

# **Absolute Return for Kids (ARK)**

**Trustees' Annual Report and Accounts**

**For the 11 Months Ended 31 August 2007**

## **Trustees' report for the 11 months to 31st August 2007**

**Company Number: 4589451**

**Charity Number: 1095322**

The trustees are pleased to present their report together with the audited financial statements of the charity for the 11 months ended 31st August 2007.

### **Reference and administrative details**

#### **Directors**

The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The following individuals served as trustees during the year:

Arpad Busson (Chairman)  
Paul Dunning  
Stanley Fink  
David Gorton (appointed 19 July 2007)  
Kevin Gundle  
Paul Marshall  
Jennifer Moses  
Blaine Tomlinson  
Ian Wace

All trustees served for the full year except where noted above and no trustees have resigned or been appointed since the year end. None had any beneficial interest in the charity and remuneration of directors is neither paid by the charity nor permitted under its Articles of Association.

#### **Managing Director**

Paul Bernstein

#### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF  
T: +44 20 7951 2000

#### **Bankers**

HSBC Private Bank (UK) Limited  
78 St James's Street  
London SW1A 1JB  
T: +44 20 7860 5000

#### **Solicitors**

Boodle Hatfield  
89 New Bond Street  
London W1S 1DA  
T: +44 20 7629 7411

#### **Registered Office**

15 Adam Street  
London WC2N 6AH  
T: +44 20 7395 2050

#### **Change of accounting reference date**

In May 2007 ARK changed its accounting reference date from 30 September to 31 August. This aligned the group financial year with the standard financial year for schools in the UK and thereby achieved a co-terminous year end for all ARK companies. As a result of the change, these accounts cover an 11 month period.

## Trustees' report for the 11 months to 31st August 2007

### Objectives and principal activities

ARK is an international charity whose purpose is to transform children's lives, founded in 2002 by leaders in the alternative investment industry with a shared vision of collective philanthropy. The trustees and management team have developed a strong research and evidence-based model to identify critical areas of need and develop programmes which deliver life-changing benefits for children.

Programmes are highly focused on meeting pre-defined strategic goals in the areas of HIV/AIDS (South Africa, Mozambique), Education (UK) and Children in Care (Eastern Europe) and are delivered by ARK staff and contracted partners. The programme themes are built on partnership with governments to maximise the chances of success, leverage their resources and ensure sustainability.

The key objectives of ARK's HIV/AIDS programme are to:

- save lives and rapidly and effectively provide antiretroviral treatment (ART) to the parents and carers of children, and
- build capacity – ensuring that provincial governments and communities are able, through ARK's involvement, to provide treatment in an effective and sustainable way, with the appropriate resources, processes and systems.

ARK's programme is focused on, and delivered through, existing clinics in local communities. ARK works to build the human resource and physical capacity of these clinics to enable them to gain accreditation to enrol patients from their local communities onto antiretroviral drugs (ARVs). ARK helps run the clinics for an average of three years building systems and processes to ensure sustainable quality of care prior to hand over to provincial government. The charity has also launched a programme addressing the social and economic needs of children in communities affected by HIV/AIDS.

ARK's education programme is creating a culture of aspiration and opportunity. In the UK, ARK Academies was established in the UK in 2004 to develop a network of state schools providing high quality education in challenging, inner city areas. Its aim is to give all children a real opportunity to attain academic results and the self-confidence to move into higher education or pursue the career of their choice. Beyond the academies, ARK's Education programme also provides services to the academies that support educational success, such as extended schools, as well as funding for projects which work on the key barriers to success, such as school exclusions and prevention of teenage pregnancies.

The focus of the Children in Care programme in Bulgaria is to close large-scale orphanages for children under the age of seven with the aim of reintegrating these children with their biological parents or extended family. Where this is not possible, ARK and its partners are modelling innovative new practices in the provision of foster care and small-scale residential services. To ensure sustainability and considered exit, ARK has a small core team that provides overall programme management, targeted capacity building and infrastructure support to local government child protection departments.

ARK continues to provide funding for, and work closely with, a key partner organisation, Hope and Homes for Children (HHC), to ensure the closure of child institutions in Eastern Europe and also to prevent numerous children from being institutionalised.

## Trustees' report for the 11 months to 31st August 2007

### Achievements, performance and future plans

#### HIV/AIDS

*Since 2003 ARK has prevented over 35,000 children from being orphaned by or dying from AIDS.*

- In the last year ARK's HIV treatment programme doubled to four of the nine provinces in South Africa
- ARK aims to have enrolled over 32,000 mothers, caregivers and children onto treatment by 2012
- To date 19,500 mothers, caregivers and children have been enrolled onto treatment (9% are children)
- ARK is also supporting vulnerable children in AIDS-affected communities through its Child Services programme which supports caregivers in accessing the child support care dependence and foster care grants they are entitled to from the government.
- In May ARK announced the launch of the Clinton-ARK Initiative for Mozambique; through a strategic partnership with the Clinton Foundation, ARK will support the delivery of rapid and high quality care and treatment for HIV/AIDS in Mozambique. The Initiative will provide training and mentoring for health care workers, reaching over 300 clinicians in its first year.
- In addition ARK plans to launch its HIV treatment programme in Mozambique with the aim of enrolling 4,500 mothers and caregivers, and 500 children on HIV treatment over four years.

#### Education

*ARK will open 12 inner city Academy Schools in the UK by 2012, transforming the opportunities of over 10,000 young people*

- ARK's first academy, Burlington Danes Academy, opened in September 2006. Walworth Academy and King Solomon Academy, opened in September 2007. Two academies are scheduled to open in September 2008 and seven further schools are under development.
- Future Leaders a joint venture accelerated school leadership programme run by ARK, the National College of School Leadership and Specialist Schools and Academies Trust, expanded to enrol an additional 30 participants in 2007, bringing the total up to 50.
- ARK's social exclusion and youth development programmes in the UK supported over 1,000 children and families through programmes to prevent teenage pregnancy, raise self esteem, aspiration and educational attainment.
- ARK is planning to develop an education programme in India.

#### Children in Care

*ARK has helped to move over 1,300 children from abusive institutions and prevented a further 600 from entering the institutional system*

- ARK is overseeing the first ever institutional closure in Bulgaria re-housing over 60 children which will be completed in February 2008.
- ARK is working to close or reform three large-scale institutions and support the process of re-homing over 360 children.
- ARK signed an unprecedented agreement with 3 government ministries, 2 state agencies and 1 municipality to plan and support the reform of long-term institutional care in Bulgaria.
- Where it is not possible to find families for children who are currently living in institutions, ARK will establish up to 11 small group homes.
- As a result of this work, hundreds of children will leave long-term, large-scale institutional care in the next two years.

## Trustees' report for the 11 months to 31st August 2007

- Working in partnership with Hope and Homes for Children (HHC), ARK is supporting the closure of 16 orphanages across five countries in Eastern Europe transforming the lives of a further 1,600 children.

### Financial review

The 11 month period to 31 August 2007 was one of significant growth for ARK, with income for the group increasing 52% to £32.7m (2006 £21.5m).

ARK continues to raise the majority of its funds through its annual Gala Dinner. In 2007 this was held at Marlborough House London in conjunction with the Commonwealth Secretariat and attended by President Clinton. Thanks to the generosity of ARK's supporters £26.0m (2006 £18.3m) was raised through the Dinner (see note 3). The trustees believe this is the first time this amount has been reached by a single event of this nature in the UK.

Expenditure by the parent charity covers fundraising costs, central administrative costs, and the commitment of funds to specific projects through grants primarily to other companies in the ARK group. During the period this increased by 23% to £26.4m (2006 - £21.5m), resulting in net incoming resources of £5.4m compared to net outgoing resources in 2006 of £1.1m.

ARK's HIV/AIDS programme continues to be its largest in terms of expenditure with new funds committed during the year increasing to £12.0m (2006 - £10.6m). This includes new investments of £3.3m toward ARK South Africa's ARV programme, £4.0m toward ARK's work in Mozambique (which will fund ARK's programme there to 2011) and a further £4.1m toward ARK's partnership in Mozambique with The Clinton Foundation HIV/AIDS Initiative (see note 6).

