

Arches Housing Limited
Annual Report and Financial Statements
For the year ended 31 March 2026

Registered Number: 21451R

Arches Housing Limited

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Arches Housing Limited

The Board, Executives and Advisors

Board of Management

Alan Long (Chair)
Lisa Bradley (Deputy Chair)
Ian Falconer
Martyn Broadest
Tracy Watterson
Andrea Brough
Mahara Haque
Adam Collin
Terry Gallagher (Retired 8th September 2025)
Sarah Vause
Stephen Feast
Ajman Ali (Retired 8th September 2025)
Katherine Allot-Stevens (Resigned 4th December 2025)

Executive Team

John Hudson - Chief Executive (Appointed 1st April 2026)
Paul Common – Chief Executive (Retired 31st March 2026)
Katherine Allot-Stevens - Operations Director (Appointed 2nd March 2026)
Bill Truin – Strategic Financial Advisor
Will Doole- Assistant Director of Finance and Corporate Services (Appointed 1st April 2026)

Secretary and registered office

J Hudson
122 Burngreave Road
Sheffield
S3 9DE

Auditor

Forvis Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Solicitors

Taylor & Emmet
20 Arundel Gate
Sheffield
S1 2PP

Bankers

Co-operative Bank plc
84-86 West Street
Sheffield
S1 3SX

Arches Housing Limited Strategic Report

Arches Housing was formed in 1975 on the back of a promise - to provide affordable decent homes for rent, and the regeneration and revival of communities in Sheffield.

We continue to live by that promise, supporting families and communities to grow by delivering quality services. Since we were formed in 1975, we have expanded to other areas of South Yorkshire, but the spirit of that original promise remains the same.

Our vision and commitments to our customers is clear and our values are strong. We are passionate about delivering quality homes and services for all of our customers, every time. As a social landlord, we believe that having a safe and secure home enables individuals and communities to thrive.

Our work is underpinned by a 30-year business plan, approved by our Board, and tested against all of our key risks and signed off by the Regulator of Social Housing.

We believe that investing in our organisation will help us to deliver our vision and our commitments to our customers, we are careful how we spend our customers rent to ensure we are spending it wisely; managing our costs and investing in high quality homes and services.

Our vision

A future where everyone has a safe and secure home, laying the foundations for individuals and communities to thrive.

Our Customer Commitment

We will deliver quality homes and services, for all customers, every time

Our Values

Steel - Choosing to do the right thing over the easy thing; being determined to see things through and staying true to our roots.

Momentum - Being responsive to people and opportunities; generating solutions swiftly as a consequence of having the trust and freedom to take decisions.

Simplicity - Sticking to what actually matters; to make it easier to do a good job and achieve positive outcomes.

Connections - Recognising that we can achieve more with others than alone; building honest and supportive relationships inside Arches and beyond.

Individuality - Appreciating the life experience, skills and insights of others; listening with empathy, seeking to dignify everyone involved.

Our Strategic Priorities

In March 2026 we set out a new five year Corporate Plan which included three Strategic priorities.

Quality Service - To provide consistently high quality services for our customers that are delivered fairly and are accessible to all.

Quality Homes - We will provide good quality, energy efficient, safe homes that meet our customers' needs.

Quality Organisation - To maintain a financially sound, well governed and sustainable organisation

Arches Housing Limited

Strategic Report

The priorities are costed within the long term financial plan and reviewed by Arches Board through an annual delivery plan taking account of the dynamics of current, economic, financial and social factors.

As a Business, we will be recognised as being well governed, ambitious, and financially resilient, with a strong Board that listens to and acts on what tenants tell us.

Business Model

Arches has been a social landlord providing affordable homes since the organisation was formed in 1975. Arches works in diverse neighbourhoods, and more than half of our tenants are from a rich mix of ethnic minority communities.

Key achievements in 2025/26 include:

- Achieved high levels of Customer satisfaction of 83% and have performed very well versus our peer group.
- Invested a total of £3,896k (2025/26: £3,617k) in property maintenance and improvements in tenants homes
- Agreed an updated enhanced Arches Home Standard with an increased focus on energy efficiency
- Implemented the Operations review, restructuring our operations team to be better equipped to deliver improved outcomes for tenants.
- Completed the development of 31 new properties into management in Rotherham and Chesterfield.
- On-going implementation of the delivery plan to bring all properties to EPC level 'C' by 2027, over 97% of properties are now at EPC level C or higher.
- Continued to deliver robust operational performance in a demanding operating environment achieving total arrears of 2.7% and void loss of 0.36%
- Retained IIP Gold standard through the 2025 annual review following the accreditation gained in 2022.
- Successfully managed the succession of the Chief Executive following the retirement of Paul Common
- Tenants scrutinised our approach to managing anti social behaviour and investigating and resolving complaints during the year - ensuring tenants are at the heart of our drive to improve outcomes

Arches Housing Limited

Strategic Report

Summary of Annual Results

Statement of Comprehensive Income	2025/26 £'M	2024/25 £'M
Turnover	9.5	8.3
Operating Surplus	2.1	1.9
Surplus for the year before taxation	0.5	0.5

