

# ARK Schools

**Consolidated report and financial  
statements**

31 August 2012

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

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**Reference and administrative details** Year to 31 August 2012

<b>Directors</b>	Ron Beller Paul Dunning Stanley Fink Gerard Griffin Lucy Heller Paul Marshall Anthony Williams
<b>Secretary</b>	Simon Pink (to 28 June 2012) Diana Gerald (from 29 June 2012)
<b>Managing Director</b>	Lucy Heller
<b>Chief Operating Officer</b>	Diana Gerald (from 9 July 2012) Simon Pink (until 1 July 2012)
<b>Registered office</b>	65 Kingsway London WC2B 6TD
<b>Company registration number</b>	05112090 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds TSB 95 George Street Croydon CR9 2NS  Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Stone King 16 St John's Lane London EC1M 4BS

## **Directors' report** Year to 31 August 2012

### **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 2012 and its subsidiary company ARK Academies Projects Limited, together 'the group'.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 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 22 to 24 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').

### **OVERVIEW**

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

The last twelve months have seen continued growth and progress in the ARK Schools network. ARK Schools welcomed three new academies to the network in September 2011 and prepared to open seven further academies in September 2012. It continues to be one of the country's top performing academy operators.

Across the five academies with year 11 pupils, the average improvement in GCSE attainment since each opened is 27 percentage points. Seven of the eight ARK academies inspected by Ofsted are rated good or outstanding. In November 2011 ARK Schools was named school operating group of the year in the Education Investor Awards.

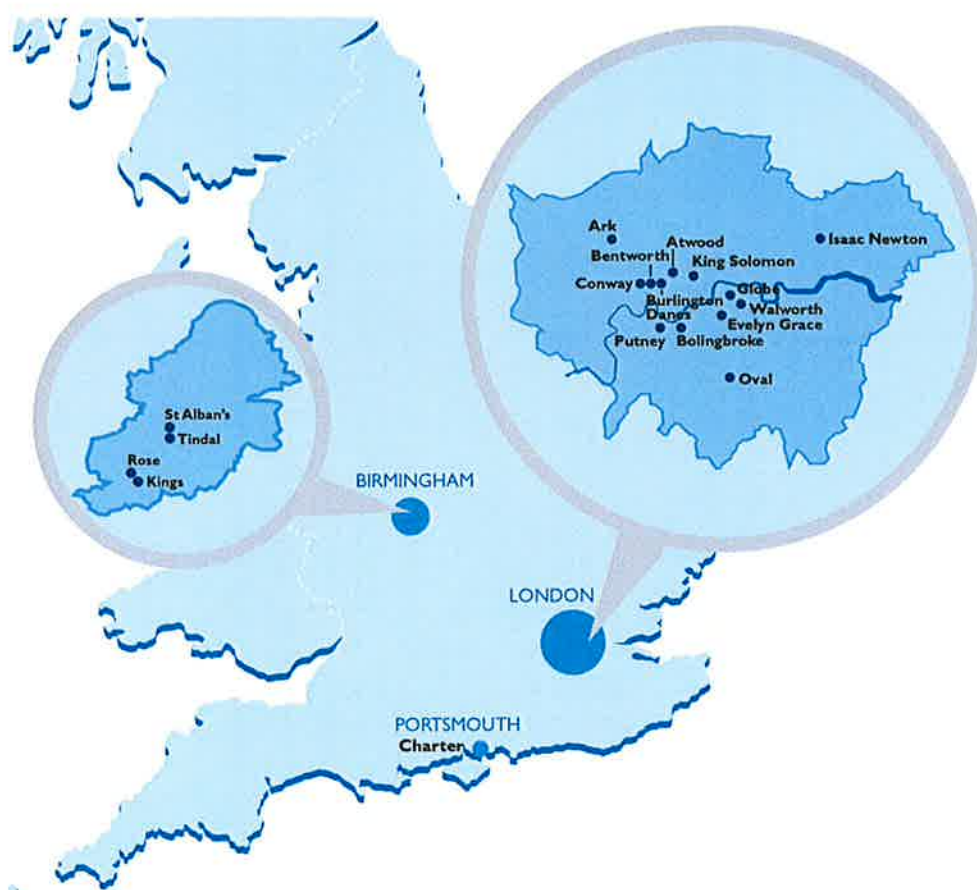
ARK Schools' value added score, which measures pupil progress between Key Stage 2 and GCSE, is the best of the major academy groups. In June 2012 the Specialist Schools and Academies Trust judged the St Alban's Academy value added score to be one of the top two nationally on the basis of its pupils' GCSE achievement set against their attainment when they started secondary school.

Pupils and staff took part in a number of network-wide events in 2011/12, including the ARK music gala at the Barbican Centre in June and the Shakespeare Schools Festival in November. ARK Schools held its third annual academies summit, bringing together all staff across the network to participate in specialist professional seminars and workshops and celebrate success.

### **PRINCIPAL ACTIVITIES 2012**

ARK Schools opened three new primary academies in September 2011. ARK Atwood in Westminster and ARK Conway in Hammersmith are brand new primary academies opened in the first wave of the government's free school initiative. ARK Oval Primary Academy in Croydon was an existing school which joined the network in order to raise achievement levels for its pupils.

**PRINCIPAL ACTIVITIES 2012 (continued)**



The map above also includes seven academies which joined the network in September 2012. Of these, Isaac Newton Academy in Redbridge and Bolingbroke Academy in Wandsworth are new schools, the latter opened under the free schools programme. ARK Kings Academy in Birmingham, ARK Putney Academy in Wandsworth and three primary academies (ARK Rose Academy and ARK Tindal Academy in Birmingham, and ARK Bentworth in Hammersmith), were all existing schools.

### **ACHIEVEMENTS AND PERFORMANCE**

ARK Schools' pupils continued to make exceptional progress at both primary and secondary levels.

#### **Primary**

In 2011/12 ARK Schools had six primary schools of which four had pupils who had completed Key Stage 1 (Ark, Globe, King Solomon and Oval, chart 1). Only two (Globe and Oval, chart 2) also had pupils who had completed Key Stage 2. Atwood and Conway opened in 2011 and had only Foundation Stage (reception) pupils.

In Key Stage 1 (year 2), the proportion of ARK pupils achieving the government's expectation of level 2+ in reading, writing and mathematics exceeds national attainment in every area.

