

ARK Schools

Consolidated report and financial statements

31 August 2011

Company limited by guarantee registration
number 05112090 (England and Wales)

REPORT OF THE DIRECTORS

The directors of ARK Schools present their report and the audited financial statements of ARK Schools (the company) for the year to 31 August 2011 and its subsidiary company ARK Academies Projects Limited, together 'the group'.

The report has been prepared in accordance with Part VI of the Charities Act 1993 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 19 to 21 and comply with the company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ("SORP 2005").

INTRODUCTION

The last twelve months have seen further progress and development across the ARK Schools network. ARK Schools welcomed more than 1,300 new pupils to its eight academies in 2010 and prepared to open three new primary academies in September 2011.

ARK Schools has secured another year of improved performance with network average attainment exceeding the national level at both Key Stage One and GCSE.

Pupils and staff took part in a number of network-wide events in 2010/11, including the ARK music gala at the Barbican Centre in July and the Shakespeare Schools Festival in November. ARK Schools also held its first annual staff conference in central London, bringing together all staff across the network to celebrate success and participate in specialist seminars and workshops.

OBJECTIVES AND PRINCIPAL ACTIVITIES

ARK Schools is an education charity, established in 2004 to create a network of non-selective schools offering high quality education to all pupils.

Our network

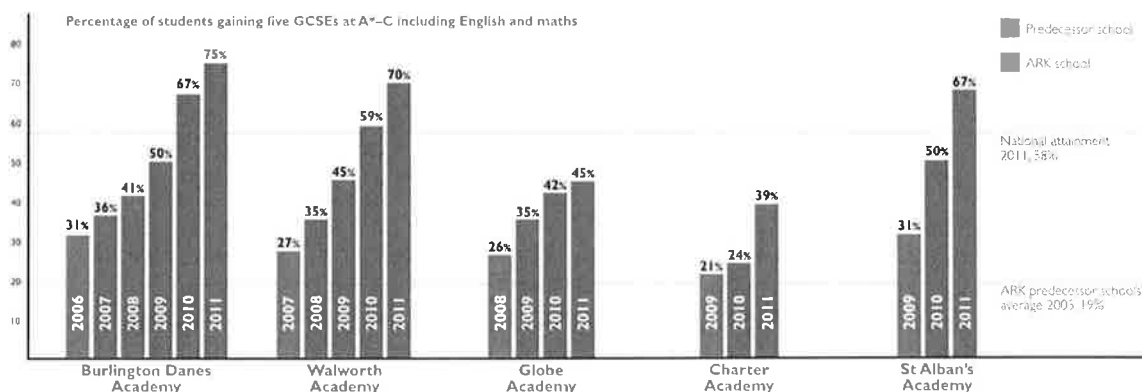


The map above includes three new primary schools which will open in September 2011. These are ARK Atwood, ARK Conway and ARK Oval. ARK Atwood and ARK Conway are brand new primary schools opening in the first wave of the government's free school initiative, whereas ARK Oval is an existing primary school.

Achievements and performance

ARK Schools has continued to raise attainment at both primary and secondary levels. ARK's five academies with GCSE results achieved an average rise of 11 percentage points over last year, more than twice the national rate of improvement. ARK academies are also outperforming national attainment in the key subjects of English and mathematics. In mathematics, 73% of ARK pupils achieved A*–Cs compared with 59% of pupils nationally. In English 69% of all ARK pupils gained A*–C grades, compared with 65% nationally. Overall 61% of ARK pupils achieved five good GCSEs with English and maths, ahead of the national level of attainment (58%).

Directors' report Year to 31 August 2011



ARK's first sixth form cohort graduated from Burlington Danes Academy this year, with 98% of those applying (90% of the cohort) securing a place at university, more than two thirds going to their first choice university.

At primary level, King Solomon, Ark and Globe Academies' Key Stage One (age 7) pupils achieved results well above national averages in every subject in 2011.

Percentage of pupils achieving level 2A+ at Key Stage One in 2011

	Reading	Writing	Maths
Network	72%	60%	75%
National	51%	33%	47%

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and principal activities

ARK Schools is an education charity which was established in 2004 to create a network of non-selective schools through the academies programme.

ARK Schools is a company limited by guarantee and an exempt charity. On 1 August 2011 all academy trusts became exempt charities by virtue of section 12(4) of the Academies Act 2010. The company's memorandum and articles of association are its primary governing documents.

Members

The members of the company are the principal sponsor, Absolute Return for Kids ("ARK"), and an individual nominated by the Secretary of State for Education. Each member of the company is liable to contribute a maximum of £10 to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities arising before he or she ceases to be a member.

Directors' report Year to 31 August 2011

Directors and trustees

The articles of association require the appointment of at least three directors. The directors of the company are also trustees of the charity.

The majority of directors are appointed by ARK, as principal member. Three directors each serve as the chair of the local governing body of an ARK academy.

The term of office for ARK-appointed directors is four years. A director may be re-appointed or re-elected for two further consecutive periods of office.

The following directors were in office at 31 August 2011 and served throughout the year, except where shown.

Director	Appointed/Resigned
Ron Beller	
Paul Bernstein	Resigned 21 October 2010
Paul Dunning	
Stanley Fink	
Gerard Griffin	Appointed 1 September 2010
Lucy Heller	
Paul Marshall	
Anthony Williams	

Lucy Heller acts as a director as well as fulfilling her remunerated role as managing director. During the year under review the directors held five meetings.

In accordance with normal commercial practice ARK Schools has purchased insurance to protect directors from errors, negligent acts or omissions occurring whilst on ARK Schools business. The insurance provides cover up to £2m on any one claim.

Subsidiary company

ARK Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of ARK Schools. The principal activity of the company is the management of some of the academy building programmes that came with our first few academies. In the year under review, all expenditure related to work on Burlington Danes, King Solomon, Evelyn Grace and Globe Academies.