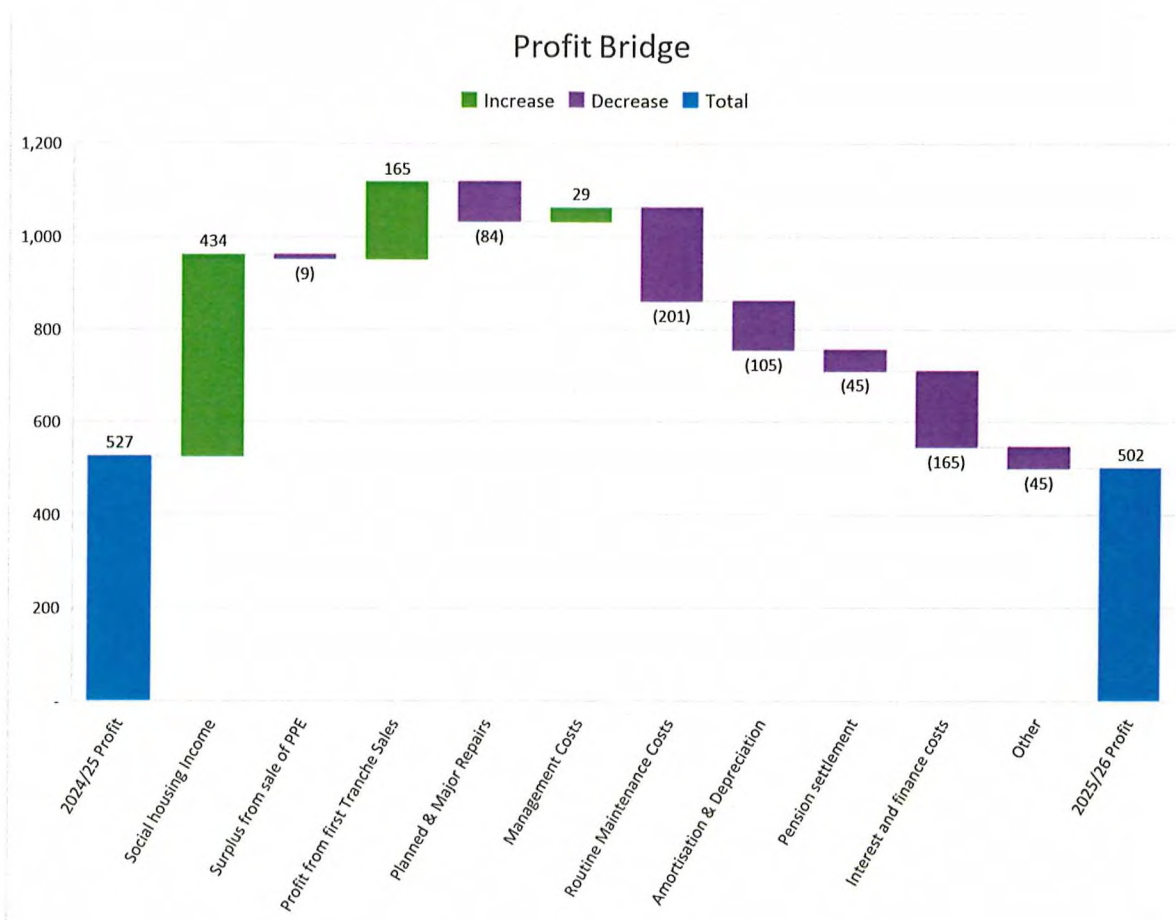
Statement of Financial Position	2025/26 £'M	2024/25 £'M
Fixed Assets	72.6	69.2
Net Current Liabilities	(1.0)	(0.4)
Long term creditors	53.7	51.4
Reserves	17.9	17.4

Accommodation (units)	2025/26	2024/25
Total owned and managed	1,379	1,354

Ratios	2025/26	2024/25
Operating Margin	21.82%	21.0%
Covenant Interest Cover	1.39	1.31
Covenant Historic cost Gearing	31%	30%

Arches Housing Limited Strategic Report

Performance



Arches has maintained solid financial performance throughout the year with Revenue growing from the prior year, our operating margin remains strong and above the targeted 20%. The graph above shows the primary movements in income and expenditure from the prior year.

Social Housing income continued to grow, with general needs rents increasing in line with the rent settlement. In addition, during the year we developed 31 new properties, 22 Shared Ownership and 9 rented this has contributed to the overall increase in rental income.

Profit from first tranche sales increased by £165k as we sold 13 units in 25/26 compared to 3 in 24/25. We have also seen the average first tranche percentage of 29% for those properties sold. The surplus from sales has remained consistent with the prior year.

In the year we have continued to invest in our properties. Routine Maintenance costs increased by £201k in 25/26. The increase was primarily due to a higher volume and average cost of day-to-day and electrical repairs spend. We have invested more funds in our planned maintenance programme (£84k) particularly in areas such as bathroom and kitchen replacements and external decorations.

In the year we have paid off a historic deficit with the Pensions Trust Growth Plan scheme, the exit amount was £45k which was paid in the year. This reduces our pension liabilities and creates an ongoing revenue saving of circa £21k.

Interest costs increased from the prior year, we have drawdown £3.3m in loans during the year to fund new development handovers.

Arches Housing Limited

Strategic Report

Loan Covenant Compliance

Our loan covenants primarily consist of interest cover and gearing. All covenants within the year have been met. Covenants are monitored monthly through management accounts and reported to Board quarterly and also through the long-term financial plan. The plan shows that we are able to operate within our covenants under a number of risk-based scenarios.

Going Concern

Arches is affected by uncertainty from government policy, economic factors and the regulatory environment. Despite all of this, the Association continues to deliver a healthy annual turnover and growth in property numbers. Our long-term financial plan has been created to provide flexibility and resilience to address challenges in the operating environment and retain headroom to deal with any negative impacts as they occur.

Stress testing of the long-term financial plan allows us to understand the factors that could present extreme circumstances for the Association. Additionally, the Board has in place a Resilience Plan that includes agreed golden rules, triggers and operational responses to ensure a planned approach to any recovery. Our risk management activities provide a thorough review of all of our strategic risks (including financial ones) and enable the Association to develop strategies to mitigate the impact should risks crystallise.

On this basis the Board of Arches has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months after the date on which the report and financial statements are signed. For this reason, we continue to adopt the going concern basis in the financial statements.

Investing in the future

Our Delivery Plan for 2026/27 includes:

Quality Services

- Deliver Y1 of Customer Services Strategy
- Develop methodology for using data to tailor services
- Undertake Phase1 of Strategic Repairs Procurement
- Deliver Y1 of Service Review Programme

Properties and neighbourhoods where people are proud to live

- Undertake Phase1 of Strategic Repairs Procurement for April 2027 implementation
- Review plan to achieve EPC C in all outstanding homes and deliver annual programme
- Deliver 28 new homes for rent and shared ownership
- Implement Phase 2 Awaabs Law Requirements
- Deliver one new development in core area

Quality Organisation

- Implement Governance Review Action Plan
- Undertake external consumer regulation review and implement actions
- Achieve Cyber Essentials Plus/Assurance Plus accreditation
- Achieve IIP Gold accreditation
- Undertake all strategy reviews relevant to the 2026-2031 Corporate Plan

Arches Housing Limited

Strategic Report

Key Performance Indicators

Key operational performance indicators that we use to monitor delivery of our aspirations are:

Key Performance Indicators	2025/26	2024/25	2025/26 Target
Overall Customer Satisfaction	82.6%	83.9%	85%
Tenancy Turnover (%)	6.43%	6.54%	8.5%
Void Rent Loss (%)	0.36%	0.62%	0.33%
Arrears as a % of Annual Rent – Current and Former Tenants	2.87%	3.52%	3.50%
Emergency Repairs Completed on Time (%)	96.6%	93.6%	95%
Percentage of Routine Repairs Completed on Time	85.3%	90.8%	91%
Customer complaints responded to within the Housing Ombudsman Complaint Handling Code.	100%	100%	90%

Overall, Arches 2025/26 performance remained strong, in particular the significant reduction in arrears levels and 96.6% of all emergency repairs completed on time. All operational performance targets have been met with the exception of routine repairs performance and overall satisfaction. Given the repairs service is the one most used by our tenants, it is unsurprising the effect this is likely to have had on overall satisfaction levels according to our TSM data. The primary reason for the decrease in performance is due to one contractor experiencing scheduling issues and limited capacity. Performance is being monitored closely, and additional resource is in place to improve this position during the coming year.

Arches Housing Limited

Strategic Report

Value for Money

Housing associations are regulated against a number of standards, one of which is the Value for Money Standard. The Standard includes an expectation of a robust approach to VfM across the business and the setting of targets and the introduction of 'metrics' which associations are expected to report against.

The regulator metrics are:

- Reinvestment %
- New supply delivered %
- Gearing %
- EBITDA major repairs included interest cover %
- Headline social housing cost per unit
- Operating margin %
- Return on capital employed

In addition, Arches has added one more metric:

- Customer satisfaction

Value for Money Metrics

	VfM finance metrics	2024/25 Housemark peer group (median)	2024/25 Arches Actual	2025/26 Arches Actual	2026/27 Arches Forecast	2027/28 Arches Forecast	Target
1	Reinvestment% (including development spend)	4.6%	8.61%	7.59%	6.21%	2.0%	>5.36%
2	New social housing units supply delivered %	0.84%	2.51%	2.25%	1.77%	1.0%	>1.45%
3	Gearing %	34%	41%	43%	43%	45%	43%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	137%	137%	144%	158%	145%	>137%
5	Headline social housing cost per unit	£5,412	£4,214	£4,291	£4,515	£4,987	<£5,412
6a	Operating Margin (social housing lettings only)	20.9%	18.9%	18.9%	21.6%	24.0%	>20%
6b	Operating Margin (overall)	20.2%	21.0%	21.82%	22.8%	24.0%	>20%
7	Return on capital employed (ROCE)	2.74%	2.78%	2.88%	3.1%	3.0%	>3%

Arches Metrics							
8	Customer Satisfaction	82%	83.91%	82.6%	85%	85%	85%

Metrics commentary

The forecasted figures represent the outturn of the 2026/27 budget and year two of the business plan (2027/28). Our peer group is northern based traditional housing associations under 10,000 units with no DLO. The targets presented move each year based on the latest peer group and internal Arches data. The basis of each target remains the same and can be seen in the Value for Money 2024/25 – 2026/27 Strategy document.

Arches Housing Limited

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- 1) Our reinvestment in both existing stock and development schemes is above that of our target and our peer group median. The target is based on the delivery of 20 units in the year we have delivered 31. The split in the year was 1.31% on reinvestment in existing stock and 6.28% for development spend. The target figure is based on our current growth strategy of developing at least 20 units a year. Next year we expect the reinvestment metric to remain high at 6.21% as we look to complete 28 homes.
- 2) Our target is to develop at least 20 homes a year over a 5-year growth plan from 2023. Our target of 1.45% is based on delivering 20 units a year. This target was achieved in the current year with 31 new units developed. We expect to develop a further 28 in 2026/27 and 6 in 2027/28. This means we are forecasting to meet the target for next year, but have work to do for the 2027/28 year. We are projecting to maintain supply above the peer group median for the next two years, which demonstrates how ambitious our growth plan is.
- 3) Gearing is up on prior year, but remains at our target level and above that of our peer group. The figure will rise as we borrow more to fund our growth plan. It will remain above our peer group median and rise above our target, which is based on a five year average for the life of the VfM strategy.
- 4) The EBITDA MRI has increased from the prior year as we have seen income gains from new developments and managed our cost base. This figure is above our target and our peer group. We plan to increase our EBITDA MRI further above our target in 26/27 and 27/28 as we manage our cost base to ensure increased interest cover.
- 5) The Social Housing cost per unit has increased from the prior year, with inflationary pressures and continued investment in our social housing stock. We have continued to outperform target and peer group levels. Going forward we are investing in the energy efficiency of our properties and planning to bring them all up to EPC level C by 2027, even with this investment we are projecting that we will remain below the peer group median for the next two years.
- 6) Social Housing operating margin is similar to last years performance but below that of our peers and our target. This should improve in the next two years. Overall Operating Margin has remained consistent with the prior year as includes 1st tranche sales, and above our long term target of 20%. We are forecasting to maintain operating margin above target levels over the next two financial years.
- 7) The ROCE target is to maintain the business plan average, we are slightly below our target but above our peer group. Our operating surplus has increased slightly which has caused our ROCE to increase from the prior year, we are forecasting to maintain a ROCE just above target ROCE levels for the next two years.
- 8) Customer satisfaction of 82.6% is below our ambitious 85% target but above the peer group median, our figure is based on the TSM methodology for calculating satisfaction. Our target is to maintain a high standard each year. Our forecast figures are therefore to reach target levels of satisfaction. We continue to focus on increasing customer engagement programmes, improving the customer experience of our core services and continuing to invest in existing homes and services, which we believe will improve our customer satisfaction levels.

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Environmental, Social and Governance Measures

We have compiled a selection of Environmental, Social and Governance Measures. Below we have set out the results which show this years performance compared to last year.

Measure	2025/26	2024/25
Percentage of homes that have an EPC rating of C or above	97%	97%
Rent compared to median Private Rental Sector (PRS) rent	70%	67%
Gender pay gap	15%	14%
CEO to worker pay ratio	3.1	3.0
Percentage of Board members who are women	50%	40%
Percentage of Board members who are BAME	10%	20%
Average age of Board members	53	55
Average tenure of Board members (years)	3.76	4.31

Internal Control

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness.