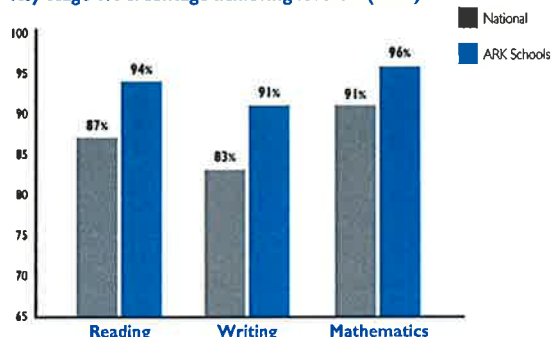
## Directors' report Year to 31 August 2012

### ACHIEVEMENTS AND PERFORMANCE (continued)

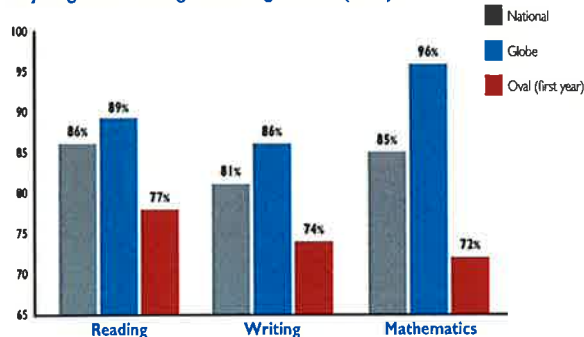
#### Primary (continued)

In Key Stage 2 (year 6), where the government expects children to reach level 4 or above in each subject, ARK Globe Academy, which opened in 2008, exceeds national attainment while ARK Oval (2011) has made very strong progress in its first year.

Key stage 1: Percentage achieving level 2+ (2012)



Key stage 2: Percentage achieving level 4+ (2012)



#### Secondary

ARK Schools reported the network's sixth set of GCSE results, including the five ARK academies which had a GCSE cohort in the year. Since each school opened as an ARK academy, the average annual increase in pupils achieving five GCSEs at A\*-C including English and Maths is 6.8 percentage points.

In 2012, 57% of ARK pupils achieved five A\*-C grades including English and Maths. This compares to an average of 19% in the predecessor schools seven years ago. While the change in the grade C English threshold this year is reflected in both the English and the overall results, there are strong performances across the curriculum and continued improvements in Ebacc subjects.

In ARK's specialist area of mathematics our academies continued to achieve strong results. The network's 79% GCSE Maths pass rate is eight percentage points ahead of national attainment.

#### Performance by school

At **Burlington Danes Academy**, 38% of students gained three or more A/A\* grades, up from 33% last year. 23% of students gained five or more A/A\* grades, up from 16% last year. 88% achieved A\*-C grades in Maths and 21% of students gained the English Baccalaureate.

**Charter Academy** achieved a 12 percentage point increase in the number of pupils achieving five A\*-Cs including English and Maths, an exceptional achievement for a school whose predecessor achieved just 3% in 2006.

At **St Alban's Academy** 83% of students achieved A\* - C in Maths – up 31 percentage points since the school opened as an academy.

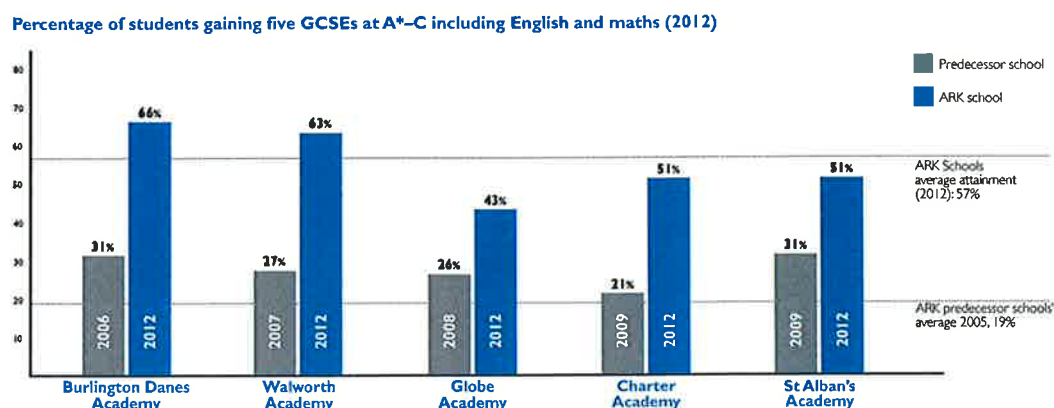
At **Walworth Academy** 83% gained A\*-C grades in Maths – up 46 percentage points since it opened as an ARK academy.

**Globe Academy** improved in English with the percentage of students gaining A\*-C grades increasing by 5 percentage points.

## Directors' report Year to 31 August 2012

### ACHIEVEMENTS AND PERFORMANCE (continued)

#### Performance by school (continued)



#### 'A' level performance

ARK's first two sixth forms, at Burlington Danes and Walworth academies, are achieving good results and sending pupils on to respected universities including Russell Group institutions and Oxford as well as to well-regarded training courses and employment. At Burlington Danes in 2012, 79% of year 13 students gained A\*-C grades at A level, 28% of all grades were A\*-A and 52% of all grades were A\*-B. In Walworth Academy's first A level results, 71% of A level entries achieved A\* - C grades at A level, and students have won places at Oxford, University College London, Queen Mary University of London, Southampton and the New College of the Humanities.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Constitution and principal activities

ARK Schools was established in 2004 to set up and operate 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 memorandum and articles of association are the 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.

#### 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 directors are appointed by ARK, as principal member. 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.

## **Directors' report** Year to 31 August 2012

### **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

#### **Directors and trustees** (continued)

The following directors served throughout the year.

<b>Director</b>
Ron Beller
Paul Dunning
Stanley Fink
Gerard Griffin
Lucy Heller
Paul Marshall
Anthony Williams

Lucy Heller also fulfils a paid role as managing director.

During the year under review the directors held five meetings.

In accordance with normal commercial practice, ARK Schools insures its directors against errors, negligent acts or omissions relating to their work for ARK Schools for up to £2m on any single claim.

Five directors served as chairs of an ARK academy local governing body for all or part of the year.

#### **Method of recruitment and appointment of directors**

No new directors were appointed this year. When new directors are to be appointed, the Board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the Board, the current needs of the school network and governance good practice for multi-academy trusts.