Management

The board of directors of the company is responsible for setting general policy, adopting an annual plan and budget, and monitoring the company by use of budgets and making major decisions about the directors of the company, capital expenditure and senior staff appointments.

Each academy has its own local governing body with responsibility for setting annual plans and budgets at the academy and recommending these to the company board of directors. The directors delegate a number of functions to the local governing body ("LGB") of each academy.

Directors' report Year to 31 August 2011

The directors delegate the day to day responsibility of running the company to the senior management team led by managing director, Lucy Heller. The day to day running of individual academies is delegated to the senior leadership team, led by the principal.

Employee involvement

ARK Schools and each academy keep staff fully informed in a variety of ways. ARK Schools' network-wide intranet provides information, professional support and access to internal and external continuous professional development tools and support. ARK Schools' termly staff magazine, *The Arrow*, is supplemented by regular staff meetings and briefings, bulletins, newsletters at the academy level as well as each schools' intranet. Immediate and topical news is regularly distributed by email. There is an annual conference for all staff in ARK academies. Principals and headteachers meet regularly to share knowledge and best practice. New staff are fully inducted and teachers take part in training events before each school year starts and during the school year.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to meet their needs or to provide appropriate training so that that their employment with the group may continue.

The age of some academy buildings means that some have restricted access in the areas that have yet to be modernised. In such cases, the academies manage access through timetable modifications. Refurbished, modernised and new buildings are designed to comply with relevant statutory regulations for disabled access. Additional training is also provided to help staff meet the needs of people with particular disabilities.

ARK Schools ensures that training, career development and promotion opportunities are available to all employees.

Public benefit

The directors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the company's objectives and aims and in planning future activities for the year. The directors consider that the company's aims are demonstrably to the public benefit.

FINANCIAL REVIEW

Financial report for the year

The company's income and expenditure for the year includes capital income, depreciation and pension scheme adjustments which are accounting adjustments and are figures that are not included when operational budgets are agreed with the DfE. The operating surplus excluding capital items, depreciation and pension scheme adjustments for the year ended 31 August 2011 was £1.0m (2010: £1.8m).

Most of the company's income comes from the Department for Education (DfE) in the form of recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The company also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), these grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This creates high accounting surpluses as grant is received and corresponding accounting deficits once the grants finish, which will be the situation in ARK Schools going forward.

During the year ended 31 August 2011, total expenditure of £63.2m was more than covered by grant funding from the DfE and other income. The excess of income over expenditure for the year (excluding restricted fixed asset funds and before transfers and the pension scheme actuarial movement) was £0.7m. This figure does however include grants for our academies which are intended to be spent over more than one year.

At 31 August 2011 the net book value of fixed assets was £180.6m. £172m of this total relates to construction work on six academies, all of which came into use before the end of 2010/11.

Grants to individual academies from the DfE and other sources are delegated to those academies in full.

Reserves policy

Given that ARK Schools is in an expansion stage, the level of reserves held takes into account the nature of current and future income and expenditure streams, the need to match them with commitments, including future capital projects, and the nature of reserves. This applies particularly to the funds earmarked for future capital projects. The level of reserves will be kept under review by the directors.

Financial position

ARK Schools held fund balances at 31 August 2011 of £184.5m, comprising £181.7m of restricted funds and £2.8m of unrestricted general funds. The restricted funds include a pension reserve deficit of £2.6m.

Going Concern

After making appropriate enquiries, the directors reasonably believe that ARK Schools has adequate

Directors' report Year to 31 August 2011

resources to continue to operate for the foreseeable future. It therefore continues to prepare its financial statements on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Future plans

Three new primaries opened in September 2011, ARK Atwood, ARK Conway and ARK Oval. In addition ARK Schools expects to open four secondary and two primary academies in September 2012 as part of the continuing expansion of the network.

Risk management

The directors are responsible for identifying risks faced by the company, establishing procedures to mitigate these risks, and ensuring that employees are aware of these procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the Charity Commission.

The directors have assessed the major risks to which ARK Schools is exposed, in particular those relating to the development of new buildings, the opening of academies, teaching, provision of facilities, and other operational areas of the academies and their finances. The directors have implemented a number of systems to assess risks that the group faces, especially in relation to new buildings, in operational areas (e.g. in relation to teaching, health and safety and school trips), and the control of finance. They have introduced operational procedures (e.g. vetting of new staff and visitors, supervision of academy grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains and it is practically possible, they have ensured that they have adequate insurance cover. ARK Schools has an effective system of internal financial controls and this is explained in more detail in the statement below.

Financial risk management objectives and policies

ARK Schools has cash balances and other working capital balances. The main risk arising from the group's financial instruments is liquidity risk.

Liquidity risk

The charity manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Surplus cash is invested through the appropriate and carefully managed use of financial instruments with our principal bankers so as to maximise interest income without incurring undue risk.

Interest rate risk

In the absence of borrowings and with low prevailing interest rates, the company is not exposed to significant interest rate risk.

Other risks

The group is exposed to price risks, but is funded by government on the same basis as other schools, and budgets accordingly. Nearly all funding comes from government so credit risk is considered to be negligible.

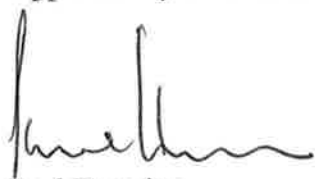
Directors' report Year to 31 August 2011

Auditor

So far as the directors are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware;
and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the directors on 5th December 2011 and signed on their behalf on 5th January 2012 by:

A handwritten signature in black ink, appearing to read 'Paul Dunning', with a stylized, wavy line extending from the end.