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the Association's system of internal control include:

Audit and Risk Assurance Committee assurance – this Committee meets regularly with members of the Executive team and the internal and external auditors to review specific reporting and internal control matters to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Assurance Committee also reviews any follow up actions to correct identified weaknesses. All Board members receive the minutes of the Audit and Risk Assurance Committee.

Internal audit assurance - the internal audit function has a direct reporting line to the Audit and Risk Assurance Committee. The internal audit programme is designed to review the key areas of risk and adherence to relevant law.

Assurance from external advisors – The Audit and Risk Assurance Committee and Board commission assurance reports from specialist advisors. These reports, with the internal audit programme, form the Annual Assurance Plan.

External audit assurance – the work of the external auditor provides some further independent assurance of the internal control environment, as described in its audit report. The Association also receives a management letter from the external auditors identifying any internal control

Arches Housing Limited Strategic Report

weaknesses. In accordance with best practice, the Audit and Risk Assurance Committee and the Board consider this letter.

The preparation and monitoring of budgets and long-term financial plans. The Board reviews performance throughout the year and the reports it receives ensure variances are identified and acted upon.

A process for approving all investment decisions – all major investment decisions are subject to review and recommendation by the Investment Committee for approval by the Board and comply with the Delegation Framework and Financial Regulations.

The Audit and Risk Assurance Committee and Board have reviewed the executive report on the internal controls framework and confirmed reasonable assurance that the system of internal controls is operating effectively.

Risks and Assurance

The identification and assessment of key risks is undertaken through the review of strategic risks at Board and Committee meetings. The Board reviews its risk appetite periodically.

The Executive team regularly reviews the risk register and also review individual risks when there are material changes of circumstances relating to identified risks and in the wider operating environment. "Deep dives" are undertaken by the Board and committee's dependent on the relevant risk and there is appropriate challenge to officers on the management of key risks as part of this process.

The Board applies the "three lines of defence" model for assurance and this supports the Board's annual assurance plan which in turn enables appropriate assurance to be sought, where needed, from the most appropriate source during the year. This approach is the foundation for the Board's annual assurance plan. The Audit and Risk Assurance Committee monitor the delivery of the plan through the year and commission additional assurance as required.

The Association continues to utilise the Pentana Risk Management System which facilitates a comprehensive overview of risk management. The system enables transparency of risk management across the Association, including the history of the assessment of risks and an audit trail, and allows the Board to take a holistic view of risk including internal controls, sources of assurance, indicators of potential effect and mitigating actions.

Governance

The Board of Arches Housing Limited is committed to upholding the highest standards of corporate governance and has adopted the NHF Code of Governance 2020.

The association assessed itself against the Regulator of Social Housing (RSH) regulatory standards and the NHF Code of Governance and confirmed it was compliant with all standards and the code, including the RSH Governance and Financial Viability Standard.

In 2023/24 we had an In Depth Assessment from the regulator of Social housing, this resulted in us maintaining our G1/V1 status, the highest rating for governance and financial viability.

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Board

A Board of 10 non-executive directors currently governs the Association, with day-to-day management delegated to the Executive team. 10 members hold one fully paid up £1 share in the Association.

The role of the Arches' Board is to direct and determine strategic direction and business critical policies and to ensure the Association meets all legal and regulatory requirements.

The Board delegates certain governance responsibilities to committees, which have their own approved terms of reference:

Audit and Risk Assurance Committee

The role of this committee is to oversee arrangements for considering how the organisation ensures value for money, maintains a sound system of internal controls and manages risk. It is also charged with reviewing the organisations financial statements and maintaining an appropriate relationship with its internal and external auditors.

Investment Committee

The purpose of this committee is to examine in detail investment proposals, both in terms of new development and investment in existing stock and to make recommendations to the Board. It is also to scrutinise new development proposals and to make recommendations to the Board.

Customer, People and Governance Committee

The role of this committee is to oversee the customer experience at Arches, the remuneration and appraisal of non-executive directors and the Chief Executive as well as overseeing the delivery of the People Strategy and governance arrangements.

Attendance

A register of attendance for the Board and committees is maintained to ensure that members are committing sufficient time to allow them to be effective in their roles. Attendance for the Board and committees for the financial year is set out below:

Member	Attendance 2025/26
Alan Long	80%
Ian Falconer	82%
Lisa Bradley	82%
Andrea Brough	90%
Mahara Haque	80%
Adam Collin	100%
Martyn Broadest	100%
Tracy Watterson	92%
Sarah Vause	86%
Stephen Feast	86%

Arches Housing Limited

Statement of responsibilities of the Board of Management

Statement of Board of Management's Responsibilities

The Board is responsible for preparing the report of the Board and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102. The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the income and expenditure of the organisation for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice has been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper books of accounts that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The Board has general responsibility for taking such steps as they are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of Corporate and Financial information included on the Association's website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board has undertaken a review of the requirements of its chosen code of governance, the NHF Code of Governance (2020) and the Board certifies compliance with the Code.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard published by the Regulator of Social Housing, together with the Associations assessment of compliance against this Standard. Based on this review, the Board certifies its compliance with the Standard.

Board members' liability insurance

The Association maintains insurance against the liabilities of all members of Arches Housing Limited in relation to their duties.

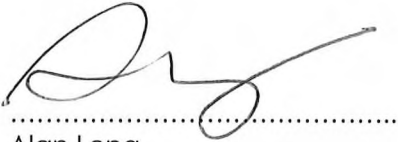
Disclosure of information to the Auditor

Each of the Board Members, as at the date of this report, have confirmed that:

- As far as they are aware, there is no relevant audit information of which the Association's auditor is unaware.
- They have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Arches Housing Limited
Statement of responsibilities of the Board of Management

By order of the Board:

A handwritten signature in black ink, appearing to be 'Alan Long', written over a dotted line.

Alan Long
Chair

Date: 20/07/26

Arches Housing Limited

Independent auditor's report to the members of Arches Housing Limited

Opinion

We have audited the financial statements of Arches Housing Limited (the 'Association') for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2026 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board of Management are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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Independent auditor's report to the members of Arches Housing Limited

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper books of account; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board of Managements' responsibilities statement set out on page 13, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, GDPR, health and safety regulation, anti-money laundering regulation and tax legislation.