Expenditure on the UK Education programme saw the largest percentage increase during the period with new investments increasing by a little over 150% to £9.1m (2006 - £3.7m). The focus of ARK's work in the UK shifted to the Academy programme in the run up to the first ARK school opening in September 2006, and the current year expenditure includes sponsorship of 4 new Academies of which 2 opened in September 2007 and 2 will open in September 2008.

ARK also created a new charitable subsidiary company in September 2006, ARK Schools, to develop a range of programmes clustered around the academies that support and enhance the work of the Academies but are not funded by the UK Government's Department for Children Schools and Families (DCSF). Grants to the subsidiary in the year included £369k to cover its core costs in the first 2 years of operation, £237k for an Extended Schools Programme and £118k for a Music Programme.

Expenditure at the group level differs from the charity in that where a grant is made to a subsidiary company the value of funds actually spent by the company is shown rather than the value of the grant. During the period expenditure at the group level increased by 92% to £22.0m (2006 - £11.5m). This is lower than expenditure by the parent charity by £4.4m representing the net value of new grants made to group companies relating to future years.

### Central administrative costs

The trustees and patrons continue to ensure that the central administrative costs of the charity (referred to as core costs throughout these accounts) are met through funds donated specifically for that purpose. The income and expenditure relating to core costs in the period are shown in the table below.

The trustees understand that the charity's growth will require a gradual expansion of core cost expenditure in the years ahead. They are confident that ARK's existing sources of core income can be expanded to cover this expenditure, and have collectively agreed to cover any shortfall on a year to year basis.

This undertaking is central to ARK's operating philosophy as it gives other donors the assurance that every penny of every donation goes directly to projects.

## Trustees' report for the 11 months to 31st August 2007

|                                              | £                  |
|----------------------------------------------|--------------------|
| Contributions arranged by Trustees & Patrons | 866,019            |
| Return on Investments                        | 1,041,947          |
| ARK Masters Fee Rebates                      | 437,789            |
| Other                                        | 470                |
| <b>Total income raised for core cost</b>     | <b>2,346,225</b>   |
| <b>LESS Expenditure on core costs</b>        | <b>(1,350,881)</b> |
| <b>Surplus on core costs for the year</b>    | <b>995,344</b>     |
| <b>Balance 1 October 2006</b>                | <b>228,269</b>     |
| <b>Balance 31 August 2007</b>                | <b>1,223,613</b>   |

### Risk Management

The trustees have assumed responsibility for identifying the types of risk faced by ARK in pursuing its charitable objectives. They have presided over the establishment of formal procedures in every aspect of ARK's activities designed to mitigate these risks, and have ensured that employees are both fully aware of these procedures and of the implications of failing to implement them. They are satisfied that these controls, especially the financial ones comply in all material respects with guidelines issued by the Charity Commission.

### Funds and Reserves

#### Restricted funds

ARK achieves its charitable objectives primarily through direct implementation of projects by its own charitable subsidiaries, and to a lesser extent by way of grants to partner organisations.

Where the projects are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. The funding period for a typical project is 3 to 5 years. For this reason at any point in time ARK expects to be holding an amount equivalent to several years' expenditure in restricted funds.

The value of restricted funds held by the group at 31st August 2007 was £22.7m (2006 - £15.6m) which is equivalent to 16 months expenditure on charitable activities at 2007 levels (2006 – 23 months). The trustees consider this to be in line with the organisation's policy.

Note 13 shows how these reserves are split across ARK's various programmes.

#### Designated funds – general programme fund

A significant proportion of the funds raised by ARK must be used to fund charitable projects (ie they cannot be used to cover the organisation's core costs) but are not committed to a specific project at the point of receipt. This income is credited to ARK's general programme fund and stays there until such time as it is committed to a specific project.

In the balance sheet these funds are shown as Designated funds – general programme fund. The balance held in this fund was £8.5m at 31st August 2007 (2006 £5.5m). ARK anticipates that all these funds will be committed to specific programmes within the next 12 months. The trustees consider this to be in line with the organisation's policy.

#### Unrestricted funds – core costs

The trustees ensure that the central administrative costs of the charity are met through funds raised specifically for that purpose, and will continue to do so for the foreseeable future. For this reason, it is not necessary for the charity to establish a reserve to cover these costs, although at any point in time there may be a balance held that represents an excess of funds raised to cover

## Trustees' report for the 11 months to 31st August 2007

core costs over expenditure on core costs to date. This represents the unrestricted reserves of the charity.

In the balance sheet these funds are shown under Unrestricted funds - core costs. The balance held on this fund was £1.2m at 31st August 2007 (2006 - £228k). The trustees consider this to be in line with the organisation's policy.

### Structure, Governance and Management

#### Governing Document

Absolute Return for Kids (ARK) is a company limited by guarantee governed by its Memorandum and Articles of Association dated 12 November 2002, and is registered as a charity with the Charity Commission.

#### Organisation

The board of trustees, which can have up to ten members, oversees the charity. The board meets at least six times a year. There are also six sub-committees; one covering each of the charity's three main programme areas (HIV/AIDS, UK Education and Children in Care), one dealing with strategy, one dealing with donor relations and the sixth dealing with finance and audit. The sub-committees each report back to the board and make recommendations on policy and practice in their respective areas of jurisdiction.

A Managing Director is appointed by the trustees to oversee the day to day operations of the charity. To facilitate effective operations, the Managing Director has delegated authority for operational matters including finance and employment.

#### Related Parties

The charity has established a number of companies to implement its key programmes.

ARK Academies is responsible for ARK's work in inner city schools in the UK. ARK Academies is registered in England as a charitable company limited by guarantee (company number 5112090; charity number 1111608). In these accounts ARK Academies does not form part of the group.

ARK Schools was incorporated in September 2006 and is responsible for ARK's work in UK Education beyond the Academies programme. ARK Schools is registered in England as a company limited by guarantee (company number 5932797).

ARK (South Africa) Limited, an association incorporated in South Africa under section 21 (registration number 2004/003952/10) and registered in England as a charitable company limited by guarantee (company number 4957091; charity number 1108175) runs the charity's programmes in South Africa.

ARK Mozambique (an NGO registered in Mozambique) runs the charity's programmes in Mozambique.

ARK Bulgaria (a private foundation incorporated in Bulgaria) runs the charity's programmes in Bulgaria.

During the year the charity sold its dormant trading subsidiary Absolute Return for Kids (ARK) Trading Limited to ARK Academies for the nominal value of the issued share capital (£1).

The charity is also affiliated to Friends of ARK (FoA) a US philanthropic organisation which shares ARK's passion for transformational change in the lives of disadvantaged children. FoA supports the work of the charity through grants.

## **Trustees' report for the 11 months to 31st August 2007**

Note 16 to the financial statements includes a summary of transactions with each of these organisations.

### **Trustees' responsibilities in relation to the financial statements**

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to the Auditors**

The trustees are not aware of any relevant audit information of which the charity's auditors are unaware. The trustees also confirm that they have taken all the steps required of trustees to make themselves aware of any relevant audit information, and establish that the charity's auditors are aware of that information.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the forthcoming Annual General Meeting on 3 July.

This report was approved by the trustees on 2 June 2008.

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)

# **Independent auditors' report**

## **to the members of Absolute Return for Kids (ARK)**

We have audited the charitable group and company's financial statements for the period ended 31 August 2007 which comprise the group and company's Statement of Financial Activities (SOFA), the group and company's Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As described in the Statement of Trustees' Responsibilities the charitable company's trustees' are responsible for the preparation of the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Trustees' report is consistent with the financial statements.

We also report to you if, in our opinion, the charitable 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 trustees' remuneration and transactions with the charitable group is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 trustees 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.