#### **Policies and procedures adopted for the induction and training of directors**

Directors are briefed regularly by the senior management team on educational and other ARK Schools matters - through a combination of briefings at board meetings, other sessions, visits to schools and individual meetings. When new directors join the board, tailored induction training is arranged to give new directors a good understanding of the wider education context, ARK Schools' mission and aspirations, the operation of the network and their governance responsibilities.

#### **Subsidiary company**

ARK Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of ARK Schools. Its principal activity is the management of building programmes for school construction procured through ARK Schools. In the year under review, all expenditure related to work on Burlington Danes, King Solomon, Evelyn Grace and Globe Academies. As the building programmes are now complete, the company will become dormant.

#### **Management**

The directors set general policy, approve an annual plan and budget, monitor performance against the plan and budget and make major decisions about the directors of the company, capital expenditure and senior staff appointments.



## **Directors' report** Year to 31 August 2012

### **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

#### **Management** (continued)

The board delegates a number of functions to a local governing body ("LGB") at each academy. Each local governing body reviews annual school plans and budgets and recommends these to the ARK Schools board, monitors school performance and oversees parent and community liaison.

The directors delegate the day to day responsibility to the senior management team led by managing director, Lucy Heller. The running of each individual academy is delegated to its principal/headteacher.

#### **Employee involvement**

ARK Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principal/headteachers also meet regularly to share knowledge and best practice. ARK Schools holds an annual conference for all staff in all ARK academies, as well as network hub days. The ARK Schools intranet provides information and access to internal and external professional development and support. A termly staff magazine, The Arrow, is supplemented by regular bulletins and academy newsletters as well as each school's intranet. Immediate and topical news is distributed by email. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

#### **Disabled employees**

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

Applications for employment by disabled people are given full and fair consideration. When employees become disabled, every effort is made to meet their needs so that their employment may continue.

Some academy buildings have restricted access in areas that have yet to be modernised. In such cases, the academies manage access through room allocations. Modernised and new buildings are designed to comply with relevant statutory regulations for disabled access.

#### **Public benefit**

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

#### **Connected organisations**

The following are connected organisations within the meaning of the latest Accounts Direction from the Department for Education:

Absolute Return for Kids – Company no. 04589451

ARK UK Programmes – Company no. 05932797

ARK Academies Projects Ltd – Company no. 04101629

## **Directors' report** Year to 31 August 2012

### **FINANCIAL REVIEW**

#### **Financial report for the year**

ARK Schools reported an underlying operating surplus excluding capital items, depreciation and pension scheme adjustments for the year ended 31 August 2012 of £3.4m (2011: £1.0m). (This is shown on the statement of financial activities in the two columns marked unrestricted funds and restricted general funds under net incoming resources). Operating incoming resources were £62.1m (2011: £53.9m). (This is shown on the statement of financial activities in the two columns marked unrestricted funds and restricted general funds under total incoming resources).

Most income comes from the DfE as recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the year ended 31 August 2012, total expenditure (excluding depreciation) of £58.8m 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 £3.4m. This figure does however include grants for our academies which are intended to be spent over more than one year.

At 31 August 2012, the net book value of fixed assets was £175m.

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

#### **Impact of capital items, depreciation and pension scheme adjustments**

Once capital items, depreciation and pension scheme adjustments are included, the outcome for the year to 31 August 2012 was a deficit of £4.3m million. (2011: surplus of £48.8 million.) Incoming resources were £65.8m (2011: £111.1 million). Academies are funded by the Education Funding Agency (EFA) and the Department for Education (DfE) for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for ARK Schools financial statements;

1. Capital grants receipts from the DfE are recorded as income in the income and expenditure account. 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, leading to accounting surpluses in the year a grant is received. ARK Schools received substantial non-recurring capital grants in 2010-11 and previous years (when a number of large secondary schools joined the network), but very much smaller amounts in 2011-12 (when three smaller primaries joined the network).
2. ARK Schools capitalises the schools it leases, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.

**FINANCIAL REVIEW** (continued)

**Impact of capital items, depreciation and pension scheme adjustments** (continued)

3. ARK Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pensions schemes. Additionally ARK Schools will inherit the pension liability of new schools that join the network thus increasing the overall liability. ARK Schools accepts its financial responsibilities and has fully implemented the provisions of FRS17 relating to the Pensions Scheme. ARK Schools understands that in the unlikely event that an academy ceased operating altogether the DfE would undertake discussions with the relevant pension authorities as to the best way in which the deficit could be dealt with, whilst having regard for those staff who are members of the scheme at the time. These discussions would also recognise that ARK Schools was never funded in order to meet any outstanding pension deficit.

**Reserves policy**

ARK Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. The level of reserves is kept under review by the directors.

**Financial position**

ARK Schools held fund balances at 31 August 2012 of £180m, being £176m of restricted funds and £4m of unrestricted general funds. Restricted funds include a pension reserve deficit of £4.6m..

**Going concern**

After making appropriate enquiries, the directors are confident that ARK Schools has sufficient resources to continue to operate for the foreseeable future. The financial statements have therefore been prepared on a going concern basis. The statement of accounting policies gives further information.

**Future plans**

Seven academies were opened in September 2012; five transition schools (two secondaries and three primaries) and two new secondary schools.

ARK Schools expects to open a further eight to ten schools in September 2013.

**Principal risks and uncertainties**

The directors have assessed the major risks and uncertainties to which ARK Schools is exposed, in particular those relating to development of new buildings, school openings, post-opening management of transition schools, recruitment, provision of facilities, school finances and other school functions. Key risks and uncertainties identified include changes and reductions in funding for capital projects, uncertainties in funding due to plans for new funding formulae, and uncertainty and reductions in the funding support for schools joining the network. There is also rapid change in curriculum and qualifications, much of which change ARK Schools strongly welcomes. Lastly it should be noted that ARK Schools' mission is to develop schools in the most challenging and disadvantaged communities in the UK, which is in itself a more difficult environment in which to provide excellent schools.

## **Directors' report** Year to 31 August 2012

### **FINANCIAL REVIEW** (continued)

#### **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 established systems to assess risks, especially in relation to new buildings, school operations (e.g. teaching, health and safety and school trips), and finance. They have introduced operating procedures (e.g. vetting of new staff and visitors, supervision of academy grounds) and internal controls in order to minimise risk. Where significant risk still remains and it is practically possible, they have ensured that ARK Schools has adequate insurance cover. ARK Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement.