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Independent auditor's report to the members of Arches Housing Limited

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Association which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as Co-operative and Community Benefit Societies 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

In addition, we evaluated the Board of Managements' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board of Management and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Arches Housing Limited

Independent auditor's report to the members of Arches Housing Limited

Use of the audit report

This report is made solely to the members of the Association as a body in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Forvis Mazars LLP

Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE
Date 03/08/2026

Arches Housing Limited
Statement of Comprehensive Income
For the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Turnover	3	9,464	8,292
Operating expenditure	3	(7,559)	(6,548)
Surplus on disposal of property, plant and equipment	5	160	169
Operating surplus		2,065	1,913
Interest receivable	7	10	23
Interest and financing costs	6	(1,573)	(1,409)
Surplus before tax		502	527
Taxation		-	-
Surplus for the year	8	502	527
		=====	=====
Other comprehensive income			
Actuarial gains and losses on multi- employer defined benefit scheme	19	25	42
Total comprehensive income for the year		527	569
		=====	=====

Arches Housing Limited
Statement of Financial Position
At 31 March 2026

	Note	2026 £'000	2025 £'000
Fixed assets			
Intangible assets	11	39	73
Housing properties	12	71,837	68,378
Other property, plant and equipment	13	702	705
		<u>72,578</u>	<u>69,156</u>
Current assets			
Stock	14	55	253
Debtors	15	271	265
Investments	16	330	514
Cash		653	693
		<u>1,309</u>	<u>1,725</u>
Creditors: Amounts falling due within one year	17	<u>(2,295)</u>	<u>(2,122)</u>
Net current (liabilities)		<u>(986)</u>	<u>(397)</u>
Total assets less current liabilities		<u>71,592</u>	<u>68,759</u>
Creditors: Amounts falling due after more than one year	18	<u>(53,547)</u>	<u>(51,152)</u>
Defined benefit pension liability	19	<u>(124)</u>	<u>(213)</u>
Net assets		<u>17,921</u>	<u>17,394</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserve		<u>17,921</u>	<u>17,394</u>
Total reserves		<u>17,921</u>	<u>17,394</u>

The financial statements of Arches Housing Limited were approved by the Board on 20 July 2026 and signed on its behalf by:



Alan Long
Chair



Lisa Bradley
Deputy Chair



John Hudson
Company Secretary

Arches Housing Limited
Statement of Changes in Reserves
For the year ended 31 March 2026

	Income and expenditure reserve 2026 £'000	Income and expenditure reserve 2025 £'000
At 1 April	17,394	16,825
Surplus for the year	502	527
Other comprehensive income	25	42
	-----	-----
At 31 March	17,921	17,394
	=====	=====

Arches Housing Limited
Statement of Cash Flows
For the year to 31 March 2026

		2026		2025	
	Note	£'000	£'000	£'000	£'000
Net cash generated from operating activities	21		3,804		2,499
Cash flows from investing activities					
Purchase of property, plant and equipment		(5,585)		(6,021)	
Proceeds from sale of housing properties		485		574	
Grants received		226		348	
Grants paid		-		(51)	
Interest received		10		23	
		-----		-----	
Net cash flows from investing activities			(4,864)		(5,127)
Cash flows from financing activities					
Interest paid		(1,622)		(1,442)	
Decrease in deposits		184		(19)	
New loans		3,300		5,000	
Repayments of borrowings		(842)		(854)	
		-----		-----	
Net cash flows from financing activities			1,020		2,685
			-----		-----
Net (decrease)/increase in cash and cash equivalents			(40)		57
Cash and cash equivalents at beginning of year			693		636
			-----		-----
Cash and cash equivalents at end of year			653		693
			=====		=====

1. Accounting policies

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

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2022.

Arches Housing Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Going concern

Arches is affected by uncertainty from government policy, economic factors and the regulatory environment. Stress testing of the long-term financial plan informs us of the combination of factors that could present extreme circumstances for the Association. Additionally, the Board has approved a Resilience Plan that includes agreed golden rules, triggers, and operational responses to ensure a planned approach to any recovery. Our risk management activities provide a thorough review of all of our strategic risks (including financial ones) and enable the Association to develop strategies to mitigate the impact should risks crystallise.

On this basis the Board of Arches has every expectation that the Association has adequate resources to continue as a going concern.

Property, plant and equipment - housing properties

Housing properties are stated at cost (including finance costs) or deemed cost for assets held at valuation at the date of transition to FRS 102, less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	60 years
Doors and windows	30 years
Kitchens	20 years
Bathrooms	30 years
Heating systems	30 years
Boilers	15 years
Electrical wiring	40 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, 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 useful life, as follows:

Freehold offices	50 Years
Furniture, fixtures & fittings	3 years
Computer equipment	3 years

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets, within operating expenditure, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	3 years
-------------------	---------

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where a donation of land and/or other assets is received or acquisitions of land and/or other assets at below their market value from a third party that does not meet the definition of a government source the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset and income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised in surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Leased assets

At inception the Association assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Taxation

The Association has Charitable status for taxation purposes and is not recognised for VAT.

SHPS Accounting policy

Defined benefit pension plan (SHPS)

The entity operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at the end of the reporting period (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the entity engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with fair value hierarchy and in accordance with the entities policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as a 'finance expense'.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes England and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Association has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or noncurrent assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial instruments

Financial assets and financial liabilities are recognised when Arches becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102 are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions – rent arrears

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are derecognised as a financial asset and a new financial asset measured at the present value of the future payments discounted at an appropriate market rate of interest. The present value adjustment is recognised in surplus or deficit in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Housing SORP 2018

Arches has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, Arches is required to make the following disclosure:

- (a) Judgements made in defining the CGU (cash generating unit)
- (b) Estimation technique and judgement used in measuring recoverable amount
- (c) When VIU-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used.

Arches estimated the recoverable amount of its housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (i.e. the individual asset level or at cash-generating unit (CGU) level. The CGU was determined to be an individual property
- (b) Estimated the recoverable amount of the CGU
- (c) Calculated the carrying amount of the CGU and
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

2. Significant management judgements and key sources of estimation uncertainty (continued)

Impairment

Based on this assessment, Arches calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was deemed to be no increase in impairment of social housing properties. The carrying value of any associated balances are disclosed in note 12.

Capitalisation of property development costs

Amounts capitalised within works to existing properties include the cost of replacing components of housing properties. This involves judgement and estimation around areas such as which costs to include in the amount capitalised, how much cost to de-recognise as a replacement, the number of different components and their assigned useful economic lives. The carrying value of any associated balances are disclosed in note 12.