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 of the state of affairs of the charitable company and of the group as at 31 August 2007 and of the incoming resources and application of resources of the group, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
London

## Consolidated Statement of Financial Activities

For the 11 Months to 31 August 2007

|                                                                                          |              | <i>Unrestricted</i> | <i>Restricted</i> | <i>Period<br/>ended<br/>31-Aug -07<br/>Total</i> | <i>Restated<br/>Year<br/>ended<br/>30-Sept-06<br/>Total</i> |
|------------------------------------------------------------------------------------------|--------------|---------------------|-------------------|--------------------------------------------------|-------------------------------------------------------------|
|                                                                                          | <i>Notes</i> | <i>£'000</i>        | <i>£'000</i>      | <i>£'000</i>                                     | <i>£'000</i>                                                |
| <b><i>Incoming Resources</i></b>                                                         |              |                     |                   |                                                  |                                                             |
| Incoming Resources from generated funds                                                  |              |                     |                   |                                                  |                                                             |
| Voluntary income:                                                                        |              |                     |                   |                                                  |                                                             |
| Grants and Donations                                                                     | 2            | 9,040               | 15,842            | 24,882                                           | 16,282                                                      |
| Activities for generating funds:                                                         |              |                     |                   |                                                  |                                                             |
| Fundraising events                                                                       | 3            | 6,818               | 296               | 7,114                                            | 3,866                                                       |
| Incoming Resources from charitable activities                                            |              |                     |                   |                                                  |                                                             |
| Grants and contracts                                                                     |              | -                   | -                 | -                                                | 864                                                         |
| Investment income                                                                        | 4            | 671                 | 34                | 705                                              | 451                                                         |
| <b><i>Ongoing operations</i></b>                                                         |              |                     |                   |                                                  |                                                             |
| -                                                                                        |              |                     |                   |                                                  |                                                             |
| <b><i>Discontinued operations</i></b>                                                    |              |                     |                   |                                                  |                                                             |
| -                                                                                        |              |                     |                   |                                                  |                                                             |
| <b><i>Total Incoming Resources</i></b>                                                   |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 16,529              | 16,172            | 32,701                                           | 21,463                                                      |
| <b><i>Resources Expended</i></b>                                                         |              |                     |                   |                                                  |                                                             |
| Cost of generating funds:                                                                |              |                     |                   |                                                  |                                                             |
| Charitable Activities                                                                    | 6            | 4,079               | -                 | 4,079                                            | 2,466                                                       |
| Grants & project operating costs                                                         | 6            | 676                 | 16,709            | 17,385                                           | 8,644                                                       |
| Governance costs                                                                         | 5            | 540                 | -                 | 540                                              | 342                                                         |
| <b><i>Total Resources Expended</i></b>                                                   |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 5,295               | 16,709            | 22,004                                           | 11,452                                                      |
| <b><i>Ongoing operations</i></b>                                                         |              |                     |                   |                                                  |                                                             |
| -                                                                                        |              |                     |                   |                                                  |                                                             |
| <b><i>Discontinued operations</i></b>                                                    |              |                     |                   |                                                  |                                                             |
| -                                                                                        |              |                     |                   |                                                  |                                                             |
| <b><i>Net incoming/(outgoing) resources before other recognised gains and losses</i></b> |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 11,234              | (537)             | 10,697                                           | 10,011                                                      |
| <i>Unrealised gains on Investment assets</i>                                             |              |                     |                   |                                                  |                                                             |
|                                                                                          | 7            | 173                 | -                 | 173                                              | 14                                                          |
| <i>Realised gains/(losses) on foreign</i>                                                |              |                     |                   |                                                  |                                                             |
| <i>Currency transactions</i>                                                             |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 197                 | (4)               | 193                                              | 540                                                         |
| <i>Transfer of restricted reserve to former</i>                                          |              |                     |                   |                                                  |                                                             |
| <i>Group entity</i>                                                                      |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | -                   | -                 | -                                                | (2,292)                                                     |
| <b><i>Net incoming/(outgoing) resources before transfers</i></b>                         |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 11,604              | (541)             | 11,063                                           | 8,273                                                       |
| <b><i>Gross transfers between funds</i></b>                                              |              |                     |                   |                                                  |                                                             |
|                                                                                          | 13           | (7,597)             | 7,597             | -                                                | -                                                           |
| <b><i>Net movement in funds</i></b>                                                      |              |                     |                   |                                                  |                                                             |
|                                                                                          | 8            | 4,007               | 7,056             | 11,063                                           | 8,273                                                       |
| <b><i>Funds At 1 October 2006</i></b>                                                    |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 5,712               | 15,625            | 21,337                                           | 13,064                                                      |
| <b><i>Funds At 31 August 2007</i></b>                                                    |              |                     |                   |                                                  |                                                             |
|                                                                                          |              | 9,719               | 22,681            | 32,400                                           | 21,337                                                      |

## Charity Statement of Financial Activities

For the 11 Months to 31 August 2007

|                                                        |              | <i>Unrestricted</i> | <i>Restricted</i> | <i>Period</i>     | <i>Restated</i>   |
|--------------------------------------------------------|--------------|---------------------|-------------------|-------------------|-------------------|
|                                                        | <i>Notes</i> | <i>£'000</i>        | <i>£'000</i>      | <i>ended</i>      | <i>year</i>       |
|                                                        |              |                     |                   | <i>31-Aug -07</i> | <i>ended</i>      |
|                                                        |              |                     |                   | <i>Total</i>      | <i>30-Sept-06</i> |
|                                                        |              |                     |                   | <i>£'000</i>      | <i>Total</i>      |
|                                                        |              |                     |                   |                   | <i>£'000</i>      |
| <b><i>Incoming Resources</i></b>                       |              |                     |                   |                   |                   |
| Incoming Resources from generated funds                |              |                     |                   |                   |                   |
| Voluntary Income                                       |              |                     |                   |                   |                   |
| Grants and donations                                   | 2            | 9,040               | 14,990            | 24,029            | 16,047            |
| Activities for generating funds:                       |              |                     |                   |                   |                   |
| Fundraising events                                     | 3            | 6,818               | 296               | 7,114             | 3,866             |
| Investment Income                                      | 4            | 671                 | -                 | 671               | 446               |
| <b><i>Total Incoming Resources</i></b>                 |              | <b>16,529</b>       | <b>15,286</b>     | <b>31,814</b>     | <b>20,360</b>     |
| <b><i>Resources Expended</i></b>                       |              |                     |                   |                   |                   |
| Cost of generating funds:                              |              |                     |                   |                   |                   |
| Charitable Activities                                  |              |                     |                   |                   |                   |
| Grants and project operating costs                     | 6            | 676                 | 21,071            | 21,747            | 18,661            |
| Governance costs                                       | 5            | 540                 | -                 | 540               | 342               |
| <b><i>Total resources expended</i></b>                 |              | <b>5,295</b>        | <b>21,071</b>     | <b>26,366</b>     | <b>21,469</b>     |
| <b><i>Net incoming/(outgoing) resource</i></b>         |              |                     |                   |                   |                   |
| <b><i>before other recognised gains and losses</i></b> |              |                     |                   |                   |                   |
|                                                        |              | 11,234              | (5,786)           | 5,448             | (1,109)           |
| <i>Unrealised gains on investment assets</i>           | 7            | 173                 | -                 | 173               | 13                |
| <i>Realised gains on foreign currency swap</i>         | 7            | 197                 | -                 | 197               | 157               |
| <b><i>Net incoming/(outgoing) resources</i></b>        |              | <b>11,604</b>       | <b>(5,786)</b>    | <b>5,818</b>      | <b>(939)</b>      |
| <b><i>Gross transfers between funds</i></b>            | <b>13</b>    | <b>(7,597)</b>      | <b>7,597</b>      | <b>-</b>          | <b>-</b>          |
| <b><i>Net movement in funds</i></b>                    | <b>8</b>     | <b>4,007</b>        | <b>1,811</b>      | <b>5,818</b>      | <b>(939)</b>      |
| <b><i>Funds at 1 October 2006</i></b>                  |              | <b>5,712</b>        | <b>849</b>        | <b>6,561</b>      | <b>7,500</b>      |
| <b><i>Funds at 31 August 2007</i></b>                  |              | <b>9,719</b>        | <b>2,660</b>      | <b>12,379</b>     | <b>6,561</b>      |