#### **Financial risk management objectives and policies**

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

##### *Liquidity risk*

The company 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 appropriate 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*

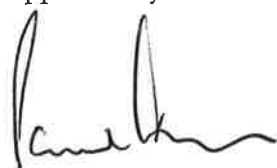
The group is exposed to price risks, but is funded by government on the same basis as other schools, and budgets accordingly. Nearly all funding comes from government so credit risk is considered to be negligible.

#### **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 and signed on their behalf on 19 December 2012 by:



Paul Dunning  
Director

**Scope of responsibility**

The directors are responsible for ensuring that ARK Schools has an effective and appropriate system of financial and management control. The directors have delegated to the managing director responsibility for maintaining this system and for ensuring that it meets the requirements of 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 breakdown in internal control.

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.

**Governance**

The information here supplements the directors' report and the statement of directors' responsibilities. The directors met five times during the year. Attendance was as follows:

<b>Director</b>	<b>Number of meetings attended</b>	<b>Out of a possible</b>
Ron Beller	5	5
Paul Dunning	4	5
Stanley Fink	3	5
Gerrard Griffin	5	5
Lucy Heller	5	5
Paul Marshall	5	5
Anthony Williams	5	5

There were no changes to board membership in 2011/12.

The Finance and Audit Committee was formed in December 2011 as a sub-committee of the main board. It helps the Board oversee financial and other controls and with risk management, in the context of the planned growth in the network. The committee exists to ensure probity and efficiency in the management and expenditure by ARK Schools of income from all sources: public funding, donations and investment and commercial income, and compliance with the requirements of the EFA Academies Financial Handbook. The Committee is chaired by an ARK Schools director who is an experienced investment manager. The two external members are a qualified accountant and a solicitor.

Attendance at meetings in the year was as follows:

<b>Committee member</b>	<b>Number of meetings attended</b>	<b>Out of a possible</b>
Paul Dunning	5	5
Rob Brown	5	5
Amanda Spielman	5	5
Micky Sandall	5	5
Henry Raine	3	3

### **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 provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively and economically. The system of internal control operated during the year to 31 August 2012 and up to the date of approval of the annual report and financial statements.

### **Capacity to manage risk**

The directors have reviewed the main risks to ARK Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2012 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 showing financial performance against budgets and forecasts which are reviewed and where relevant approved by the board;
- regular reviews by the board of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- 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 an internal audit function and have appointed the Chief Operating Officer as Responsible Officer ('RO') for all ARK academies. The RO's role includes advising on financial matters and performing a range of checks on each academy's financial systems. The RO reports regularly to each 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.

While improvements to procedures have been recommended, no material control weaknesses were reported this year.

The RO function for the year has been fully delivered in line with the requirements of the Financial Handbook.

## **Governance statement** 31 August 2012

### **Review of effectiveness**

As Accounting Officer, the Chief Operating Officer is responsible 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 staff responsible for the development and maintenance of the internal control framework.

The Accounting Officer has advised the Audit Committee of the implications of the Accounting Officer's review of the system of internal control and a plan to address weaknesses and ensure continuing improvement is in place.

Approved by the directors on 19 December 2012 and signed on their behalf on by:



Paul Dunning  
(Director)



Diana Gerald  
(Accounting Officer)

**Statement on regularity, propriety and compliance** 31 August 2012

As Accounting Officer for ARK Schools I have considered my responsibility to notify the board and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding. In this I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the board can identify any material irregular or improper use of funds by ARK Schools or material non-compliance with the terms and conditions of funding under ARK Schools funding agreements and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



Diana Gerald  
Accounting Officer

Date: 19 December 2012



## **Statement of directors' responsibilities** 31 August 2012

The directors of ARK Schools (who are also trustees of its charitable activities) are responsible for preparing the directors' report and financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, UK Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires directors to prepare financial statements for each financial year. Under company law, 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 company and the group of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing the financial statements, 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 a going concern basis unless it is unreasonable to assume that the company will continue in business.

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

The directors are responsible for ensuring that the company applies proper financial and other management controls. They are also responsible for ensuring grants received from the Education Funding Agency and Department for Education have been applied for the purposes intended.

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

Approved by the directors and signed on their behalf by:



Paul Dunning  
Director

Date: 19 December 2012

**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 2012, 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 2011/12 issued by the Education Funding 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, 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 reports** 31 August 2012

### **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 2012 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 2011/12 issued by the Education Funding 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.

### **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

20 December 2012

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE BOARD OF ARK SCHOOLS AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 28 August 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by ARK Schools during the period from 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the board and the EFA. Our review work has been undertaken so that we might state to the board and the EFA those matters we are required to state to it in a 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 board and the EFA, for our review work, for this report, or for the opinion we have formed.

**Respective responsibilities of the board and auditor**

The board is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

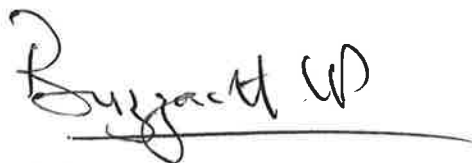
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed or income received during the period from 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Basis of opinion**

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA.

**Opinion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

21 December 2012

**Consolidated statement of financial activities** Year to 31 August 2012  
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted funds £'000	Restricted funds £'000	Restricted fixed assets funds £'000	<b>2012 Total funds £'000</b>	2011 Total funds £'000
<b>Incoming resources</b>						
Income from generated funds						
. Voluntary income	2	4,349	258	2,507	<b>7,114</b>	58,579
. Activities for generating funds	3	399	—	—	<b>399</b>	165
. Interest receivable		38	—	—	<b>38</b>	14
Income from charitable activities						
. Funding for ARK Schools' educational operations	4	—	55,101	1,154	<b>56,255</b>	51,024
. Project management grants	5	—	708	—	<b>708</b>	557
Other incoming resources	6	1,280	—	—	<b>1,280</b>	790
<b>Total incoming resources</b>		<b>6,066</b>	<b>56,067</b>	<b>3,661</b>	<b>65,794</b>	111,129
<b>Resources expended</b>						
Charitable activities						
. ARK Schools' educational operations	7	3,439	52,895	9,605	<b>65,939</b>	60,230
. Development costs	8	1,120	1,112	—	<b>2,232</b>	2,623
Governance costs	9	182	12	—	<b>194</b>	417
<b>Total resources expended</b>		<b>4,741</b>	<b>54,019</b>	<b>9,605</b>	<b>68,365</b>	63,270
<b>Net incoming (outgoing) resources before other recognised gains and losses</b>		<b>1,325</b>	<b>2,048</b>	<b>(5,944)</b>	<b>(2,571)</b>	47,859
<b>Other recognised gains and losses</b>						
Brought forward defined benefit pension scheme (liability) asset	17	—	(211)	—	<b>(211)</b>	4
Actuarial (losses) gains on defined benefit pension schemes	17	—	(1,490)	—	<b>(1,490)</b>	930
Past service loss in respect of pension scheme	17	—	(5)	—	<b>(5)</b>	—
<b>Net movement in funds</b>		<b>1,325</b>	<b>342</b>	<b>(5,944)</b>	<b>(4,277)</b>	48,793
Fund balances brought forward at 1 September 2011		2,800	3,849	177,835	<b>184,484</b>	135,691
<b>Fund balances carried forward at 31 August 2012</b>		<b>4,125</b>	<b>4,191</b>	<b>171,891</b>	<b>180,207</b>	184,484

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.