Estimation uncertainty

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

Determining asset lives (housing property components)

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The entity considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate. The carrying value of any associated balances are disclosed in note 12.

Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The carrying value of any associated balances are disclosed in note 19.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

2026					
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other income £'000	Operating surplus £'000
Social Housing Lettings (Note 4)	8,313	-	(6,744)	-	1,569
Other Social Housing activities					
1 st tranche property sales	909	(711)	-	-	198
Charges for support services	228	-	(31)	-	197
Developments	-	-	(28)	-	(28)
	-----	-----	-----	-----	-----
	9,450	(711)	(6,803)	-	1,936
Activities other than social housing activities	14	-	-	-	14
Surplus on disposal of property, plant and equipment	-	-	-	160	160
Pension Settlement			(45)		(45)
	-----	-----	-----	-----	-----
	9,464	(711)	(6,848)	160	2,065
	=====	=====	=====	=====	=====
2025					
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other income £'000	Operating surplus £'000
Social Housing Lettings (Note 4)	7,900	-	(6,408)	-	1,492
Other Social Housing activities					
1 st tranche property sales	146	(112)	-	-	34
Charges for support services	228	-	(23)	-	205
Developments	-	-	(5)	-	(5)
	-----	-----	-----	-----	-----
	8,274	(112)	(6,436)	-	1,726
Activities other than social housing activities	18	-	-	-	18
Surplus on disposal of property, plant and equipment	-	-	-	169	169
	-----	-----	-----	-----	-----
	8,292	(112)	(6,436)	169	1,913
	=====	=====	=====	=====	=====

4. Particulars of Income and Expenditure from social housing lettings

	Total 2026 £'000	Total 2025 £'000
Income		
Rents receivable	7,770	7,349
Service charge income	117	104
Amortised government grant	426	447
	-----	-----
Turnover from social housing lettings	8,313	7,900
	=====	=====
Expenditure		
Service charge costs	232	210
Management	1,821	1,850
Routine maintenance	1,885	1,684
Planned maintenance	763	665
Major Repairs Expenditure	217	231
Bad debts	26	52
Depreciation of housing properties	1,800	1,716
	-----	-----
Operating costs	6,744	6,408
	-----	-----
Operating surplus social housing lettings	1,569	1,492
	=====	=====
Void losses	16	21
	=====	=====

5. Surplus on disposal of property, plant and equipment

	2026 £'000	2025 £'000
Sale of subsequent tranche shared ownership properties	160	396
Costs of Sale	(148)	(287)
	-----	-----
	12	109
	-----	-----
Other disposal proceeds	325	178
Costs of Sale	(177)	(118)
	-----	-----
	148	60
	-----	-----
Surplus on disposal	160	169
	=====	=====

6. Interest and financing costs

	2026 £'000	2025 £'000
Bank loans and overdrafts	1,622	1,442
Unwinding of discounts on provisions	10	14
Capitalised Interest	(59)	(47)
	-----	-----
	1,573	1,409
	=====	=====

7. Interest receivable

	2026 £'000	2026 £'000
Bank interest receivable	10	23
	-----	-----
	10	23
	=====	=====

8. Surplus for the year

Surplus for the year is stated after charging/(crediting):

	2026 £'000	2025 £'000
Depreciation of property, plant and equipment and Housing properties	1,816	1,734
Amortisation of government grants	(426)	(447)
Surplus on disposal of fixed assets	160	169
Audit fees:		
- Statutory audit	32	30
- Audit-related assurance services	-	-
- Tax advisory services	-	-
Operating lease rentals	6	11
	=====	=====

9. Staff costs

	2026 £'000	2025 £'000
Wages and salaries	1,502	1,454
Social security costs	169	136
Other pension costs (see note 19)	135	131
	<u>1,806</u>	<u>1,721</u>
	=====	=====

The Full Time Equivalent number of staff who received emoluments, including pension contribution, in excess of £60,000 were as shown below.

	2026 Number	2025 Number
Salary Band		
60,000 – 69,999	3	-
70,000 – 79,999	-	-
80,000 – 89,999	1	1
90,000 – 99,999	-	-
100,000 – 109,999	1	1

The average full time equivalent number of employees was:

2026 Number	2025 Number
37	34
=====	=====

The basis of the calculation of the full time equivalents was equivalent hours. The average is measured on a monthly basis.

10. Directors' remuneration and transactions

Key management personnel remuneration

	2026	2025
	£'000	£'000
Directors who are executive staff members		
Wages and salaries	237	234
Social security costs	22	19
Other pension costs	17	17
Board members		
Wages and salaries	39	37
	-----	-----
	315	307
	=====	=====

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management team.

	2026	2025
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	102	101
	=====	=====

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The organisation contributed £9,392 to the Chief Executives pension within the year (2025: £9,000).

Board Member remuneration

Member	Remuneration	Social Security	Total
	£	£	£
Alan Long (Chair)	5,500	-	5,500
Ian Falconer (Deputy Chair)	3,157	-	3,157
Lisa Bradley (Committee Chair)	3,787	-	3,787
Martyn Broadest (Committee Chair)	3,500	-	3,500
Tracy Watterson (Committee Chair)	3,069	-	3,069
Andrea Brough	2,500	-	2,500
Mahara Haque	2,500	-	2,500
Adam Collin	2,500	-	2,500
Terry Gallagher	1,539	-	1,539
Sarah Vause	1,413	-	1,413
Stephen Feast	1,413	-	1,413
Ajman Ali	1,099	-	1,099
Katherine Allot-Stevens	619	-	619
	-----	-----	-----
	32,596	-	32,596
	=====	=====	=====

11.	Intangible assets	Computer software £'000
	Cost	
	At 1 April 2025	187
	Additions	22
	Disposals	(83)

	As at 31 March 2026	126
		=====
	Amortisation	
	At 1 April 2025	114
	Charge for the year	46
	Eliminated on disposals	(73)

	As at 31 March 2026	87
		=====
	Net book value	
	As at 31 March 2026	39
		=====
	As at 31 March 2025	73
		=====

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12. Tangible fixed assets – housing properties