Paul Dunning

Director

Statement on Internal Control

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring that ARK Schools has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors have delegated the day-to-day responsibility to the Managing Director, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between ARK Schools and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of ARK Schools policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in ARK Schools for the year ended 31 August 2011 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The directors have reviewed the key risks to which ARK Schools is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The directors are of the view that there is a formal ongoing process for identifying, evaluating and managing ARK Schools significant risks that has been in place for the year ending 31 August 2011 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

The Risk and Control Framework

ARK Schools' system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the directors;
- regular reviews by the directors of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;

Directors' report Year to 31 August 2011

Statement on Internal Control (continued)

- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors have considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the directors have appointed the Chief Operating Officer as Responsible Officer ('RO') for all of ARK's schools. The RO's role includes giving advice on financial matters and performing a range of checks on each academy's financial systems. On a termly basis, the RO reports to the Local Governing Body on the operation of the systems of control and on the discharge of the Local Governing Body's financial responsibilities, and by exception to the directors.

Whilst improvements to procedures have been recommended, no material control weaknesses were reported in year.

Review of Effectiveness

As Accounting Officer, the Managing Director has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within ARK Schools who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of the review of the system of internal control by the RO and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the directors on 5th December 2011 and signed on their behalf on 5th January 2012 by:



Paul Dunning

Director



Lucy Heller

Accounting Officer

Directors' report Year to 31 August 2011

Statement of directors' responsibilities

The directors (who act as trustees for charitable activities of ARK Schools and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Young People's Learning Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the directors are required to:

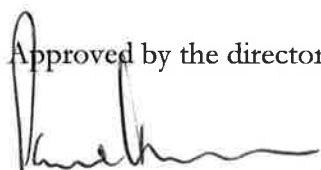
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the YPLA/DfE have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the directors on 5th December 2011 and signed on their behalf on 5th January 2012 by:



Paul Dunning - Director

Directors' report Year to 31 August 2011

Reference and administrative details

Directors	Ron Beller Paul Dunning Stanley Fink Gerard Griffin Lucy Heller Paul Marshall Anthony Williams
Secretary	Simon Pink
Senior Management	Lucy Heller (managing director)
Registered office	65 Kingsway London WC2B 6TD
Company registration number	05112090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC Private Bank (UK) Ltd 78 St James's Street London SW1A 1JB Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Lewis Silkin LLP 12 Gough Square London EC4A 3DW

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK SCHOOLS

We have audited the financial statements of the company and Group for the year ended 31 August 2011, which comprise the Consolidated Statement of Financial Activities, the company and Group Balance Sheets, the Consolidated Cash Flow Statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2010/11 issued by the Young People's Learning Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 directors and auditor

The directors act as trustees for the charitable activities of ARK Schools and are also the directors of the company for the purposes of company law.

As explained more fully in the Statement of Directors' Responsibilities set out in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent Auditor's Report

Opinion on financial statements

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the company's and Group's affairs as at 31 August 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Annual Accounts Direction 2010/11 issued by the Young People's Learning Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

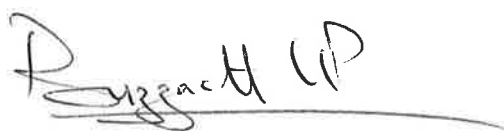
Opinion on other matter prescribed by the Young People's Learning Agency

In our opinion grants made by the Young People's Learning Agency have been applied for the purposes intended.

Matters on which we are required to report by exception

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

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



Avnish Savjani, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

16 February 2012

Consolidated statement of financial activities Year to 31 August 2011

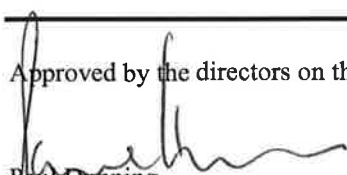
	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	2011 Total Funds £'000	2010 Total Funds £'000
Incoming resources						
Incoming resources from generated funds						
. Voluntary income	3	3,098	1,818	53,663	58,579	3,271
. Activities for generating funds	4	165	0	0	165	117
. Interest receivable		14	0	0	14	12
Incoming resources from charitable activities						
. Funding for ARK Schools educational operations	5	0	47,494	3,530	51,024	112,239
. Project management grants	6	0	557	0	557	103
Other incoming resources	7	790	0	0	790	1,723
Total incoming resources		4,067	49,869	57,193	111,129	117,465
Resources expended						
Charitable activities						
. ARK Schools' educational operations	8	1,980	48,177	10,073	60,230	47,189
. Development costs	9	856	1,767	0	2,623	2,186
Governance costs	10	389	28	0	417	241
Total resources expended		3,225	49,972	10,073	63,270	49,616
Net incoming resources before transfers and other recognised gains and losses		842	(103)	47,120	47,859	67,849
Transfers between funds		0	(472)	472	0	0
Other recognised gains and losses						
Brought forward defined benefit pension scheme liability	18	0	4	0	4	(1,451)
Actuarial gains / (losses) on defined benefit pension schemes	18	0	930	0	930	(122)
Past service gain in respect of pension scheme	18	0	0	0	0	750
Net movement in funds		842	359	47,592	48,793	67,026
Fund balances brought forward at 1 September 2010		1,958	3,490	130,243	135,691	68,665
Fund balances carried forward at 31 August 2011		2,800	3,849	177,835	184,484	135,691

All of the company's activities derived from continuing operations. There is no difference between the net movement in funds stated above and the historical cost equivalent.