## Consolidated Balance Sheet

As at 31 August 2007

|                                                       | <i>Notes</i> | <i>2007</i><br><i>£'000</i> | <i>2006</i><br><i>£'000</i> |
|-------------------------------------------------------|--------------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>                                   |              |                             |                             |
| Tangible fixed assets                                 | <b>9</b>     | 88                          | 65                          |
|                                                       |              | <u>88</u>                   | <u>65</u>                   |
| <b>Current assets</b>                                 |              |                             |                             |
| Debtors                                               | <b>11</b>    | 16,561                      | 7,417                       |
| Cash at bank and in hand                              |              | 20,402                      | 14,036                      |
| Investment in ARK Masters Fund                        | <b>7</b>     | 8,697                       | 4,617                       |
|                                                       |              | <u>45,660</u>               | <u>26,070</u>               |
| <b>Creditors:</b> amounts falling due within one year | <b>12</b>    | <u>(8,110)</u>              | <u>(4,480)</u>              |
| <b>Net current assets</b>                             |              | <u>37,550</u>               | <u>21,590</u>               |
| <b>Total assets less current liabilities</b>          |              | 37,638                      | 21,655                      |
| <b>Creditors:</b> amounts falling due after one year  | <b>12</b>    | <u>(5,238)</u>              | <u>(318)</u>                |
| <b>Net assets</b>                                     |              | <u>32,400</u>               | <u>21,337</u>               |
| <b>Funds</b>                                          |              |                             |                             |
| Unrestricted funds:                                   |              |                             |                             |
| Designated Funds - General programme fund             |              | 8,496                       | 5,484                       |
| Core costs                                            |              | 1,223                       | 228                         |
| Restricted funds                                      |              | <u>22,681</u>               | <u>15,625</u>               |
| <b>Total funds</b>                                    | <b>13</b>    | <u>32,400</u>               | <u>21,337</u>               |

Approved by the Board of Directors on 2 June 2008 and signed on its behalf by:

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)

## Charity balance sheet

As at 31 August 2007

|                                                       | <i>Notes</i> | <i>2007</i><br><i>£'000</i> | <i>2006</i><br><i>£'000</i> |
|-------------------------------------------------------|--------------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>                                   |              |                             |                             |
| Tangible fixed assets                                 | <b>9</b>     | 49                          | 8                           |
| Investments in subsidiaries                           | <b>10</b>    | -                           | -                           |
|                                                       |              | <u>49</u>                   | <u>8</u>                    |
| <b>Current assets</b>                                 |              |                             |                             |
| Debtors                                               | <b>11</b>    | 16,624                      | 7,387                       |
| Cash at bank and in hand                              |              | 18,660                      | 13,445                      |
| Investment in ARK Masters Fund                        | <b>7</b>     | 8,697                       | 4,617                       |
|                                                       |              | <u>43,981</u>               | <u>25,449</u>               |
| <b>Creditors:</b> amounts falling due within one year | <b>12</b>    | <u>(16,494)</u>             | <u>(10,159)</u>             |
| <b>Net current assets</b>                             |              | <u>27,487</u>               | <u>15,290</u>               |
| <b>Total assets less current liabilities</b>          |              | 27,536                      | 15,298                      |
| <b>Creditors:</b> amounts falling due after one year  | <b>12</b>    | <u>(15,157)</u>             | <u>(8,737)</u>              |
| <b>Net assets</b>                                     |              | <u>12,379</u>               | <u>6,561</u>                |
| <b>Funds</b>                                          |              |                             |                             |
| Unrestricted funds:                                   |              |                             |                             |
| Designated Funds - General programme fund             |              | 8,496                       | 5,484                       |
| Core costs                                            |              | 1,223                       | 228                         |
| Restricted funds                                      |              | 2,660                       | 849                         |
| <b>Total funds</b>                                    | <b>13</b>    | <u>12,379</u>               | <u>6,561</u>                |

Approved by the Board of Directors on 2 June 2008 and signed on its behalf by:

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)

## Consolidated Statement of Cash Flows

For the 11 months to 31 August 2007

|                                                               |              | <i>Period Ended</i><br>31 August<br>2007 | <i>Year Ended</i><br>30 September<br>2006 |
|---------------------------------------------------------------|--------------|------------------------------------------|-------------------------------------------|
|                                                               | <i>Notes</i> | <i>£'000</i>                             | <i>£'000</i>                              |
| <b><i>Net cash inflow from operating activities</i></b>       | <b>18</b>    | 9,460                                    | 8,076                                     |
| <b><i>Returns on investments and servicing of finance</i></b> |              |                                          |                                           |
| Interest received                                             |              | 705                                      | 451                                       |
| Realised foreign currency gains                               |              | 193                                      | 157                                       |
| <b><i>Capital expenditure and financial investment</i></b>    |              |                                          |                                           |
| Purchase of fixed assets                                      |              | (85)                                     | (67)                                      |
| Investment made in ARK Masters Fund                           |              | (3,907)                                  | (1,842)                                   |
| <b><i>Acquisitions and disposals</i></b>                      |              |                                          |                                           |
| Net cash disposed of with subsidiary undertaking              |              | -                                        | (453)                                     |
| <b><i>Increase in cash</i></b>                                |              | <u>6,366</u>                             | <u>6,322</u>                              |

The Charity has no debt and consequently a reconciliation of cashflows to movement in net debt has not been prepared.

## Notes to the Accounts

For the 11 months to 31 August 2007

### 1. Accounting policies

#### Basis of preparation

The accounts have been prepared under the historical cost convention with the exception that investments are stated at market value. The accounts are in accordance with applicable accounting standards, the Charities SORP 2005 (Accounting and Reporting by Charities), and comply with the Charities (Accounts and Reports) Regulations 2008 issued under the Charities Act 2006.

The accounts consolidate Absolute Return for Kids (ARK) and its project implementing subsidiaries, ARK (South Africa) Limited, ARK Schools, ARK Bulgaria, and ARK Mozambique.

#### Incoming resources

All income is accounted for on an accruals basis.

#### Fund accounting

Restricted funds are those which are to be used for a specified purpose as stipulated by the donor and agreed by the charity.

Unrestricted funds are those which the donor gives to the charity without stipulating a specific purpose. They are to be used for the furtherance of the objects of the charity in general and may be applied to specific projects at the discretion of the trustees. Within unrestricted funds the charity maintains a pool of designated funds, the General Programme Fund (GPF), which must be used to fund charitable projects (ie cannot be used to cover the organisation's core costs) but are not committed to a specific project at the point of receipt. The relevant income is credited to the GPF and when the Board commits funds to a specific project the required amount of funding is transferred from the GPF to the relevant restricted fund.

All income and expenditure is shown in the Statement of Financial Activities.

#### Resources expended

Costs of generating funds are those incurred in seeking donations for the charity and in publicising the work of the charity.

Resources expended on charitable activities comprises expenditure related to the direct furtherance of the charity's objectives. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.

Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost including any incidental expenses of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected useful economic life. The rates of depreciation applied to each class of asset are:

Computer equipment                      –        50% per annum

#### Foreign currencies

##### Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rate of exchange ruling at the balance sheet date.

## Notes to the Accounts

### For the 11 months to 31 August 2007

In preparing the financial statements for the current year, the Company has adopted FRS23 "The effects of Changes in Foreign Exchange Rates". The adoption of this standard did not materially affect the results or financial position of the Company.

#### Group

The income and expenditure of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the relevant period. where a grant is made to a subsidiary company the value of funds actually spent by the company is shown rather than the value of the grant.

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange effective at the balance sheet date.

All exchange differences are recognised through the Statement of Financial Activities.

#### 2. Grants and Donations

|                               | <i>Group</i><br><i>2007</i><br><i>£'000</i> | <i>Charity</i><br><i>2007</i><br><i>£'000</i> | <i>Group</i><br><i>2006</i><br><i>£'000</i> | <i>Charity</i><br><i>2006</i><br><i>£'000</i> |
|-------------------------------|---------------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------|
| Contributions to core costs   | 1,304                                       | 1,304                                         | 881                                         | 881                                           |
| General Donations             | 7,635                                       | 7,635                                         | 7,309                                       | 7,309                                         |
| Grants & restricted donations | <u>15,943</u>                               | <u>15,090</u>                                 | <u>8,092</u>                                | <u>7,857</u>                                  |
|                               | <u>24,882</u>                               | <u>24,029</u>                                 | <u>16,282</u>                               | <u>16,047</u>                                 |

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £1,304,277 (2006 £881,144) raised for this purpose.