A statement of total recognised gains and losses is not required as all gains and losses are included in the above statement of financial activities.

## Balance sheets 31 August 2012

		2012		2011	
		Group £'000	Academies £'000	Group £'000	Academies £'000
<b>Fixed assets</b>					
Tangible assets	11	175,468	175,468	180,640	180,640
Investments	12, 19	750	750	750	750
		<b>176,218</b>	<b>176,218</b>	<b>181,390</b>	<b>181,390</b>
<b>Current assets</b>					
Debtors	13	12,297	12,366	9,297	9,423
Short term deposits		4,077	4,077	—	—
Cash at bank and in hand		20,096	20,019	9,033	8,887
		<b>36,470</b>	<b>36,462</b>	<b>18,330</b>	<b>18,310</b>
<b>Creditors:</b> amounts falling due within one year	14	(27,867)	(27,859)	(12,613)	(12,593)
		<b>8,603</b>	<b>8,603</b>	<b>5,717</b>	<b>5,717</b>
<b>Net current assets</b>					
<b>Net current assets excluding pension liability</b>		<b>184,821</b>	<b>184,821</b>	<b>187,107</b>	<b>187,107</b>
Pension scheme liability	17	(4,614)	(4,614)	(2,623)	(2,623)
		<b>180,207</b>	<b>180,207</b>	<b>184,484</b>	<b>184,484</b>
<b>Net current assets including pension liability</b>					
<b>Represented by:</b>					
<b>Funds and reserves</b>					
<b>Income funds</b>					
Restricted funds	15				
. Fixed assets		171,891	171,891	177,835	177,835
. General restricted		8,805	8,805	6,472	6,472
. Pension reserve		(4,614)	(4,614)	(2,623)	(2,623)
		<b>176,082</b>	<b>176,082</b>	<b>181,684</b>	<b>181,684</b>
Unrestricted funds					
. General funds		4,125	4,125	2,800	2,800
		<b>180,207</b>	<b>180,207</b>	<b>184,484</b>	<b>184,484</b>

Approved by the directors on 19 December 2012 and signed on their behalf by:



Paul Dunning  
Director

Company registration number: 05112090 (England and Wales)

## Consolidated cash flow statement Year to 31 August 2012

	Notes	2012 £'000	2011 £'000
<b>Net cash inflow from operating activities</b>	A	<b>15,923</b>	2,681
<b>Return on investments and servicing of finance</b>			
Interest received		38	14
Interest payable		—	(4)
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets	11	(2,064)	(12,565)
Capital grants received		1,243	3,530
Payments to acquire investments		—	(750)
		<b>15,140</b>	(7,094)
<b>Management of liquid resources</b>			
Payments into short term deposits		(4,077)	—
<b>Increase (decrease) in cash</b>		<b>11,063</b>	(7,094)

### A Reconciliation of net incoming (outgoing) resources to net cash inflow from operating activities

	2012 £'000	2011 £'000
Net (outgoing) incoming resources	(2,571)	47,859
Capital funding grants	(1,243)	3,530
Buildings brought in at valuation	(2,418)	(53,663)
FRS 17 pension costs less contributions payable (note 17)	241	224
FRS 17 pension finance cost (note 17)	44	72
Depreciation	9,605	10,073
Loss on disposal of tangible fixed assets	49	—
Interest received	(38)	(14)
(Increase) decrease in debtors	(3,000)	10,589
Increase (decrease) in creditors	15,254	(8,929)
<b>Net cash inflow from operating activities</b>	<b>15,923</b>	2,681

### Analysis of changes in net debt

	At 1 September 2011 £'000	Cash flows £'000	At 31 August 2012 £'000
Cash at bank and in hand	9,033	11,063	<b>20,096</b>
Short term deposits	—	4,077	<b>4,077</b>
	<b>9,033</b>	<b>15,140</b>	<b>24,173</b>

## **Principal accounting policies** 31 August 2012

### **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 EFA 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**

All incoming resources are recognised when the company has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

#### *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.

#### *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.



## **Principal accounting policies** 31 August 2012

### **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, fittings and equipment	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.

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.

## **Principal accounting policies** 31 August 2012

### **Pensions**

Some school based staff are members of one of two types of multi-employer defined benefit pension schemes. More details of the schemes are given in note 17.

#### *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. Each 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.

1. General Annual Grant (GAG)

	Burlington Danes Academy £'000	Atwood Academy £'000	Conway Academy £'000	Oval 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	Total 2012 £'000	Total 2011 £'000
<b>a. Results and carry forward for the year</b>													
GAG brought forward from previous year	—	—	—	—	—	—	—	—	—	—	—	—	90
GAG allocation for current year	7,821	414	256	1,808	8,626	3,489	8,567	5,487	4,080	3,476	3,361	47,385	39,782
<b>Total GAG available to spend</b>	<b>7,821</b>	<b>414</b>	<b>256</b>	<b>1,808</b>	<b>8,626</b>	<b>3,489</b>	<b>8,567</b>	<b>5,487</b>	<b>4,080</b>	<b>3,476</b>	<b>3,361</b>	<b>47,385</b>	<b>39,872</b>
Recurrent expenditure from GAG	(7,821)	(414)	(256)	(1,808)	(8,626)	(3,489)	(8,567)	(5,487)	(4,080)	(3,476)	(3,361)	(47,385)	(39,400)
Fixed assets purchased from GAG	—	—	—	—	—	—	—	—	—	—	—	—	(472)
<b>GAG carried forward to next year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(939)	(50)	(31)	(217)	(1,035)	(419)	(1,028)	(658)	(490)	(417)	(403)		
<b>GAG to surrender to DfE</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach		