Balance Sheet August 2011

	Notes	2011		2010	
		Group £'000	Schools £'000	Group £'000	Schools £'000
Fixed assets					
Tangible assets	12	180,640	180,640	124,487	124,487
Investments	13, 20	750	750	0	0
		181,390	181,390	124,487	124,487
Current assets					
Debtors	14	9,297	9,423	19,886	20,037
Cash at bank and in hand		9,033	8,887	16,127	15,814
		18,330	18,310	36,013	35,851
Creditors: amounts falling due within one year	15	(12,613)	(12,593)	(21,542)	(21,380)
Net current assets		5,717	5,717	14,471	14,471
Net assets excluding pension liability		187,107	187,107	138,958	138,958
Pension scheme liability	18	(2,623)	(2,623)	(3,267)	(3,267)
Net assets including pension liability		184,484	184,484	135,691	135,691
Represented by:					
Funds and reserves					
Income funds:					
Restricted funds	16				
. Fixed assets		177,835	177,835	130,243	130,243
. General restricted		6,472	6,472	6,757	6,757
. Pension reserve		(2,623)	(2,623)	(3,267)	(3,267)
		181,684	181,684	133,733	133,733
Unrestricted funds					
. General fund		2,800	2,800	1,958	1,958
		184,484	184,484	135,691	135,691

Approved by the directors on the 5th December 2011 and signed on their behalf on 5th January 2012 by:


Paul Dunning
Director

Company registration number: 05112090 (England and Wales)

Consolidated cash flow statement 31 August 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	(a)	6,211	71,047
Returns on investments and servicing of finance			
Interest received		14	12
Interest paid		(4)	(3)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	12	(12,565)	(66,135)
Payments to acquire investments		(750)	0
Increase (decrease) in cash		(7,094)	4,921

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

	2011 £000	2010 £000
Net incoming resources	47,859	67,849
Capital funding grants	(53,663)	0
Pension costs less contributions payable	224	293
Depreciation	10,073	2,383
Interest receivable	(14)	(12)
Interest payable	72	558
(Increase)/Decrease in debtors	10,589	(1,283)
Increase/(Decrease) in creditors	(8,929)	1,259
Net cash inflow from operating activities	6,211	71,047

b) Analysis of changes in net debt

Company

	At 1 September 2010 £'000	Cash flows £'000	At 31 August 2011 £'000
Cash at bank and in hand	15,814	(6,927)	8,887

Group

	At 1 September 2010 £'000	Cash flows £'000	At 31 August 2011 £'000
Cash at bank and in hand	16,127	(7,094)	9,033

Notes to the financial statements 31 August 2011

1 Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice', Accounting and Reporting by Charities ('SORP 2005') the Academies Accounts Direction issued by the YPLA and the Companies Act 2006. A summary of the principle accounting policies is set out below.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of the company and those of its subsidiary made up at the balance sheet date.

No separate statement of financial activities has been presented for ARK Schools alone, as permitted by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

Going Concern

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

Incoming resources

Grants receivable

Grants are included in the statement of financial activities on an accruals basis. The balance of income received for specific purposes but not matched to relevant expenditure during the year is shown in the restricted income fund on the balance sheet. For grants provided to fund fixed assets, this includes the net book value of assets acquired.

Sponsorship

Sponsorship provided to the company is recognised in the statement of financial activities in the period when receivable. Sponsorship that relates to future years is carried forward in deferred income.

Interest receivable

Interest receivable is included within the statement of financial activities on an accruals basis.

Resources expended

Resources expended are recognised in the period in which they are incurred. They have been classified under headings that aggregate all costs relating to that activity.

Prior to 31 March 2011, expenditure included irrecoverable VAT on non-business activities and the company received a VAT grant as part of its GAG funding. Since 1 April 2011, the company has been able to reclaim VAT on its non-business activities but is no longer entitled to a VAT grant. All expenditure is stated net of recoverable VAT from this date.

Notes to the financial statements 31 August 2011

1 Accounting Policies (continued)

Allocation of costs

In accordance with the Charities' SORP, expenditure has been analysed between the group's charitable activities and governance.

Governance costs

Governance costs include the costs attributable to the group's compliance with constitutional and statutory requirements, including audit, strategic management and directors' meetings and reimbursed expenses.

Tangible fixed assets

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates:

◆ Furniture and fittings	25% p.a.
◆ Computer equipment	50% p.a.
◆ Motor vehicles	25% p.a.
◆ Buildings	2% p.a.

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

The cost of buildings constructed under the UK Government's National Framework programme as funded through local authorities, are recognised in the statement of financial activities as voluntary income in the period in which the buildings are brought into use. No value is brought into the financial statements before this time.

Investments

The company's shareholding in its wholly owned subsidiary is included in the company's balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

Fund accounting

The unrestricted general fund represents monies which may be applied for any purpose within the company's objects.

Notes to the financial statements 31 August 2011

1 Accounting Policies (continued)

Restricted funds are grants from the DfE and other donors which are to be used for specific purposes.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

Taxation

ARK Schools is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, ARK Schools is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions

Some school based staff are members of one of two multi-employer defined benefit pension schemes. More details of the schemes are given in note 18.

Defined Benefit Schemes

Teachers' Pension Scheme

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education. As the company is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the company has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the company in the year.

Local Government Pension Scheme

Non teaching members of staff at individual ARK academies are offered membership of the Local Government Pension Scheme (LGPS), which is managed by the relevant local authority. The LGPS is a defined benefit pension scheme and is able to identify the company's share of assets and liabilities and requirements of the FRS 17, Retirement Benefits, have been followed.