#### 3. Fundraising events

The charity held its annual Gala Dinner in May 2007. No other fundraising events were held during the period. The £7.1m (2006 - £ 3.9m) income stated in the SOFA under incoming resources from fundraising events relates solely to the Gala Dinner.

In addition to this the dinner generates donations which are shown in the SOFA under voluntary income. The value of these donations included in the SOFA is £18.9m (2006 - £14.4m). The total income generated by the event was therefore £26.0m (2006 - £ 18.3m).

Of this £15.3m had been received by 31 August 2007, and £10.7m was outstanding. The outstanding amounts are shown in note 11 as follows;

##### Due in less than one year

Charity evening pledges £4.2m

Match funding pledges £0.5m

##### Due in more than one year

Match funding pledges £6.0m

#### 4. Investment Income

Investment income arises from interest receivable on funds held in interest bearing bank accounts and on fixed term deposit.

## Notes to the Accounts

For the 11 months to 31 August 2007

### 5. Allocation of Support

|                   | <i>Charitable<br/>activity</i> | <i>Cost of<br/>generating<br/>funds</i> | <i>Governance<br/>costs</i> | <i>Total</i> |
|-------------------|--------------------------------|-----------------------------------------|-----------------------------|--------------|
|                   | <i>£'000</i>                   | <i>£'000</i>                            | <i>£'000</i>                | <i>£'000</i> |
| Head office costs | 676                            | 135                                     | 540                         | 1,351        |
| Total             | <u>676</u>                     | <u>135</u>                              | <u>540</u>                  | <u>1,351</u> |

The trust allocates its support costs as shown in the table above and then further apports those costs between the charitable activities undertaken directly by the ARK group (see note 6). Support costs relate entirely to ARK's core staff team and the London office.

As per note 2 above the trustees ensure these costs are covered by unrestricted funding raised for this purpose. The allocation of core costs as support costs to activities in notes 5 & 6 provides a more accurate picture of the full cost of those activities. It does not represent a use of programme funds.

### 6. Analysis of Resources Expended

#### Group

|                                 | <i>Activities<br/>undertaken<br/>directly</i> | <i>Grant<br/>funding of<br/>activities</i> | <i>Support<br/>costs</i> | <i>Total</i>  |
|---------------------------------|-----------------------------------------------|--------------------------------------------|--------------------------|---------------|
|                                 | <i>£'000</i>                                  | <i>£'000</i>                               | <i>£'000</i>             | <i>£'000</i>  |
| <b>Charitable expenditure</b>   |                                               |                                            |                          |               |
| HIV/AIDS - South Africa ARVs    | 2,423                                         | -                                          | 112                      | 2,535         |
| HIV/AIDS – CABA                 | 634                                           | -                                          | 3                        | 637           |
| HIV/AIDS – Mozambique           | 112                                           | -                                          | 135                      | 247           |
| HIV/AIDS - Mozambique CHAI      | -                                             | 4,080                                      | 138                      | 4,218         |
| HIV/AIDS - Other                | -                                             | 520                                        | -                        | 520           |
| Children in Care - Bulgaria     | 411                                           | -                                          | -                        | 411           |
| Children in Care - Other        | 9                                             | -                                          | 1                        | 10            |
| UK - Academies                  | -                                             | 7,686                                      | 260                      | 7,946         |
| UK - Ark Schools                | 50                                            | -                                          | 12                       | 62            |
| UK - Future Leaders             | -                                             | 404                                        | 14                       | 418           |
| UK - Extended Schools           | -                                             | 130                                        | -                        | 130           |
| UK - Schools Music              | 4                                             | -                                          | -                        | 4             |
| UK - Teens & Toddlers           | -                                             | 152                                        | -                        | 152           |
| UK - Fairbridge                 | -                                             | 5                                          | -                        | 5             |
| UK - Education Small Grants     | 6                                             | 30                                         | -                        | 36            |
| UK - KIPP Exchange              | -                                             | 50                                         | -                        | 50            |
| Other - Disaster                | 3                                             | -                                          | 1                        | 4             |
|                                 | <u>3,652</u>                                  | <u>13,057</u>                              | <u>676</u>               | <u>17,385</u> |
| <b>Cost of generating funds</b> | 3,944                                         | -                                          | 135                      | 4,079         |
| <b>Governance costs</b>         | -                                             | -                                          | 540                      | 540           |
| <b>Total resources expended</b> | <u>7,596</u>                                  | <u>13,057</u>                              | <u>1,351</u>             | <u>22,004</u> |

## Notes to the Accounts

For the 11 months to 31 August 2007

### 6. Analysis of Resources Expended (cont)

#### Charity

|                                 | <i>Activities<br/>undertaken<br/>directly</i> | <i>Grant<br/>funding of<br/>activities</i> | <i>Support<br/>costs</i> | <i>Total</i>         |
|---------------------------------|-----------------------------------------------|--------------------------------------------|--------------------------|----------------------|
|                                 | <i>£'000</i>                                  | <i>£'000</i>                               | <i>£'000</i>             | <i>£'000</i>         |
| <b>Charitable expenditure</b>   |                                               |                                            |                          |                      |
| HIV/AIDS - ARV                  | -                                             | 3,302                                      | 112                      | 3,414                |
| HIV/AIDS - CABA                 | -                                             | 100                                        | 3                        | 103                  |
| HIV/AIDS - Mozambique           | -                                             | 4,000                                      | 135                      | 4,135                |
| HIV/AIDS - Mozambique CHAI      | -                                             | 4,080                                      | 138                      | 4,218                |
| HIV/AIDS - Other                | -                                             | 520                                        | -                        | 520                  |
| Children in Care - Other        | 9                                             | -                                          | 1                        | 10                   |
| UK - Academies                  | -                                             | 7,686                                      | 260                      | 7,946                |
| UK - Ark Schools                | -                                             | 369                                        | 12                       | 381                  |
| UK - Future Leaders             | -                                             | 404                                        | 14                       | 418                  |
| UK - Extended Schools           | -                                             | 237                                        | -                        | 237                  |
| UK - Schools Music              | -                                             | 118                                        | -                        | 118                  |
| UK - Teens & Toddlers           | -                                             | 152                                        | -                        | 152                  |
| UK - Fairbridge                 | -                                             | 5                                          | -                        | 5                    |
| UK - Education Small Grants     | -                                             | 36                                         | -                        | 36                   |
| UK - KIPP Exchange              | -                                             | 50                                         | -                        | 50                   |
| Other - Disaster                | 3                                             | -                                          | 1                        | 4                    |
|                                 | <u>12</u>                                     | <u>21,059</u>                              | <u>676</u>               | <u>21,747</u>        |
| <b>Cost of generating funds</b> | 3,944                                         | -                                          | 135                      | 4,079                |
| <b>Governance costs</b>         | -                                             | -                                          | 540                      | 540                  |
| <b>Total resources expended</b> | <u><u>3,956</u></u>                           | <u><u>21,059</u></u>                       | <u><u>1,351</u></u>      | <u><u>26,366</u></u> |

Support costs relate entirely to ARK's core staff team and the London office.

As explained in note 5 above the trustees ensure these costs are covered by unrestricted funding raised for this purpose. The allocation of core costs as support costs to activities in notes 5 & 6 provides a more accurate picture of the full cost of those activities. It does not represent a use of programme funds.

## Notes to the Accounts

### For the 11 months to 31 August 2007

#### 7. Investments

|                                               | <b>2007</b>  | <b>2006</b>  |
|-----------------------------------------------|--------------|--------------|
|                                               | <b>£'000</b> | <b>£'000</b> |
| Investment in ARK Masters Fund b/f            | 4,603        | 2,761        |
| Additional investment in Fund during the year | 3,907        | 1,842        |
|                                               | <u>8,510</u> | <u>4,603</u> |
| Total cost of investment in ARK Masters       |              |              |
| Unrealised gains on investment assets         | 187          | 14           |
|                                               | <u>8,697</u> | <u>4,617</u> |
| Market value at 31 August                     |              |              |

ARK invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The mix of investment instruments and the maximum total investment in each is broadly in line with independent advice obtained by the trustees. In accordance with this policy ARK held a maximum of 35% of its funds in the ARK Masters Fund (AMF) during the period under review. The objective for ARK's investment in the AMF is to outperform cash without significantly increasing risk.