1. General Annual Grant (GAG) (continued)

	Burlington Danes Academy £'000	Atwood Academy £'000	Conway Academy £'000	Oval 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	Total 2012 £'000	Total 2011 £'000
<b>b. Use of GAG brought forward from previous year for recurrent purposes</b> (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	7,821	414	256	1,808	8,626	3,489	8,567	5,487	4,080	3,476	3,361	47,385	39,400
GAG allocation for current year	(7,821)	(414)	(256)	(1,808)	(8,626)	(3,489)	(8,567)	(5,487)	(4,080)	(3,476)	(3,361)	(47,385)	(39,782)
GAG allocation for previous year x 2%	(158)	—	—	—	(159)	(58)	(149)	(83)	(56)	(67)	(67)	(797)	(672)
<b>GAG brought forward from previous year in excess of 2% used on recurrent expenditure in current year</b> (2% rule breached if result is positive)	(158)	—	—	—	(159)	(58)	(149)	(83)	(56)	(67)	(67)	(797)	(1,054)
	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach	no breach

## Notes to the financial statements 31 August 2012

### 2. Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Donation towards core costs by ARK (note 19)	4,349	—	4,349	3,098
Donations – capital	—	2,507	2,507	53,663
Donations	—	258	258	304
Grant from ARK UK Programmes	—	—	—	1,514
	4,349	2,765	7,114	58,579

### 3. Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Hire of facilities	399	—	399	165

### 4. Funding for ARK Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
<b>DfE/EFA capital grant</b>				
Devolved formula capital allocations	—	123	123	198
Academy main building grants	—	799	799	1,679
Local authority ICT capital grants	—	232	232	1,653
	—	1,154	1,154	3,530
<b>DfE revenue grants</b>				
General annual grant (GAG)	—	47,385	47,385	39,782
Start up A	—	412	412	647
Start up B	—	2,812	2,812	3,346
DfE Lead in and implementation income	—	914	914	525
Other DfE grants	—	2,059	2,059	366
School standards fund (DfE)	—	124	124	1,573
	—	53,706	53,706	46,239
<b>Other grants</b>				
Local authority funding	—	1,103	1,103	728
Extended schools programme	—	292	292	527
	—	1,395	1,395	1,255
	—	56,255	56,255	51,024

## Notes to the financial statements 31 August 2012

### 5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	<b>2012 Total funds £'000</b>	2011 Total funds £'000
Academies programme	—	708	<b>708</b>	557

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

### 6. Other income

	Unrestricted funds £'000	Restricted funds £'000	<b>2012 Total funds £'000</b>	2011 Total funds £'000
School meals income	518	—	<b>518</b>	308
Profit from subsidiary	48	—	<b>48</b>	120
Individual school support	425	—	<b>425</b>	—
Miscellaneous income	289	—	<b>289</b>	362
	<b>1,280</b>	<b>—</b>	<b>1,280</b>	790

## Notes to the financial statements 31 August 2012

### 7. ARK Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
<b>Direct costs</b>				
Staff costs (note 10)	2,356	25,712	<b>28,068</b>	24,111
Depreciation (note 11)	—	9,605	<b>9,605</b>	10,073
Educational supplies	86	1,366	<b>1,452</b>	1,533
Examination fees	—	420	<b>420</b>	379
Transport	—	300	<b>300</b>	263
Other pupil support costs	—	601	<b>601</b>	547
	<b>2,442</b>	<b>38,004</b>	<b>40,446</b>	<b>36,906</b>
Extended schools programme	—	823	<b>823</b>	926
<b>Educational support costs</b>				
Staff costs (note 10)	328	15,793	<b>16,121</b>	14,285
Recruitment and other staff costs	700	579	<b>1,279</b>	822
Catering contract	208	1,211	<b>1,419</b>	1,263
Printing and stationery	14	216	<b>230</b>	243
Office overheads	27	189	<b>216</b>	226
Heat and light	—	902	<b>902</b>	740
Premises (including buildings insurance)	253	3,362	<b>3,615</b>	3,517
Technology costs	133	1,085	<b>1,218</b>	1,142
Other insurance costs	3	15	<b>18</b>	76
Finance costs and interest/charges payable	12	50	<b>62</b>	72
Other expenses including release of provision	(227)	271	<b>44</b>	12
Retrospective VAT claim as a consequence of s33(B) VAT Act introduced by Finance Bill 2011	(454)	—	<b>(454)</b>	—
	<b>997</b>	<b>23,673</b>	<b>24,670</b>	<b>22,398</b>
	<b>3,439</b>	<b>62,500</b>	<b>65,939</b>	<b>60,230</b>

### 8. Development costs

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Staff costs (note 10)	415	—	<b>415</b>	702
Project implementation	185	17	<b>202</b>	71
Education consultants	390	147	<b>537</b>	623
Staff training and induction	41	549	<b>590</b>	322
Building costs	—	161	<b>161</b>	137
Research and marketing	71	117	<b>188</b>	88
Set up and launch costs	18	56	<b>74</b>	680
Miscellaneous	—	65	<b>65</b>	—
	<b>1,120</b>	<b>1,112</b>	<b>2,232</b>	<b>2,623</b>

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

## Notes to the financial statements 31 August 2012

### 9. Governance costs

	Unrestricted funds £'000	Restricted funds £'000	2012 Total funds £'000	2011 Total funds £'000
Legal and other professional fees	89	11	100	337
Auditor's remuneration				
. Audit of group financial statements	58	—	58	53
. Non statutory audit	30	—	30	24
Governor training (performed in house 2011/12)	—	—	—	1
Other expenses	5	1	6	2
	182	12	194	417

### 10. Staff costs

Staff costs during the period were as follows:

	2012 £'000	2011 £'000
Wages and salaries	36,386	31,635
Social security costs	3,136	2,706
Pension contributions	4,010	3,448
	43,532	37,789
Supply staff costs	1,072	1,309
	44,604	39,098

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

	2012 Number	2011 Number
£60,001 – £70,000	29	26
£70,001 - £80,000	18	18
£80,001 - £90,000	6	6
£90,001 - £100,000	2	5
£100,001 - £110,000	2	1
£110,001 - £120,000	—	1
£120,001 - £130,000	1	—
£130,001 - £140,000	2	3
£140,001 - £150,000	1	2
£150,001 - £160,000	3	3
	64	65

Employer pension contributions to the Teachers' Pension Scheme, the Local Government Pension Scheme or the Pensions Trust relating to the above staff during the year amounted to £550,301 (2010/11 £544,483).