The company's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

Notes to the financial statements 31 August 2011

2 General Annual Grant (GAG)

	Burlington Danes Academy £'000	Walworth Academy £'000	King Solomon Academy £'000	Globe Academy £'000	Evelyn Grace Academy £'000	Ark Academy £'000	St Albans Academy £'000	Charter Academy £'000	2011 £'000	2010 £'000
Results and carry forward for the year										
GAG brought forward from previous year	0	0	0	0	0	90	0	0	90	89
GAG allocation for current year	7,921	7,954	2,883	7,466	4,141	2,707	3,368	3,342	39,782	33,635
Total GAG available to spend	7,921	7,954	2,883	7,466	4,141	2,797	3,368	3,342	39,872	33,724
Recurrent expenditure from GAG	(7,532)	(7,954)	(2,883)	(7,466)	(4,141)	(2,714)	(3,368)	(3,342)	(39,400)	(33,634)
Fixed assets purchased from GAG	(389)	0	0	0	0	(83)	0	0	(472)	0
GAG carried forward to next year	(0)	0	0	0	0	(0)	0	0	(0)	90

Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)
GAG to surrender to DfE

	(950)	(954)	(346)	(896)	(497)	(325)	(404)	(401)		
	0	0	0	0	0	0	0	0		
	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach		

b. Use of GAG Brought Forward from Previous Year for Recurrent Purposes

(Of the amount carried forward each year, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12%, can only be used for capital purposes)

Recurrent expenditure from GAG in current year	7,532	7,954	2,883	7,466	4,141	2,714	3,368	3,342	39,400	
GAG allocation for current year	(7,921)	(7,954)	(2,883)	(7,466)	(4,141)	(2,707)	(3,368)	(3,342)	(39,782)	
GAG allocation for previous year x 2%	(135)	(140)	(43)	(139)	(61)	(20)	(64)	(70)	(672)	
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	(524)	(140)	(43)	(139)	(61)	(13)	(64)	(70)	(1,054)	
(2% rule breached if result is positive)	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach		

Notes to the financial statements 31 August 2011

3 Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2011 Total funds £'000	2010 Total funds £'000
Sponsorship of core costs by ARK	3,098	0	3,098	2,601
Value of buildings granted by local authorities	0	53,663	53,663	0
Donations	0	304	304	670
Grant from ARK UK Programmes	0	1,514	1,514	0
	3,098	55,481	58,579	3,271

The Department for Education carried out the design and build of the new buildings at Walworth and Ark Academies, at a cost to the Local Authorities of £22 and £32 million respectively. This has been recognised as voluntary income.

4 Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2011 Total funds £'000	2010 Total funds £'000
Hire of facilities	165	0	165	117

5 Funding for ARK Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2011 Total funds £'000	2010 Total funds £'000
DfE/YPLA capital grant				
. Devolved Formula Capital allocations	0	198	198	598
. Academy main building grants	0	1,679	1,679	63,475
ARK main building grant	0	0	0	1,750
Local Authority ICT capital grants	0	1,653	1,653	1,864
Aylesbury grant	0	0	0	1,225
	0	3,530	3,530	68,912
DfE revenue grants				
. General Annual Grant (GAG)	0	39,782	39,782	33,635
. Start Up A	0	647	647	631
. Start Up B	0	3,346	3,346	3,878
. DfE Lead in and implementation income	0	525	525	50
. Other DfE grants	0	366	366	478
. School Standards fund (DfE)	0	1,573	1,573	2,215
	0	46,239	46,239	40,887
Other grants				
. Local Authority funding	0	728	728	1,078
. Extended Schools Programme	0	527	527	1,362
	0	1,255	1,255	2,440
	0	51,024	51,024	112,239

Notes to the financial statements 31 August 2011

6 Project management grants

	Unrestricted	Restricted	2011 Total	2010 Total
	funds £'000	funds £'000	funds £'000	funds £'000
Academies programme	0	557	557	103
	0	557	557	103

Project management grants are received from the DfE in relation to activities in preparation for the opening of new academies and academy building projects.

7 Other income

	Unrestricted	Restricted	2011 Total	2010 Total
	funds £'000	funds £'000	funds £'000	funds £'000
School meals income	308	0	308	236
Donation from subsidiary for reinvestment in capital projects	120	0	120	1,012
Miscellaneous income	362	0	362	475
	790	0	790	1,723

Notes to the financial statements 31 August 2011

8 ARK Schools educational operations

	Unrestricted	Restricted	2011 Total	2010 Total
	funds £'000	funds £'000	funds £'000	funds £'000
Direct costs				
Staff costs	0	24,111	24,111	20,236
Depreciation	0	10,073	10,073	2,383
Educational supplies	0	1,533	1,533	1,419
Examination fees	0	379	379	425
Transport	0	263	263	189
Other pupil support costs	0	547	547	445
	0	36,906	36,906	25,097
Extended schools programme	0	926	926	1,063
	0	926	926	1,063
Educational support costs				
Staff costs	406	13,879	14,285	12,531
Recruitment and other staff costs	335	487	822	761
Catering contract	541	722	1,263	1,256
Printing and stationery	20	223	243	248
Office overheads	24	202	226	213
Heat and light	0	740	740	681
Other premises costs (including rates, insurance, cleaning, and non capitalised building works)	605	2,912	3,517	3,367
Technology costs	42	1,100	1,142	1,284
Other insurance costs	6	70	76	86
Finance costs and interest/charges payable	1	71	72	557
Other expenses	0	12	12	45
	1,980	20,418	22,398	21,029
	1,980	58,250	60,230	47,189

9 Development costs

	Unrestricted	Restricted	2011 Total	2010 Total
	funds £'000	funds £'000	funds £'000	funds £'000
Staff costs	39	663	702	440
Project implementation	70	1	71	276
Consultancy and other staff not on payroll (other than supply)	408	215	623	865
Academy pre opening costs	0	680	680	274
Staff training and induction	301	21	322	77
Building costs	0	137	137	142
Communications and marketing	38	50	88	107
Other expenses	0	0	0	5
	856	1,767	2,623	2,186

Development costs relate to the opening of new academies and new academy buildings, as well as the CPD and transition costs of open academies.