The balance of funds were held as cash in interest bearing bank accounts and on fixed term deposits, with the profile of the cash holdings dependant on the working capital needs of ARK's projects.

The AMF was set up by supporters of ARK in 2005. It is a fund of funds that invests in a range of investment strategies aiming to ensure an absolute return on investment that is not correlated to the UK equity market. Having taken independent advice on this investment strategy, the trustees believe this is an appropriate investment of the charity's funds, especially given the fact that ARK's donor base is almost exclusively drawn from the hedge fund industry and its supporters would expect to see the funds they have given to the charity invested in this way.

The return on investment (which consists of the realised gain on the foreign currency swap that hedges ARK's investment in the fund and the unrealised value of gains in the fund itself) in the 11 months under review was 8%.

ARK also benefits from the ARK Masters Fund in that many of the management companies in whose funds AMF invests voluntarily rebate their fees either directly to the AMF or as a donation to ARK. Where the capital is invested in a fund controlled by the trustees of ARK, 100% of fees are donated in this way. During the period this resulted in donations of £438k. This additional return was equivalent to a 9.5% of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on it's investment in AMF was 17.5% during the 11 month period, or an annualized return of 19%. The trustees consider this to be a satisfactory performance.

## Notes to the Accounts

For the 11 months to 31 August 2007

### 8. Net movement in funds

This is stated after charging

|                         | Group<br>2007<br>£'000 | Charity<br>2007<br>£'000 | Group<br>2006<br>£'000 | Charity<br>2006<br>£'000 |
|-------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Operating lease charges | <u>93</u>              | <u>-</u>                 | <u>92</u>              | <u>77</u>                |
| Depreciation            | <u>62</u>              | <u>17</u>                | <u>51</u>              | <u>23</u>                |

Ernst & Young LLP undertake the audit of the ARK group on a pro bono basis.

### 9. Fixed Assets

|                        | Group<br>Total<br>£'000 | Charity<br>Total<br>£'000 |
|------------------------|-------------------------|---------------------------|
| <b>Cost:</b>           |                         |                           |
| At 1 October 2006      | 184                     | 80                        |
| Additions              | 85                      | 58                        |
| Disposals              | (35)                    | (35)                      |
| At 31 August 2007      | <u>234</u>              | <u>103</u>                |
| <b>Depreciation:</b>   |                         |                           |
| At 1 October 2006      | 119                     | 72                        |
| Disposals              | (35)                    | (35)                      |
| Charge for the year    | 62                      | 17                        |
| At 31 August 2007      | <u>146</u>              | <u>54</u>                 |
| <b>Net Book Value:</b> |                         |                           |
| At 31 August 2007      | <u>88</u>               | <u>49</u>                 |
| At 30 September 2006   | <u>65</u>               | <u>8</u>                  |

### 10. Investment in subsidiaries

The charity established a wholly owned trading subsidiary Absolute Return for Kids (ARK) Trading Limited to operate charity challenge events. Having not traded since 2004 the subsidiary was sold during the period to ARK Academies for the nominal value of the issued share capital (£1).

## Notes to the Accounts

For the 11 months to 31 August 2007

### 11. Debtors

|                                 | <i>Group</i><br><i>2007</i><br><i>£'000</i> | <i>Charity</i><br><i>2007</i><br><i>£'000</i> | <i>Group</i><br><i>2006</i><br><i>£'000</i> | <i>Charity</i><br><i>2006</i><br><i>£'000</i> |
|---------------------------------|---------------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>Receivable within 1 year</b> |                                             |                                               |                                             |                                               |
| Charity evening pledges         | 4,201                                       | 4,201                                         | 906                                         | 906                                           |
| Match funding pledges           | 1,750                                       | 1,750                                         | 2,500                                       | 2,500                                         |
| Grant debtors                   | 213                                         | 213                                           | 1,534                                       | 1,534                                         |
| HMRC                            | -                                           | -                                             | 318                                         | 318                                           |
| Inter-company debtors           | -                                           | 28                                            | -                                           | -                                             |
| Related company debtors         | 24                                          | 94                                            | 39                                          | 39                                            |
| Trade Debtors                   | 12                                          | -                                             | 30                                          | -                                             |
| Prepayments & other debtors     | 77                                          | 54                                            | 90                                          | 90                                            |
|                                 | <u>6,277</u>                                | <u>6,340</u>                                  | <u>5,417</u>                                | <u>5,387</u>                                  |
| <b>Receivable after 1 year</b>  |                                             |                                               |                                             |                                               |
| Grant debtors                   | 34                                          | 34                                            | -                                           | -                                             |
| Match funding pledges           | 10,250                                      | 10,250                                        | 2,000                                       | 2,000                                         |
| Total                           | <u><u>16,561</u></u>                        | <u><u>16,624</u></u>                          | <u><u>7,417</u></u>                         | <u><u>7,387</u></u>                           |

### 12. Creditors

|                                            | <i>Group</i><br><i>2007</i><br><i>£'000</i> | <i>Charity</i><br><i>2007</i><br><i>£'000</i> | <i>Group</i><br><i>2006</i><br><i>£'000</i> | <i>Charity</i><br><i>2006</i><br><i>£'000</i> |
|--------------------------------------------|---------------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>Amounts falling due within one year</b> |                                             |                                               |                                             |                                               |
| Trade Creditors                            | 249                                         | 91                                            | 217                                         | 65                                            |
| Inter-company creditors                    | -                                           | 70                                            | -                                           | -                                             |
| Related company creditors                  | 186                                         | 186                                           | 160                                         | 160                                           |
| Grant creditors                            | 7,345                                       | 15,853                                        | 4,103                                       | 9,934                                         |
| Other creditors                            | 330                                         | 294                                           | -                                           | -                                             |
|                                            | <u>8,110</u>                                | <u>16,494</u>                                 | <u>4,480</u>                                | <u>10,159</u>                                 |
| <b>Amounts falling due after one year</b>  |                                             |                                               |                                             |                                               |
| Grant creditors                            | <u>5,238</u>                                | <u>15,157</u>                                 | <u>318</u>                                  | <u>2,880</u>                                  |

## Notes to the Accounts

For the 11 months to 31 August 2007

### 13. Analysis of charitable funds

#### Group

|                              | <i>1 Oct<br/>2006</i> | <i>Income</i>        | <i>Transfers<br/>in / (out)</i> | <i>Expenditure</i>   | <i>31 Aug<br/>2007</i> |
|------------------------------|-----------------------|----------------------|---------------------------------|----------------------|------------------------|
|                              | <b>£'000</b>          | <b>£'000</b>         | <b>£'000</b>                    | <b>£'000</b>         | <b>£'000</b>           |
| <b>Restricted Funds</b>      |                       |                      |                                 |                      |                        |
| HIV/AIDS - South Africa ARVs | 9,706                 | 3,628                | 427                             | 2,423                | 11,338                 |
| HIV/AIDS - CABA              | 3,609                 | -                    | 100                             | 634                  | 3,075                  |
| HIV/AIDS - Mozambique ARVs   | -                     | 1,430                | 6,650                           | 4,191                | 3,889                  |
| HIV/AIDS - Small Grants      | -                     | 20                   | 500                             | 520                  | -                      |
| Children in care - Bulgaria  | 1,821                 | 303                  | (663)                           | 412                  | 1,049                  |
| Children in care - Strategy  | -                     | -                    | 9                               | 9                    | -                      |
| UK - Academies               | -                     | 8,900                | 186                             | 7,686                | 1,400                  |
| UK - Schools                 | -                     | 2                    | 369                             | 50                   | 321                    |
| UK - Future Leaders          | 101                   | 1,050                | -                               | 404                  | 747                    |
| UK - Extended Schools        | -                     | 127                  | 237                             | 130                  | 234                    |
| UK - Schools Music           | -                     | 100                  | 18                              | 4                    | 114                    |
| UK - Schools Pastoral        | -                     | 128                  | -                               | -                    | 129                    |
| UK - Teens & Toddlers        | -                     | 394                  | (241)                           | 152                  | -                      |
| UK - Fairbridge              | -                     | -                    | 5                               | 5                    | -                      |
| UK - Education Small Grants  | -                     | 36                   | -                               | 36                   | -                      |
| UK - KIPP Exchange           | -                     | 50                   | -                               | 50                   | -                      |
| Other - Disaster Fund        | 388                   | -                    | -                               | 3                    | 385                    |
|                              | <u>15,625</u>         | <u>16,168</u>        | <u>7,597</u>                    | <u>16,709</u>        | <u>22,681</u>          |
| <b>Unrestricted funds</b>    |                       |                      |                                 |                      |                        |
| Core Funds                   | 228                   | 2,346                | -                               | 1,351                | 1,223                  |
| General Programme Funds      | 5,484                 | 14,553               | (7,597)                         | 3,944                | 8,496                  |
|                              | <u>5,712</u>          | <u>16,899</u>        | <u>(7,597)</u>                  | <u>5,295</u>         | <u>9,719</u>           |
| <b>Total Funds</b>           | <u><u>21,337</u></u>  | <u><u>33,067</u></u> | <u><u>-</u></u>                 | <u><u>22,004</u></u> | <u><u>32,400</u></u>   |