## Notes to the financial statements 31 August 2012

### 10. Staff costs (continued)

The average full time equivalent number of persons employed by the company during the year ended 31 August 2012, analysed by function, were as follows:

	2012 FTE	2011 FTE
<b>Charitable activities</b>		
Teachers	506	423
Education support and administration staff	512	413
Projects and management staff	30	27
	<b>1,048</b>	<b>863</b>

### 11. Tangible fixed assets

Group and academies	Land and buildings £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 September 2011	176,500	7,491	120	9,588	<b>193,699</b>
Additions	3,368	342	—	772	<b>4,482</b>
Disposals	(76)	—	—	—	<b>(76)</b>
At 31 August 2012	<b>179,792</b>	<b>7,833</b>	<b>120</b>	<b>10,360</b>	<b>198,105</b>
<b>Depreciation</b>					
At 1 September 2011	4,535	2,496	74	5,954	<b>13,059</b>
Charge for the year	3,613	1,942	28	4,022	<b>9,605</b>
Disposals	(27)	—	—	—	<b>(27)</b>
At 31 August 2012	<b>8,121</b>	<b>4,438</b>	<b>102</b>	<b>9,976</b>	<b>22,637</b>
<b>Net book value</b>					
At 31 August 2012	<b>171,671</b>	<b>3,395</b>	<b>18</b>	<b>384</b>	<b>175,468</b>
At 31 August 2011	<b>171,965</b>	<b>4,996</b>	<b>46</b>	<b>3,634</b>	<b>180,640</b>

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

Three schools joined the network during 2011/12. The value of the buildings transferred on conversion for ARK Oval Primary Academy amounted to £2,418k and is included within tangible fixed assets as an addition in the year. School buildings for ARK Atwood Primary Academy and ARK Conway Primary Academy are on short term leases and as such no value has been placed on these buildings.

The building programmes at Charter and St Alban's academies are not yet completed. Once completed and the buildings are transferred to ARK Schools on a long lease, the value will be capitalised.

Existing school buildings are leased on a short term basis until new buildings are ready for us. No value is placed on existing buildings.

## Notes to the financial statements 31 August 2012

### 12. 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 2012, which have been included in the consolidated financial statements.

	2012 £'000	2011 £'000
Turnover	119	9,161
Cost of sales	(68)	(9,038)
Gross profit	51	123
Administrative expenses	(3)	(3)
Retained profit before charitable donation under Gift Aid at 31 August 2012	48	120
Charitable donation under Gift Aid	(48)	(120)
Retained profit after charitable donation under Gift Aid at 31 August 2012	—	—
Called up share capital	—	—
Net assets at 31 August 2012	—	—

The £1 issued share capital equalled the net assets of the company at 31 August 2012.

### 13. Debtors

	Group 2012 £'000	Academies 2012 £'000	Group 2011 £'000	Academies 2011 £'000
Trade debtors	1,135	1,135	631	635
Amounts due from DfE/EFA	1,688	1,688	1,004	1,004
Sponsorship due from ARK	6,899	6,899	5,569	5,569
Other debtors	151	151	271	271
Prepayments and accrued income	1,474	1,474	960	960
Amounts due from subsidiary	—	48	—	120
Amounts due from ARK	—	—	330	330
VAT recoverable	950	971	532	534
	12,297	12,366	9,297	9,423

## Notes to the financial statements 31 August 2012

### 14. Creditors: amounts falling due within one year

	Group 2012 £'000	Academies 2012 £'000	Group 2011 £'000	Academies 2011 £'000
Trade creditors	1,559	1,554	1,395	1,204
Taxation and social security	1,059	1,059	919	919
Accruals	1,216	1,213	3,010	3,034
Deferred income	8,978	8,978	6,528	6,528
Amounts owed to DfE/EFA re VAT grant	—	—	581	581
Other creditors	14,186	14,186	180	180
Amounts due to ARK UK Programmes	869	869	—	—
Amounts owed to subsidiary	—	—	—	147
	<b>27,867</b>	<b>27,859</b>	<b>12,613</b>	<b>12,593</b>

### 15. Restricted funds

	At 1 September 2011 £'000	Incoming resources £'000	Outgoing resources, transfers and other gains and losses £'000	At 31 August 2012 £'000
<b>DfE revenue grant fund</b>				
General Annual Grant (GAG) (note 1)	—	47,385	(47,385)	—
Start up (note 4)	3,577	3,224	(3,224)	<b>3,577</b>
Other DfE/EFA (note 4)	648	3,097	(987)	<b>2,758</b>
DfE project management grants	—	708	(708)	—
	4,225	54,414	(52,304)	<b>6,335</b>
Pension reserve	(2,623)	—	(1,991)	<b>(4,614)</b>
	<b>1,602</b>	<b>54,414</b>	<b>(54,295)</b>	<b>1,721</b>
<b>Other</b>				
Local authority grants	17	1,103	(718)	<b>402</b>
Extended schools programme	1,404	292	(353)	<b>1,343</b>
Other donations	826	258	(359)	<b>725</b>
	<b>2,247</b>	<b>1,653</b>	<b>(1,430)</b>	<b>2,470</b>
<b>Fixed assets fund</b>				
DfE fixed assets fund	167,227	2,541	(7,584)	<b>162,184</b>
ARK sponsorship fixed assets fund	6,001	799	(150)	<b>6,650</b>
Other sponsorship fixed assets fund	4,607	321	(1,871)	<b>3,057</b>
	<b>177,835</b>	<b>3,661</b>	<b>(9,605)</b>	<b>171,891</b>
<b>Total restricted funds</b>	<b>181,684</b>	<b>59,728</b>	<b>(65,330)</b>	<b>176,082</b>

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.

## Notes to the financial statements 31 August 2012

### 15. Restricted funds (continued)

#### *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.

### 16. Analysis of net assets between funds

Group	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets funds £'000	Total funds 2012 £'000
<b>Fund balances at 31 August 2012 are represented by:</b>				
Tangible fixed and investment assets	—	750	175,468	176,218
Current assets	4,125	32,345	—	36,470
Creditors: amounts falling due within one year	—	(24,290)	(3,577)	(27,867)
Pension scheme liability	—	(4,614)	—	(4,614)
<b>Total net assets</b>	<b>4,125</b>	<b>4,191</b>	<b>171,891</b>	<b>180,207</b>

### 17. Pensions and similar obligations

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and Local Government Pensions 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.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

#### *Teachers' Pension Scheme*

The TPS is a statutory, contributory defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including actual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a "pay-as-you-go" basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

**17. Pensions and similar obligations (continued)**

*Teachers' Pension Scheme (continued)*

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary (GA), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions.