Notes to the financial statements 31 August 2011

10 Governance costs

	Unrestricted	Restricted	2011 Total	2010 Total
	funds £'000	funds £'000	funds £'000	funds £'000
Legal and other professional fees	311	26	337	159
Auditors remuneration				
- Audit of group financial statements 2011	46	0	46	0
- Audit of group financial statements 2010	7	0	7	62
- Non statutory audit 2011	16	0	16	0
- Non statutory audit 2010	8	0	8	5
Governor training	1	0	1	0
Other expenses	0	2	2	15
	389	28	417	241

11 Staff costs

Staff costs during the period were as follows:

	2011 £'000	2010 £'000
Wages and salaries	31,635	26,578
Social security costs	2,706	2,159
Pension contributions	3,448	3,112
	37,789	31,849
Supply staff costs	1,309	1,358
	39,098	33,207

The number of full time equivalent employees during the period who earned over £60,000 in the year (including benefits) was as follows:

	2011	2010
£60,000 - £70,000	26	18
£70,001 - £80,000	18	16
£80,001 - £90,000	6	2
£90,001-£100,000	5	5
£100,001 - £110,000	1	0
£110,001 - £120,000	1	1
£120,001 - £130,000	0	1
£130,001- £140,000	3	2
£140,001 - £150,000	2	3
£150,001 - £160,000	3	0
	65	48

Employer pension contributions to the Teacher's Pension Scheme, the Local Government Pension Scheme or The Pensions Trust relating to the above staff during the year amounted to £544,483 (2009/10 £482,020).

Notes to the financial statements 31 August 2011

11 Staff costs (continued)

The average full time equivalent number of persons employed by the company during the year ended 31 August 2011 was as follows:

	2011	2010
Charitable Activities		
Teachers	423	292
Education Support	189	138
Operational Support	224	196
Projects and Management	27	35
	863	661

12 Tangible fixed assets

Group and Company	Assets under construction	Land and buildings	Furniture, fittings & equipment	Motor Vehicles	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 September 2010	84,515	38,616	2,029	101	2,298	127,559
Additions	0	57,790	4,481	19	3,938	66,228
Disposals	0	(71)	(17)	0	0	(88)
Transfers	(84,515)	80,164	999	0	3,352	0
At 31 August 2011	0	176,499	7,492	120	9,588	193,699
Depreciation						
At 1 September 2010	0	1,031	633	47	1,361	3,072
Charge for year	0	3,575	1,878	27	4,593	10,073
Disposals	0	(71)	(15)	0	0	(86)
At 31 August 2011	0	4,535	2,496	74	5,954	13,059
Net book values						
At 31 August 2011	0	171,964	4,996	46	3,634	180,640
At 31 August 2010	84,515	37,585	1,396	54	937	124,487

The land on which the individual academies are sited is leased at peppercorn rents. No value has been placed on this land in the financial statements due to restrictive covenants in the leases.

Assets under construction related to the academy buildings that have been funded from DfE capital grants. The construction of the various new buildings for four academies was contracted to ARK Academies Projects Limited, a wholly owned subsidiary of ARK Schools. These projects reached completion in the year and the value was transferred from assets under construction to land and buildings, furniture, fittings and equipment and computer equipment as at 1 September 2010.

Work was also completed on the new buildings for two further academies. The DfE awarded the local authorities a budget of £58 million to design and build the buildings, of which £4.0 million relates to ICT equipment. The ICT equipment is capitalised as it is purchased. As the buildings are now complete they have been transferred to ARK Schools on a long lease. As such they have been capitalised and included as additions in the year at a cost of £54 million which has been recognised in the statement of financial activities as voluntary income (note 3).

Notes to the financial statements 31 August 2011

12 Tangible fixed assets (continued)

In addition, capital funding has now been secured for building programmes at Charter and St Albans' academies. St Albans has been awarded £17.9m for the construction of a new building for the school, and Charter has been awarded £9m for a major capital refurbishment, which includes some elements of building works. Both projects are currently in the planning phase, and are due to become operational in September 2013.

Work has begun on the new buildings for one further academy and this is due to be completed in 2012. The DfE has awarded the local authority a budget of £32 million to design and build the building, of which £1.8 million relates to ICT equipment. The ICT equipment is capitalised as it is purchased, whilst nothing has yet been brought into the financial statements in respect of building costs. In the year of completion the buildings will be transferred to ARK Schools on a long lease and will be capitalised.

Existing school buildings are leased on a short-term basis until new buildings are ready for use. No value has been placed on existing buildings.

13 Investments

The issued share capital of ARK Academies Projects Limited was transferred to the company on 3 July 2007 and ARK Academies Projects Limited began trading on that date.

The following is a summary of the financial statements of ARK Academies Projects Limited for the year ending 31 August 2011, which have been included in the consolidated financial statements.

	2011 £'000	2010 £'000
Turnover	9,161	57,962
Cost of sales	(9,038)	(56,944)
Gross profit	123	1,018
Administrative expenses	(3)	(6)
Retained profit before charitable donation under Gift Aid at 31 August 2011	120	1,012
Charitable donation under Gift Aid	(120)	(1,012)
Retained profit after charitable donation after Gift Aid at 31 August 2011	0	0
Called up share capital	0	0
Net assets at 31 August 2011	0	0

The £1 issued share capital equalled the net assets of the company at 31 August 2011

Notes to the financial statements 31 August 2011

14 Debtors

	Group 2011 £'000	Schools 2011 £'000	Group 2010 £'000	Schools 2010 £'000
Trade debtors	631	635	3,609	3,698
Amounts due from DfE/YPLA	1,004	1,004	3,452	3,452
Sponsorship due from ARK	5,569	5,569	9,546	9,546
Other debtors	271	271	45	45
Prepayments and accrued income	960	960	838	838
Amounts due from subsidiary	0	120	0	2,172
Amounts due from ARK (incl ARK UK Programmes)	330	330	286	286
VAT recoverable	532	534	2,110	0
	9,297	9,423	19,886	20,037

15 Creditors: amounts falling due within one year

	Group 2011 £'000	Schools 2011 £'000	Group 2010 £'000	Schools 2010 £'000
Trade creditors	1,395	1,204	4,840	992
Taxation and social security	919	919	4,664	4,665
Accruals	3,010	3,034	3,871	3,986
Deferred income	6,528	6,528	8,007	8,007
Amounts owed to DfE/YPLA re VAT grant	581	581	0	0
Other creditors	180	180	160	160
Amounts owed to subsidiary	0	147	0	3,570
	12,613	12,593	21,542	21,380

Of the deferred income total, £1.5m relates to sponsor contributions for the establishment of endowment funds for Ark and Isaac Newton Academies. £4.35m relates to a commitment from ARK to contribute to the running and programme costs of ARK Schools in future years.