	Completed Properties £'000	Completed Under Construction £'000	Shared Ownership £'000	Total £'000
Cost				
At 1 April 2025	90,333	1,152	8,065	99,550
Additions	-	4,514	-	4,514
Schemes completed	1,355	(5,118)	3,763	-
Disposals	(181)	-	(160)	(341)
Components capitalised	940	-	-	940
Component disposals	(448)	-	-	(448)
	-----	-----	-----	-----
At 31 March 2026	91,999	548	11,668	104,215
	=====	=====	=====	=====
Depreciation				
At 1 April 2025	29,945	-	1,227	31,172
Charge for the year	1,601	-	131	1,732
Component depreciation written back	(380)	-	(6)	(386)
Eliminated on disposals	(104)	-	(36)	(140)
	-----	-----	-----	-----
At 31 March 2026	31,062	-	1,316	32,378
	=====	=====	=====	=====
Net book value				
At 31 March 2026	60,937	548	10,352	71,837
	=====	=====	=====	=====
At 31 March 2025	60,388	1,152	6,838	68,378
	=====	=====	=====	=====

Freehold land and buildings with a carrying amount of £40,712,011 (2025: £41,215,356) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

13. Property, plant and equipment - other

	Freehold offices £'000	Furniture fixtures and fittings £'000	Total £'000
Association			
Cost			
At 1 April 2025	936	100	1,036
Additions	24	26	50
Disposals	(11)	(15)	(26)
	-----	-----	-----
At 31 March 2026	949	111	1,060
	=====	=====	=====
Depreciation			
At 1 April 2025	277	54	331
Charge for the year	19	22	41
Eliminated on disposal	-	(14)	(14)
	-----	-----	-----
At 31 March 2026	296	62	358
	=====	=====	=====
Net book value			
At 31 March 2026	653	49	702
	=====	=====	=====
At 31 March 2025	659	46	705
	=====	=====	=====

Freehold land and buildings are held at cost.

14. Stock

	2026 £'000	2025 £'000
Work In Progress	55	253
Materials	-	-
	-----	-----
	55	253
	=====	=====

15. Debtors

	2026 £'000	2025 £'000
Amounts falling due within one year:		
Rent arrears	193	212
Other debtors	108	86
Provision for bad debts	(255)	(250)
Prepayments	203	143
Accrued income	22	74
	-----	-----
	271	265
	=====	=====

16. Current asset investments

	2026	2025
	£'000	£'000
Unlisted investments – at cost less impairment	23	221
Ring fenced cash balance held as security	307	293
	-----	-----
	330	514
	=====	=====

The Association has a debt instrument for £5.1m drawn from The Housing Finance Corporation, repayable in October 2043. Under this funding agreement the Association is required to maintain an escrow account with THFC with a minimum cash balance equal to one years interest payments.

17. Creditors – amounts falling due within one year

	2026	2025
	£'000	£'000
Housing loans (see note 18)	889	856
Rents received in advance	307	280
Trade creditors	323	213
Other taxation and social security	48	33
Growth Plan Pension deficit provision	-	7
Government grants	419	412
Accruals and deferred income	290	303
Bond Premium	19	18
	-----	-----
	2,295	2,122
	=====	=====

18. Creditors – amounts falling due after more than one year

	2026	2025
	£'000	£'000
Loans	30,605	28,180
Sinking funds	49	41
Bond premium	447	466
Recycled Grant Fund (RCGF) - National	995	771
Recycled Grant Fund (RCGF) – Rotherham MBC	63	63
Growth Plan Pension deficit provision	0	13
Government grants	21,378	21,608
Recycled other grants	10	10
	-----	-----
	53,547	51,152
	=====	=====

The loans are secured on freehold housing properties. Interest is payable at between 1% and 11.5%.

18. Creditors – amounts falling due after more than one year (continued)

The total accumulated amount of capital grant received or receivable at the balance sheet date is £41,484,985 (2025: £41,403,054).

	2026	2025
	£'000	£'000
Deferred income - Government grants		
At 1 April	22,096	22,216
Grants receivable	226	348
Grants payable	(30)	(51)
Amortisation to Statement of Comprehensive Income	(419)	(417)
	-----	-----
At 31 March	21,873	22,096
	=====	=====
Due within one year	419	417
Due after one year	21,454	21,679
	-----	-----

	2026	2025
	£'000	£'000
Recycled Capital Grant Fund		
At 1 April	737	688
Inputs to RCGF	207	102
Recycling of grant	(69)	(83)
Interest accrued	28	30
	-----	-----
At 31 March	903	737
	=====	=====

There is £302k (2025: £49K) which is outstanding for three or more years and therefore potentially due for repayment to Homes England.

Borrowings are repayable as follows:

	2026	2025
	£'000	£'000
Bank loans		
Between one and two years	1,002	889
Between two and five years	9,607	3,793
After five years	20,189	23,705
Set up costs	(193)	(206)
	-----	-----
On demand or within one year	30,605	28,181
	889	856
	-----	-----
	31,494	29,037
	=====	=====

The Association does not hold any finance leases.

19. Retirement benefit schemes

Defined contribution scheme - Growth Plan

Arches have withdrawn from the Pensions Trust Growth Plan and paid an exit amount of £45,051.

The Pensions Trust – Social Housing Pension Scheme

Present values of defined benefit obligation, fair value of plan assets and defined benefit asset (liability)

	2026	2025
	£'000	£'000
Fair value of plan assets	1,449	1,373
Present value of defined benefit obligations	(1,573)	(1,586)
Defined benefit (liability) to be recognised	(124)	(213)

Reconciliation of opening and closing balances of the defined benefit obligation

	2026	2025
	£'000	£'000
Defined benefit obligation at start of period	1,586	1,747
Current service cost	-	-
Expenses	7	5
Interest expense	91	84
Member contributions	-	-
Actuarial losses (gains) due to scheme experience	(21)	66
Actuarial losses (gains) due to changes in demographic assumptions	15	-
Actuarial losses (gains) due to changes in financial assumptions	(36)	(240)
Benefits paid and expenses	(69)	(76)
Defined benefit obligation at end of period	1,573	1,586

19. Retirement benefit schemes (continued)

Reconciliation of opening and closing balance of the fair value of plan assets

	2026	2025
	£'000	£'000
Fair value of plan assets at start of period	1,373	1,421
Interest income	81	70
Experience on plan assets – gain/(loss)	(17)	(132)
Employer contributions	81	90
Member contributions	-	-
Benefits paid and expenses	(69)	(76)
Fair value of plan assets at end of period	1,449	1,373

The actual return on the plan assets (including any changes in share of assets) over the period from 01 April 2025 to 31 March 2026 was £64,000, (2025: £62,000).