## Notes to the Accounts

### For the 11 months to 31 August 2007

#### 13. Analysis of charitable funds (cont)

##### Charity

|                              | <i>1 Oct<br/>2006</i> | <i>Income</i>        | <i>Transfers<br/>in / (out)</i> | <i>Expenditure</i>   | <i>31 Aug<br/>2007</i> |
|------------------------------|-----------------------|----------------------|---------------------------------|----------------------|------------------------|
|                              | <b>£'000</b>          | <b>£'000</b>         | <b>£'000</b>                    | <b>£'000</b>         | <b>£'000</b>           |
| <b>Restricted Funds</b>      |                       |                      |                                 |                      |                        |
| HIV/AIDS - South Africa ARVs | -                     | 2,875                | 427                             | 3,302                | -                      |
| HIV/AIDS - CABA              | -                     | -                    | 100                             | 100                  | -                      |
| HIV/AIDS - Mozambique ARVs   | -                     | 1,430                | 6,650                           | 8,080                | -                      |
| HIV/AIDS - Small Grants      | -                     | 20                   | 500                             | 520                  | -                      |
| Children in care - Bulgaria  | 360                   | 303                  | (663)                           | -                    | -                      |
| Children in care - Strategy  | -                     | -                    | 9                               | 9                    | -                      |
| UK - Academies               | -                     | 8,900                | 186                             | 7,686                | 1,400                  |
| UK - Schools                 | -                     | -                    | 369                             | 369                  | -                      |
| UK - Future Leaders          | 101                   | 1,050                | -                               | 404                  | 747                    |
| UK - Extended Schools        | -                     | -                    | 237                             | 237                  | -                      |
| UK - Schools Music           | -                     | 100                  | 18                              | 118                  | -                      |
| UK - Schools Pastoral        | -                     | 128                  | -                               | -                    | 128                    |
| UK - Teens & Toddlers        | -                     | 393                  | (241)                           | 152                  | -                      |
| UK - Fairbridge              | -                     | -                    | 5                               | 5                    | -                      |
| UK - Education Small Grants  | -                     | 36                   | -                               | 36                   | -                      |
| UK - KIPP Exchange           | -                     | 50                   | -                               | 50                   | -                      |
| Other - Disaster Fund        | 388                   | -                    | -                               | 3                    | 385                    |
|                              | <u>849</u>            | <u>15,285</u>        | <u>7,597</u>                    | <u>21,071</u>        | <u>2,660</u>           |
| <b>Unrestricted funds</b>    |                       |                      |                                 |                      |                        |
| Core Funds                   | 228                   | 2,346                | -                               | 1,351                | 1,223                  |
| General Programme Funds      | 5,484                 | 14,553               | (7,597)                         | 3,944                | 8,496                  |
|                              | <u>5,712</u>          | <u>16,899</u>        | <u>(7,597)</u>                  | <u>5,295</u>         | <u>9,719</u>           |
| Total                        | <u><u>6,561</u></u>   | <u><u>32,184</u></u> | <u><u>-</u></u>                 | <u><u>26,366</u></u> | <u><u>12,379</u></u>   |

The directors ensure that the central administrative costs of the charity are covered. The funds raised and held for this purpose are shown as core funds in the table above.

Incoming resources on the core fund for the period includes £1,304,277 donations and £1,041,947 return on investments.

## Notes to the Accounts

For the 11 months to 31 August 2007

### 14. Staff costs and numbers

|                       | <i>Group</i><br>2007<br>£'000 | <i>Charity</i><br>2007<br>£'000 | <i>Group</i><br>2006<br>£'000 | <i>Charity</i><br>2006<br>£'000 |
|-----------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| Salaries and wages    | 2,973                         | 847                             | 1,874                         | 639                             |
| Social security costs | 142                           | 91                              | 92                            | 68                              |
|                       | <u>3,115</u>                  | <u>938</u>                      | <u>1,966</u>                  | <u>707</u>                      |

The average number of staff employed during the period was

|            |           |            |           |
|------------|-----------|------------|-----------|
| <u>232</u> | <u>18</u> | <u>177</u> | <u>22</u> |
|------------|-----------|------------|-----------|

The number of staff whose emoluments were in excess of £60,000 during the period were as follows;

|                     | <i>Group</i><br>2007<br>£ | <i>Charity</i><br>2007<br>£ | <i>Group</i><br>2006<br>£ | <i>Charity</i><br>2006<br>£ |
|---------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| £130,000 - £140,000 | 1                         | 1                           | 1                         | 1                           |
| £110,000 - £120,000 | 1                         | 1                           | 3                         | 3                           |
| £90,000 - £100,000  | 1                         | 1                           | -                         | -                           |
| £60,000 - £70,000   | 2                         | 2                           | 1                         | 1                           |

### 15. Directors' remuneration and expenses

The charity did not pay to its trustees any remuneration or reimbursement of expenses during the period.

### 16. Related party transactions

During the period ARK committed a further £3.4m to its charitable subsidiary ARK (South Africa) Limited; £3.3m toward the ARV programme, and £100k toward the Child Services project. At the period end the balance payable to ARK South Africa was £13.0m disbursement of which will be spread over the 3 years to 2010.

ARK also made new grants totaling £7.7m to its sister charity ARK Academies, £6m to cover the sponsorship of 4 Academies and £1.7m to cover the core costs of the company to 31 August 2008. At the period end the balance of grant payable to ARK Academies was £8.4m, £5.4m of which is due in less than one year. The charity also shares its office with ARK Academies, with each charity assuming a reasonable proportion of the costs, while a number of the charity's staff are seconded to ARK Academies at cost.

In September 2006 the charity established a new charitable subsidiary company, ARK Schools to implement that part of its Education programme not directly related to running Academies. During the period ARK made 3 new grants totaling £724k to ARK Schools; £369k for the core costs of the company to 31 August 2008, £118k for the Schools Music Programme and £237k for the Extended Schools Programme. At the period end the balance of grant payable to ARK Schools was £669k, all of which is due in less than one year.

## Notes to the Accounts

### For the 11 months to 31 August 2007

The charity also seconded a member of staff to its charitable subsidiary ARK Bulgaria. Although no new grants were made to ARK Bulgaria during the period, at the period end the balance of previous grants due was £911k, all of which is payable in less than one year.

Future Leaders is a joint venture charitable company in which ARK, the National Council for School Leadership and the Specialist Schools and Academies Trust each hold one third of the voting rights. During the period the charity granted £404k to the company. At the period end the balance of grant payable to Future Leaders was £288k, all of which was due in less than one year. ARK also seconded two members of staff to Future Leaders for the first 4 months of the period at cost and provided office space which the company pays for in proportion to the resources used.

ARK is also affiliated to Friends of Absolute Return for Kids, a US philanthropic organisation that shares the charity's objectives. During the period ARK received a grant of £1.6m (\$3m) from Friends of ARK.