Notes to the financial statements 31 August 2011

16 Restricted funds

Group and Company	At 31 August 2010 £'000	Incoming resources £'000	Outgoing resources, transfers & other gains & losses £'000	At 31 August 2011 £'000
DfE revenue grant fund				
. General Annual Grant (GAG)	90	39,782	(39,872)	0
. Start Up grants	3,164	3,993	(3,580)	3,577
. Other DfE/YPLA	874	2,464	(2,690)	648
. DfE project management grants	0	557	(557)	0
	<u>4,128</u>	<u>46,796</u>	<u>(46,699)</u>	<u>4,225</u>
Pension reserve	(3,267)	0	644	(2,623)
	<u>861</u>	<u>46,796</u>	<u>(46,055)</u>	<u>1,602</u>
Other				
Local Authority Grants	0	728	(711)	17
Extended schools programme	1,803	527	(926)	1,404
Other donations	826	1,818	(1,818)	826
	<u>2,629</u>	<u>3,073</u>	<u>(3,455)</u>	<u>2,247</u>
Fixed asset fund				
. DfE Fixed Assets Fund	113,600	55,540	(1,913)	167,227
. ARK Sponsorship Fixed Assets Fund	6,151	0	(150)	6,001
. Local Authority Fixed Assets Fund	4,736	1,653	(1,782)	4,607
. DfE Capital Grant Fund	5,756	0	(5,756)	0
	<u>130,243</u>	<u>57,193</u>	<u>(9,601)</u>	<u>177,835</u>
Total restricted funds	<u>133,733</u>	<u>107,062</u>	<u>(59,111)</u>	<u>181,684</u>

The purposes for which the funds are to be applied are as follows:

DfE revenue grant fund and other restricted funds

These grants relate to the company's development and operational activities.

Fixed asset fund

These grants relate to funding received from DfE and sponsorship from Absolute Return for Kids (ARK) and other third parties to carry out capital works.

Pension Reserve

The pension reserve relates to the open academies share of the deficit of the Local Government Pension Schemes overseen by their respective Local Authorities.

Transfers

Transfers between the ARK Sponsorship Fund and the DfE Capital Grant Fund and the respective Fixed Assets Funds relate to asset purchases from these funds.

Notes to the financial statements 31 August 2011

17 Analysis of net assets between funds

Group	Unrestricted funds	General restricted funds	Restricted fixed assets funds	Total 2011
	£'000	£'000	£'000	£'000
Fund balances at 31 August 2010 are represented by				
Tangible fixed and investment assets	0	750	180,640	181,390
Current assets	2,800	15,530	0	18,330
Creditors: amounts falling due within one year	0	(9,808)	(2,805)	(12,613)
Pension scheme liability	0	(2,623)	0	(2,623)
Total net assets	2,800	3,849	177,835	184,484

18 Pensions and similar obligations

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million

Proportion of members' accrued benefits covered by the notional value of the assets	98.88%
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Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 September 2010 to 31 August 2011 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the company has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The company has set out above the information available on the scheme and the implications for the Academy in terms of the anticipated contribution rates.

Notes to the financial statements 31 August 2011

b) Non-teachers

FRS 17

The Local Government Pension Scheme is a multi employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds of which the charitable company is currently part of seven different funds.

The total contribution made for the year ended 31 August 2011 was £1.23m, of which employer's contributions totalled £0.87m and employees' contributions totalled £0.36m. The agreed contribution rates for future years are between 14% and 19.1% for employers and between 5.8% and 7.5% for employees.

The funds that the charitable company is part of are: London Borough of Hammersmith and Fulham Pension Fund (Burlington Danes); City of Westminster Pension Fund (King Solomon); London Borough of Southwark Pension Fund (Walworth and Globe); London Borough of Lambeth Pension Fund (Evelyn Grace); London Borough of Brent Pension Fund (Ark); Portsmouth City Council Pension Fund (Charter) and West Midlands Pension Fund (St Albans). Data has not been collected from Brent Council due to the small size of the current operation at Ark Academy. This will be collected in future years as the scale of operations increases.

Principal Actuarial Assumptions

	2011 %	2010 %
Rate of increase in salaries	5.1	4.9
Rate of increase in pension payments	2.7	2.7
Discount rate	5.3	4.9
Inflation assumptions (CPI)	2.8	2.7

The current mortality assumptions included sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 averaged across the funds are:

	At 31 August 2011	At 31 August 2010
Retiring today		
Males	21.4	21.5
Females	24.6	24.1
Retiring in 20 years		
Males	23.3	23.7
Females	26.6	26.2

The estimated share of the assets in the schemes attributable to the company and the average expected rates of return across the schemes were:

	Expected return at 31 August 2011 %	Value at 31 August 2011 £'000	Expected return at 31 August 2010 %	Value at 31 August 2010 £'000
Equities	7.4	5,744	7.5	3,478
Bonds	3.7	1,325	3.7	780
Corporate Govt Bonds	4.9	769	4.4	463
Property	6.7	963	6.9	571
Cash	2.2	181	1.5	145
Other	5.0	383	7.475	425
Total market value of assets		9,365		5,862
Present value of scheme liabilities		(11,988)		(9,129)
Deficit in the scheme		(2,623)		(3,267)

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

The actual return on scheme assets was £2,004,000 (2010: £439,000)

Notes to the financial statements 31 August 2011

Amounts recognised in the statement of financial activities

	2011 £000	2010 £000
Current service cost (net of employee contributions)	990	1,044
Past service costs	-	-
Total operating charge	<u>990</u>	<u>1,044</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	421	288
Interest on pension liabilities	(489)	(443)
Pension finance income / (cost)	<u>(68)</u>	<u>(155)</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FR517 is a loss of £828,000 (2010 – loss of £1,758,000).