Defined benefit costs recognised in statement of comprehensive income (SOCl)

	2026	2025
	£'000	£'000
Current service cost	-	-
Expenses	7	5
Net interest expense	10	14
Defined benefit costs recognised in statement of comprehensive income (SOCl)	17	19

Defined benefit costs recognised in other comprehensive income

	2026	2025
	£'000	£'000
Experience on plan assets- gain/(loss)	(17)	(132)
Experience gains and losses arising on the plan liabilities – gain/(loss)	21	(66)
Effects of changes in the demographic assumption underlying the present value of the defined benefit obligation – gain/(loss)	(15)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	36	240
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	25	42
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	-	-
Total amount recognised in other comprehensive income – gain/(loss)	25	42

19. Retirement benefit schemes (continued)

Assets

	2026	2025
	£'000	£'000
Absolute return	-	-
Alternative risk premium	-	-
Real Assets	136	164
Credit relative value	-	-
Distressed opportunities	-	-
Emerging markets debt	-	-
Fund of hedge funds	-	-
Global equity	161	154
Infrastructure	-	-
Insurance-linked securities	2	4
Liability driven investment	442	416
Long lease property	-	-
Net current assets	14	3
Over 15 year gilts	-	-
Private debt	-	-
Private equity	3	1
Property	71	69
Risk sharing	-	-
Secured income	44	23
Opportunistic liquid credit	-	-
Liquid Alternatives	258	255
Private Credit	175	168
Opportunistic credit	-	-
Cash	-	19
Currency Hedging	-	2
Credit	58	53
Investment Grade Credit	85	42
	-----	-----
Total assets	1,449	1,373
	=====	=====

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions

	31 March 2026	31 March 2025
	%per annum	% per annum
Discount Rate	6.18	5.87
Inflation (RPI)	3.28	3.08
Inflation (CPI)	3.03	2.80
Salary Growth	4.03	3.80

Allowance for commutation of pension for cash at retirement is 75% of maximum allowance (2025 75% of maximum allowance).

19. Retirement benefit schemes (continued)

The mortality assumptions adopted at 31 March 2026 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2025	20.9
Female retiring in 2025	23.2
Male retiring in 2045	22.2
Female retiring in 2045	24.6

Contributions Breakdown

Employer contributions breakdown for the period from 31 March 2025 to 31 March 2026

Month Received	Expenses (£s)	Deficit Contributions (£s)	Total (£s)
April 2025	-	-	-
May 2025	576	6,208	6,784
June 2025	1,152	12,416	13,568
July 2025	576	6,208	6,784
August 2025	576	6,208	6,784
September 2025	576	6,208	6,784
October 2025	576	6,208	6,784
November 2025	576	6,208	6,784
December 2025	-	-	-
January 2026	1,152	12,416	13,568
February 2026	576	6,208	6,784
March 2026	576	6,208	6,784
Total	6,912	74,496	81,408

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities	Impact on liability £'000
Discount rate	Increase of 0.1%p.a.	Decrease by 1.4%	(22)
Rate of inflation	Increase of 0.1% p.a.	Increase by 1.4%	22
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.0%	-
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 1.9%	30

The sensitivities shown above are approximate. Each sensitivity considers once change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate.

Arches Housing Limited
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20. Share capital

	2026	2025
	£	£
At beginning of year	10	12
Issued during the year	2	0
Reclaimed in the year	(1)	(2)
	-----	-----
At end of year	11	10
	=====	=====

Each share has a nominal value of £1.

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

21. Net cash generated from operating activities

	2026	2025
	£'000	£'000
Cash flow generated from operating activities		
Total comprehensive income	527	569
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	1,773	1,674
Amortisation of intangible assets	46	58
Amortisation of government grants	(426)	(447)
Decrease/(Increase) in Stock and Work in progress	198	(193)
Decrease/(Increase) in debtors	(6)	30
Increase/(Decrease) in creditors	276	(348)
Increase in provisions	8	6
Pension costs less contributions payable	(64)	(70)
Carrying amount of property, plant & equipment disposals	10	3
Profit on Sale of fixed assets	(160)	(169)
Carrying amount of Intangible assets disposals	10	-
Interest payable	1,622	1,409
Interest received	(10)	(23)
	-----	-----
Cash generated by operations	3,804	2,499
	=====	=====
 Cash and cash equivalents		
Cash at bank and in hand	653	693
	=====	=====

22. Analysis of changes in net debt

	At	Cash	Other	At
	1 April	flows	changes	31 March
	£'000	£'000	£'000	£'000
Cash	693	(40)	-	653
Debt due <1 Year	(856)	(33)	-	(889)
Debt due >1 year	(28,181)	(2,424)	-	(30,605)
Current asset investment	221	(198)	-	23
	-----	-----	-----	-----
Total	(28,123)	(2,695)	-	(30,818)
	=====	=====	=====	=====

23. Financial commitments

Capital commitments are as follows:

	2026 £'000	2025 £'000
Contracted for but not provided for	3,356	7,316
Approved by the directors but not contracted for	1,974	925
	-----	-----
	5,330	8,241
	=====	=====

These commitments are to be funded by existing funding.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2026 £'000	2025 £'000
Payments due:		
- within one year	6	11
- between one and five years	12	5
- after five years	-	-
	-----	-----
	18	16
	=====	=====

24. Units of housing stock

Owned and managed	2025	Developed	Sold	2026
General needs housing	679	-	(3)	676
Housing at affordable rent	514	9	(1)	522
Housing at intermediate rent	2	-	-	2
Supported housing accommodation	44	-	-	44
Shared ownership accommodation	115	22	(2)	135
	-----	-----	-----	-----
	1,354	31	(6)	1,379
	=====	=====	=====	=====

25. Contingent commitments

Historic grant funding

In 2017/18 Arches Housing Limited entered into a stock transaction with another social landlord. Housing properties with a fair value of £586,000 were received in exchange for a cash payment. This transaction includes the transfer of the original government grant funding of £1,171,000 which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Arches Housing Limited is responsible for the recycling of the grant in the event of the housing properties being disposed.

Pension scheme liability

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items and this process remains ongoing. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

26. Related party transactions

There were no related party transactions carried out in the current year or prior year.