31 March 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	17	307,436	1,030,651
Returns on Investment and servicing of finance			
Interest received		97,722	112,395
Dividend		(225,000)	-
Net cash (outflow)/inflow from returns on investment and servicing of finance		(127,278)	112,395
Taxation		(22,704)	-
Capital expenditure			
Proceeds from the disposal of fixed assets		638	625
Purchase of tangible fixed assets		(65,629)	(116,730)
Net cash outflow from capital expenditure		(64,991)	(116,105)
Net cash inflow before financing		92,463	1,026,941
Financing			
Proceeds from issue of preference shares		-	970,000
Net cash inflow from financing		-	970,000
Increase in net cash in the year	18, 19	92,463	1,996,941

Northern Arc Limited

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalment over their estimated useful economic lives as follows:

Computer equipment - 3 years

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Revenue based grants are matched to the relevant expenditure and credited to the profit and loss account accordingly.

Due to the nature of its business, the impact on its results of Government Grants is very significant, Northern Arc Limited received the majority of its funding from Government in the form of grants for the delivery of business services to SME's. A summary of the significant grants are detailed below.

Grant Provider	Type of service	Recognised in the profit and loss account £
South West Regional Development Agency	Business Link Core Funding	6,450,704
	SW Regional Gateway	270,472
	Environmental Advisory	221,064
	Social enterprise	171,482
	Access to Finance	122,756
	Other specific grants	45,869
Learning Skills Council	Train to Gain	1,605,289
	LMAS	545,967
	Leadership & Management	411,565
BERR	2012 Business Flame	21,212
Other	Other minor grants	137,792
		10,004,172

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Northern Arc Limited

Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The scheme is made up of personal pension plans and the assets of the plans are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the personal pension plans in respect of the accounting period.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Provisions

Provisions are recognised when a liability exists at the year end that can be measured reliably, there is an obligation to one or more third parties as a result of past transactions or events and there is an obligation to transfer economic benefits in settlement.

Provisions are calculated based on management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, after due consideration of the risks and uncertainties that surround the underlying event.

Turnover

Turnover is recognised on a contractual basis, as it is earned, and represents the government supported income, together with fee income generated from services supplied.

Northern Arc Limited

Notes to the financial statements for the year ended 31 March 2009

1 Segmental reporting

The company's turnover and operating profit relate entirely to its principal activity and arise in the United Kingdom.

2 Turnover

	2009 £	2008 £
Grant income	10,004,172	12,181,434
Fee income	101,445	97,993
Other income	14,079	7,125
	10,119,696	12,286,552

3 Operating profit on ordinary activities

	2009 £	2008 £
Operating profit on ordinary activities is stated after charging/(crediting):		
Depreciation of tangible fixed assets	42,997	29,801
Profit on sale of fixed assets	(1,038)	(580)
Operating lease charges		
- land and buildings	391,672	453,185
Auditors' remuneration		
- audit services	10,300	10,000
- non-audit fee for taxation services	1,750	3,000
Redundancy payments	-	142,094

Northern Arc Limited

4 Directors' emoluments

	2009 £	2008 £
Aggregate emoluments	169,725	376,695
Company pension contributions to money purchase scheme	25,464	24,193

Retirement benefits are accruing to 2 (2008: 2) directors under a defined contribution scheme.

	2009 £	2008 £
Highest paid director		
Aggregate emoluments	86,044	84,091

5 Employee costs

	2009 £	2008 £
Wages and salaries	3,824,903	3,409,922
Social security costs	411,954	341,617
Other pensions costs	346,213	297,857
Staff costs	4,583,070	4,049,396

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2009 Number	2008 Number
Service and delivery staff	118	100
Administration	10	8
	128	108

Northern Arc Limited

7 Interest receivable

	2009 £	2008 £
Interest receivable	97,722	112,395

8 Tax on profit on ordinary activities

	2009 £	2008 £
a) Taxation on the profit for the year		
UK corporation tax at 21% (2008: 30%)	22,000	65,000
Prior year adjustment	(42,296)	-
Current tax (credit) / charge for the year	(20,296)	65,000

b) Factors affecting tax charge for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2009 £	2008 £
Profit on ordinary activities before taxation	569,140	1,073,269
Tax charge on loss on ordinary activities at standard UK corporation tax rate of 21% (2008: 30%)	119,519	321,981
Non taxable profits	(97,519)	(256,981)
Prior year adjustment	(42,296)	-
Current tax (credit) / charge for the year	(20,296)	65,000

c) Factors affecting future tax charges

The company anticipates that the factors affecting future tax charges will be broadly similar to those in recent years.