Movements in the present value of defined benefit obligations were as follows:

	2011 £000	2010 £000
At 1 September	9,129	5,246
Current service cost	990	1,044
Interest cost	489	443
Employee contributions	311	297
Actuarial (gain)/loss	905	273
Benefits paid	109	259
Past service cost	-	(750)
Brought forward defined benefit pension scheme (see below)	<u>55</u>	<u>2,317</u>
At 31 August	11,988	9,129

Movements in the fair value of the academies' share of scheme assets:

	2011 £000	2010 £000
At 1 September	5,862	3,249
Expected return on assets	421	289
Actuarial gain/(loss)	1,835	151
Employer contributions	768	752
Employee contributions	311	297
Benefits paid	109	259
Brought forward defined benefit pension scheme (see below)	<u>59</u>	<u>865</u>
At 31 August	9,365	5,862

The estimated value of employer contributions for the year ended 31 August 2012 is £726,000.

The brought forward defined benefit pension scheme represents the net asset/liability acquired by the group for Evelyn Grace, asset of £4,000 (2010: Charter Academy and St Albans Academy, liability of £488,500 and £962,000 respectively).

The five-year history of experience adjustments is as follows:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000	Year ended 31 August 2007 £'000
Fair value of assets	(11,988)	(9,129)	(5,246)	(2,376)	(765)
Present value of defined benefit obligations	9,365	5,862	3,249	1,896	572
Fair value of share of scheme assets	<u>(2,623)</u>	<u>(3,267)</u>	<u>(1,997)</u>	<u>(480)</u>	<u>(193)</u>
Deficit in scheme					
Experience gains on scheme assets	1,835	128	(437)	(90)	9
Experience gains on scheme liabilities	<u>(1,558)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Notes to the financial statements 31 August 2011

19 Lease commitments

At 31 August 2011, the company had annual commitments under non-cancellable operating leases as follows:

	2011 £'000	2010 £'000
Expiring in under one year	69	76
Expiring within two to five years	176	195
Expiring after five years	0	2

20 Related party transactions

Absolute Return for Kids (ARK) is the principal member of ARK Schools. ARK is also a charitable company and has four directors in common with ARK Schools.

During the year, ARK Schools received £5.543m in grants from ARK. ARK also paid a bonus to Lucy Heller for work carried out for ARK before their appointment of a new MD (£25,000).

ARK Schools central team shares offices with ARK. ARK has made payments on behalf of ARK Schools including rent, service charges and general office overheads. These are recharged to ARK Schools based on an agreed apportionment. Where costs have been apportioned between ARK and ARK Schools this has been done on the basis of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each company's staff.

The amounts recharged by ARK to ARK Schools during the year were:

	2010/11 £000	2009/10 £000
Staff costs	61	113
Rent and service charges	164	386
Other costs	50	131

ARK has a charitable subsidiary, ARK UK Programmes, which carries out educational work in the UK, principally the provision of extended school programmes at the schools operated by ARK Schools. ARK UK Programmes staff are also paid through the ARK Schools payroll and the relevant costs are recharged to ARK UK Programmes.

The amounts recharged by ARK Schools to ARK UK Programmes during the year were:

	2010/11 £000	2009/10 £000
Salaries recharged	1,099	839

ARK UK Programmes administers the endowment funds for the benefit of the ARK academies. Each of the academies run by ARK Schools has been granted an endowment to support the academy in the future. For some of the academies this was a condition of the funding agreement.

As at 31 August 2011 £5.017 million had been paid over by ARK into the endowment funds held in ARK UK Programmes, these were invested with J P Morgan. An additional amount of £750,000 from open academies in ARK Schools was invested with J P Morgan, as part of their investment strategy. Investment returns were hampered in the year by volatile trading conditions, the value of the investment portfolio in ARK UK Programmes at the year end was £5.718 million.

Notes to the financial statements 31 August 2011

21 Directors' emoluments and expenses

The Managing Director is a director of the company. Her remuneration, including performance related bonus, in relation to her role in ARK Schools and ARK Academies Projects Ltd, for the year ended 31 August 2011, was £141,950 (2009/10 - £113,365). In addition, £25,050 was paid by ARK UK Programmes, to reflect time spent as Managing Director of that charity. No other directors of the company received any payment or other emoluments from the company in the period.

The Managing Director received £4,623 during the year (2009/10 - £3,790) as reimbursement for travel and subsistence costs incurred directly in the course of her duties as Managing Director.

No other directors received any payment for reimbursement of travel and subsistence expenses incurred in the course of their duties in the period. No director had any beneficial interest in any contract with the company.

22 Taxation

ARK Schools is a charity (by statute) and therefore is not liable to income tax or corporation tax on income from charitable activities, as it falls within the exemptions available to registered charities.

23 Capital commitments

At 31 August 2011 the group had the following capital commitments:

	2011 £m	2010 £m
Contracted	0	14.2
Committed but not contracted	0	0
	0	14.2

24 Contingent liabilities

In the event, during the period of the Academy Funding Agreement, of the sale or disposal by other means, of any asset for which a capital grant was received, the group shall if it does not reinvest the proceeds, repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the group serving notice, the group shall repay to the Secretary of State sums determined by reference to:

- (a) The value at that time of the Academy's site and premises and other assets held for the purpose of the Academy; and
- (b) The extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.