#### 17. Operating lease commitments

The amounts payable in respect of operating leases shown below are analysed according to the expiry of the leases.

|                            | <b>Group</b><br><b>2007</b><br><b>£'000</b> | <b>Charity</b><br><b>2007</b><br><b>£'000</b> | <b>Group</b><br><b>2006</b><br><b>£'000</b> | <b>Charity</b><br><b>2006</b><br><b>£'000</b> |
|----------------------------|---------------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------|
| One year                   | 43                                          | -                                             | 89                                          | 77                                            |
| Between two and five years | 50                                          | -                                             | 3                                           | -                                             |
|                            | <u>93</u>                                   | <u>-</u>                                      | <u>92</u>                                   | <u>77</u>                                     |

#### 18. Notes to the consolidated cash flow statement

##### (a) Reconciliation of net incoming resources to net cash inflow from operating activities.

|                                           | <b>Group</b><br><b>2007</b><br><b>£'000</b> | <b>Group</b><br><b>2006</b><br><b>£'000</b> |
|-------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net incoming resources                    | 10,697                                      | 10,395                                      |
| Depreciation                              | 62                                          | 53                                          |
| Interest received                         | (705)                                       | (451)                                       |
| (Increase)/Decrease in debtors            | (9,144)                                     | (4,178)                                     |
| Increase/(Decrease) in creditors          | 8,550                                       | 2,257                                       |
| Net cash inflow from operating activities | <u>9,460</u>                                | <u>8,076</u>                                |

##### (b) Reconciliation of cash flow to movement in net funds

|              | <b>At</b><br><b>1 October</b><br><b>2006</b><br><b>£'000</b> | <b>Cash Flows</b><br><b>£'000</b> | <b>At</b><br><b>30 September</b><br><b>2007</b><br><b>£'000</b> |
|--------------|--------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------|
| Cash at bank | <u>14,036</u>                                                | <u>6,366</u>                      | <u>20,402</u>                                                   |

## Notes to the Accounts

For the 11 months to 31 August 2007

### 19. Risk factors

As stated in note 7 above ARK invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The main risks arising from the charity's pursuit of its objectives and the policies agreed by the trustees for managing each of these risks are summarised below.

#### (a) Interest rate risk

Interest rate risk represents the potential financial loss that the charity might suffer due to interest rate movements. The Charity does not have any debt and does not rely on interest earnings to fund its programmes. It is therefore not exposed to any significant interest rate risk.

#### (b) Market price risk

Market price risk represents the potential financial loss that the charity might suffer through holding market positions in the face of price movements. Market price risk arises over the future value of the charity's investment in the ARK Masters Fund (AMF). The risk is mitigated by the fact that the AMF is a fund of hedge funds with a range of investment approaches, each of which incorporates a strategy to manage this risk. The trustees further manage the risk by meeting regularly with the managers of the AMF to review the performance of the fund.

#### (c) Currency risk

Currency risk represents the potential financial loss that the charity might suffer through holding market positions in the face of currency movements.

Currency risk arises over the future value of the charity's investment in the AMF which is a US dollar-denominated fund. To mitigate this risk ARK currency hedges the investment by means of a rolling 3 monthly simultaneous spot purchase and forward sale of the amount of US dollars invested in the fund.

Currency risk also arises at the group level over the future value of assets held by overseas subsidiaries. The risk is managed by holding a maximum amount of 6 month's budgeted expenditure in each currency. The trustees do not believe it is cost-effective to hedge this risk.

#### (d) Credit Risk

Credit Risk represents the potential financial loss that the charity might suffer through its supporters failing to honour the financial pledges that they have made to it. The charity manages this risk by only recognising as debtors significant pledges (those over £10,000) resulting in a small number of high value pledges generally from supporters who are well known to the charity and the trustees.

#### (e) Financial assets

At the period end the Charity's financial assets comprised

|                                | <b>Group</b> | <b>Charity</b> | <b>Group</b> | <b>Charity</b> |
|--------------------------------|--------------|----------------|--------------|----------------|
|                                | <b>2007</b>  | <b>2007</b>    | <b>2006</b>  | <b>2006</b>    |
|                                | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b>   |
| Investment in ARK Masters Fund | 8,697        | 8,697          | 4,617        | 4,617          |
| Cash at bank & on deposit      | 20,402       | 18,661         | 14,036       | 13,445         |
| Receivables                    | 16,561       | 16,624         | 7,417        | 7,386          |

#### (f) Fair value

The Charity's assets and liabilities are stated at their fair values at the period-end. The fair value of the investment in the ARK Masters Fund is the published Net Asset Value of the fund.

## Notes to the Accounts

For the 11 months to 31 August 2007

### 20. Reconciliation of Consolidated Statement of Financial Activities at 30 September 2006

During the period there were 2 significant changes to the group's accounting policies leading to restatement of the prior year comparisons in these financial statements.

The group amended its policy on the recognition of foreign currency transactions of overseas subsidiaries in line with newly effective provisions of FRS 23. The effect of this change in treatment is shown in the table below as "Effect of change in exchange rate policy".

The group amended its policy on the treatment of income raised through the charity's Annual Gala Dinner. Previously this was stated as income from fundraising events. However SORP 2005 states that "The activities within this category involve an element of exchange with the charity receiving income in return for providing goods services or entry to an event." The majority of income raised through the Gala Dinner does not meet these conditions but is in fact voluntary income with no benefit to the donor. The effect of this change in treatment is shown in the table below as "Effect of change in treatment of income".

|                                       | <i>Previously<br/>Reported<br/>2006<br/>£'000</i> | <i>Effect of<br/>change<br/>in<br/>exchange<br/>rate<br/>policy<br/>£'000</i> | <i>Effect of<br/>change<br/>in<br/>treatment<br/>of<br/>income<br/>£'000</i> | <i>Restated<br/>2006<br/>£'000</i> |
|---------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------|
| <b>Incoming Resources</b>             |                                                   |                                                                               |                                                                              |                                    |
| Voluntary income                      | 1,811                                             | 40                                                                            | 14,431                                                                       | 16,282                             |
| Income from fundraising events        | 18,297                                            |                                                                               | (14,431)                                                                     | 3,866                              |
| Income from charitable activities     | 864                                               |                                                                               | -                                                                            | 864                                |
| Investment income                     | 451                                               |                                                                               | -                                                                            | 451                                |
| <i>Ongoing Operations</i>             | <i>20,555</i>                                     |                                                                               |                                                                              | <i>20,595</i>                      |
| <i>Discontinued Operations</i>        | <i>868</i>                                        |                                                                               |                                                                              | <i>868</i>                         |
| <b>Total Incoming Resources</b>       | <b>21,423</b>                                     | <b>40</b>                                                                     | <b>-</b>                                                                     | <b>21,463</b>                      |
| <b>Resources Expended</b>             |                                                   |                                                                               |                                                                              |                                    |
| Cost of generating funds:             | 2,466                                             |                                                                               |                                                                              | 2,466                              |
| Grants and project operating costs    | 8,219                                             | 425                                                                           |                                                                              | 8,644                              |
| Governance costs                      | 342                                               |                                                                               |                                                                              | 342                                |
| <b>Total Resources Expended</b>       | <b>11,027</b>                                     | <b>425</b>                                                                    | <b>-</b>                                                                     | <b>11,452</b>                      |
| <i>Ongoing Operations</i>             | <i>10,701</i>                                     |                                                                               |                                                                              | <i>10,316</i>                      |
| <i>Discontinued Operations</i>        | <i>(305)</i>                                      |                                                                               |                                                                              | <i>(305)</i>                       |
| <b>Net incoming resources</b>         | <b>10,396</b>                                     | <b>(385)</b>                                                                  | <b>-</b>                                                                     | <b>10,011</b>                      |
| Unrealised gains on investment assets | 14                                                |                                                                               |                                                                              | 14                                 |
| Realised gains on forex transactions  | 155                                               | 385                                                                           |                                                                              | 540                                |
| Transfer to former group entity       | (2,292)                                           |                                                                               |                                                                              | (2,292)                            |
| <b>Net movement in funds</b>          | <b>8,273</b>                                      | <b>-</b>                                                                      | <b>-</b>                                                                     | <b>8,273</b>                       |
| <b>Funds At 1 October 2006</b>        | <b>13,064</b>                                     |                                                                               |                                                                              | <b>13,064</b>                      |
| <b>Funds At 31 August 2007</b>        | <b>21,337</b>                                     | <b>-</b>                                                                      | <b>-</b>                                                                     | <b>21,337</b>                      |