The assumed real rate of return is 3.5% in excess of prices and 2.0% in excess of earnings. The real rate of earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8% depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

**17. Pensions and similar obligations (continued)**

*Teachers' Pension Scheme (continued)*

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are therefore, currently suspended. The Government, however has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. ARK Schools is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, ARK Schools 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 Trust has set out above the information available on the scheme and the implications for the Trust in terms of the anticipated contribution rates.

*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 eight different funds. The total contribution made for the year ended 31 August 2012 was £1319k, of which employees' contributions totalled £397k and employers' contributions totalled £922k. 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 and Conway); City of Westminster Pension Fund (King Solomon and Atwood); London Borough of Southwark Pension Fund (Walworth and Globe); London Borough of Lambeth Pension Fund (Evelyn Grace); London Borough of Brent Pension Fund (ARK); London Borough of Croydon (Oval); Portsmouth City Council Pension Fund (Charter) and West Midlands Pension Fund (St Alban's). Data has not been collected in relation to Atwood due to its current small size.

*Principal actuarial assumptions*

	2012 %	2011 %
Rate of increase in salaries	4.4	5.1
Rate of increase in pension payments	2.2	2.7
Discount rates	4.2	5.3
Inflation assumptions	2.1	2.8

## Notes to the financial statements 31 August 2012

### 17. Pensions and similar obligations (continued)

#### *Non teachers (continued)*

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 2012	At 31 August 2011
<b>Retiring today</b>		
Males	21.8	21.4
Females	24.9	24.6
<b>Retiring in 20 years</b>		
Males	23.6	23.3
Females	26.9	26.6

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 2012 %	Value at 31 August 2012 £'000	Expected return at 31 August 2011 %	Value at 31 August 2011 £'000
Equities	6.5	6,893	7.4	5,744
Corporate bonds	3.1	1,090	3.7	1,325
Government bonds	2.6	1,543	4.9	769
Property	5.0	1,172	6.7	963
Cash	1.5	182	2.2	181
Other	7.3	927	5.0	383
<b>Total market value of assets</b>		<b>11,807</b>		<b>9,365</b>
Present value of scheme liabilities		(16,421)		(11,988)
<b>Deficit in scheme</b>		<b>(4,614)</b>		<b>(2,623)</b>

#### Amounts recognised in the statement of financial activities:

	At 31 August 2012	At 31 August 2011
Current service cost (net of employee contributions)	1,163	990
Past service costs	5	—
Total operating charge	1,168	990
<b>Analysis of pension finance income/costs</b>		
Expected return on pension scheme assets	658	421
Interest on pension liabilities	(702)	(489)
Net return	(44)	(68)

## Notes to the financial statements 31 August 2012

### 17. Pensions and similar obligations (continued)

#### *Non teachers (continued)*

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 FRS17 is a loss of £2,318,000 (2011-loss of £828,000).

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

	2012 £'000	2011 £'000
At 1 September	11,988	9,129
Current service cost	1,163	990
Interest cost	702	489
Employee contributions	397	311
Actuarial loss	1,736	905
Benefits paid	(27)	109
Past service loss	5	—
Brought forward pension scheme obligation (see below)	457	55
<b>At 31 August</b>	<b>16,421</b>	<b>11,988</b>

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

	2012 £'000	2011 £'000
At 1 September	9,365	5,862
Expected return on assets	658	421
Actuarial gain	246	1,835
Employer contributions	922	768
Employee contributions	397	311
Benefits paid	(27)	109
Brought forward pension scheme asset (see below)	246	59
<b>At 31 August</b>	<b>11,807</b>	<b>9,365</b>

The brought forward defined benefit pension scheme represents the net liability acquired by the group for £211,000, £27,000 for Ark and £184,000 for Oval. (2011: Evelyn Grace, asset of £4,000).

The five year history of experience adjustments is as follows:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Fair value of assets	(16,421)	(11,988)	(9,129)	(5,246)	(2,376)
Present value of scheme liabilities	11,807	9,365	5,862	3,249	1,896
Deficit in scheme	(4,614)	(2,623)	(3,267)	(1,997)	(480)
Experience gains on scheme assets	245	1,835	128	(437)	(90)
Experience gains on scheme assets	(6)	(1,558)	—	—	—



## Notes to the financial statements 31 August 2012

### 18. Lease commitments

At 31 August 2012, the company has annual commitments under non-cancellable operating leases as follows:

	2012 £'000	2011 £'000
Expiring in under one year	79	69
Expiring within two to five years	157	176

### 19. Related party transactions

ARK Schools is sponsored by Absolute Return for Kids (ARK), which is also 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 recorded £4.35m sponsorship from ARK.

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:

	2012 £'000	2011 £'000
Staff costs	78	61
Rent and service charges	77	164
Other costs	74	50

ARK has a charitable subsidiary, ARK UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by ARK Schools. ARK UK Programmes staff are 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:

	2012 £'000	2011 £'000
Salaries recharged	1,875	1,099
Grants	124	—

Donations from ARK UK Programmes to ARK Schools during the year were:

	2012 £'000	2011 £'000
In respect of Enrichment programmes which have been transferred to ARK Schools from ARK UK Programmes	207	—

**19. Related party transactions (continued)**

ARK UK Programmes administers the endowment funds for the benefit of certain ARK academies. Each of the academies run by ARK Schools and opened pre-September 2011 was granted an endowment to support the academy in the future. For some of the academies this was a condition of the funding agreement, but for four this is in addition to the sponsor capital contribution stipulated in the funding agreement.

As at 31 August 2012 £5.767m had been paid over by ARK into the endowment funds held by ARK UK Programmes. £100k was withdrawn from the endowments during the year and paid to St. Albans Academy as agreed by the Trustees. The net investment is therefore £5.667m. The endowments were valued at year end at £5.752m.

The amounts paid over included £750,000 of reserves from open academies, as part of their investment strategy.

**20. 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 2012, was £141,150 (2010/11 - £141,950). In addition, £23,850 (2011 - £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 £11,387 during the year (2010/11- £4,623) 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.

**21. 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.

**22. 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.

**22. Contingent liabilities (continued)**

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.