Northern Arc Limited

9 Tangible assets

	Computer equipment £
Cost or valuation	
At 1 April 2008	115,831
Additions	65,629
Disposals	(34,168)
At 31 March 2009	147,292
Accumulated depreciation	
At 1 April 2008	28,947
Charge for the year	42,997
Disposals	(32,492)
At 31 March 2009	39,452
Net book amount	
At 31 March 2009	107,840
At 31 March 2008	86,884

10 Debtors

	2009 £	2008 £
Called up share capital not paid	18	18
Trade debtors	627,801	1,141,435
Prepayments and accrued income	520,869	379,326
	1,148,688	1,520,779

11 Cash at bank and in hand

Included within cash at bank and in hand are investments in deposit accounts which are intended to maximise interest receivable. These deposits can be withdrawn on demand if required.

Northern Arc Limited

12 Creditors – Amounts falling due within one year

	2009 £	2008 £
Trade creditors	426,285	854,988
Corporation tax	22,000	65,000
Taxation and social security	130,430	118,352
Other creditors	44,291	128,669
Accruals and deferred income	480,203	384,969
	1,103,209	1,551,978

13 Creditors – Amounts falling due greater than one year

	2009 £	2008 £
Amounts owed to participating interests	-	100,000
Accruals and deferred income	-	74,339
	-	174,339

14 Called up share capital

	2009 £	2008 £
Authorised		
100 Ordinary A shares of £1 each	100	100
100 Ordinary B shares of £1 each	100	100
999,800 Preference shares of £1 each	999,800	999,800
Total share capital	1,000,000	1,000,000
Allotted and called up		
100 Ordinary A shares of £1 each	9	9
100 Ordinary B shares of £1 each	9	9
Total ordinary shares	18	18
Preference shares of £1 each	970,000	970,000
Total issued share capital	970,018	970,018

The 'A' Shares and 'B' Shares carry one vote per share and have equal rights to receive dividends.

Northern Arc Limited

The preference shares are non-voting, carry no entitlement to dividends and are redeemable at the discretion of the directors.

15 Profit and loss reserve

	2009 £	2008 £
Balance at the beginning of the year	962,691	(45,578)
Profit for the financial year	589,436	1,008,269
Dividend paid to holders of B shares	(225,000)	-
Balance at the end of the year	1,327,127	962,691

Analysis of reserves:

Operationally the reserves of the company can be analysed as follows:

	2009 £	2008 £
Accumulated reserves:		
South West Regional Development Agency	1,016,247	681,978
Other	310,880	280,713
Balance at the end of the year	1,327,127	962,691

The company's activities include ongoing contracts with the South West Regional Development Agency; surpluses arising from these activities have been identified and will be utilised in respect of similar contracts going forward.

16 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Opening shareholders' funds	1,932,709	924,440
Profit for the financial year	589,436	1,008,269
Dividends paid	(225,000)	-
Closing shareholders' funds	2,297,145	1,932,709

Northern Arc Limited

17 Reconciliation of operating profit to net cash flow from operating activities

	2009 £	2008 £
Operating profit	471,418	960,874
Depreciation	42,997	29,801
Decrease/(increase) in debtors	372,091	(1,520,761)
(Decrease)/increase in creditors	(580,108)	1,561,317
Profit on disposal of fixed assets	1,038	(580)
Net cash flow from continuing operations	307,436	1,030,651

18 Reconciliation of movement in net funds

	At 1 April 2008 £	Cash flow £	At 31 March 2009 £
Cash in hand and at bank	2,051,363	92,463	2,143,826
Net funds	2,051,363	92,463	2,143,826

19 Reconciliation of net cash flow to movement in net debt

	2009 £	2008 £
Increase in cash in the period	92,463	1,996,941
Movement in net funds in the year	92,463	1,996,941
Net funds at 1 April 2008	2,051,363	54,422
Net funds at 31 March 2009	2,143,826	2,051,363

20 Pension commitments

The company operates a defined contribution pension scheme. The assets of the personal pension plans are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the personal pension plans and amounted to £346,213 (2008: £297,857). At the year end there were contributions totalling £42,212 (2008: £34,614) due from the company to the personal pension plans.

Northern Arc Limited

21 Financial commitments

At 31 March the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2009	2008
	£	£
Within one year	414,870	388,084

22 Ultimate parent undertaking

The company is controlled by its majority shareholder: GWE Business West Limited. That company prepares consolidated financial statements, which are available from:

Great Western Business Centre
Emlyn Square
Swindon
Wilshire
SN1 5BP

23 Related parties

Organisation	Director's name	Transactions with related party organisations	Income/ (expenditure) 2009	Debtor/ (creditor) 2009	Income/ (expenditure) 2008	Debtor/ (creditor) 2008
			£	£	£	£
Business West	P Smith J Savage P Rilett	Re-charge of costs	-	-	(838,572)	(20,345)
Chargrove Business Services Limited	N Weaver J Wilson	Re-charge of costs	(393,032)	(18,470)	(479,646)	(470)
Great Western Enterprise Limited	N Alberry D Milner B Phillips	Re-charge of costs	-	-	(578,128)	(46,619)
GWE Business West Limited	P Smith J Savage N Alberry D Milner B Phillips P Rilett	Re-charge of costs	(1,011,022)	(88,522)	-	-
Skills Training Limited	S Sheather	Re-charge of costs	(5,074)	-	-	-