



Company limited by guarantee registration number: 04589451
Charity registration number: 1095322

Annual Report and Accounts

For the year ended 31 August 2017

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Reference and administrative details

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 04589451, and is a UK registered charity, number 1095322.

Directors

The directors of the charitable company are its trustees for the purposes of charity law and the members of the company limited by guarantee. Throughout this report they are collectively referred to as the trustees.

The following individuals served as trustees during the year:

Ian Wace (Chairman)
Paul Dunning (resigned 2 August 2017)
Lord Fink
Kevin Gundle
Sir Paul Marshall
Jennifer Moses
Anthony Williams

None had any beneficial interest in the charity and remuneration of directors is neither paid by the charity nor permitted under its Articles of Association.

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Strategic Report

Overall approach

Ark is an international education charity that exists to make sure that all children, regardless of their background, have access to a great education and real choices in life.

In the UK, Ark Schools is one of the country's top-performing academy networks – with 35 schools and nearly 24,000 pupils. These schools are exemplifying the idea that every school has the potential to succeed - even those in the most challenging circumstances.

Our goal is also to effect system change beyond our schools. We want to change the lives of children everywhere, and we want Ark to be a home for great people and ideas that have the potential to do this. We incubate, launch and scale ventures that share our mission and values. We contribute strategic and operational support while they grow into sustainable organisations.

Many of these ideas started in Ark schools. Others have come from innovators and partners outside of Ark. But they all share the ambition to address some of the most intractable issues in education and society – and they all have the potential to deliver widespread system change. It's only in partnership that we can transform the lives of all children.

Internationally, we work in partnership to make a difference. Working in partnership has allowed us to extend our impact to other countries – spreading our expertise through initiatives designed to improve education systems across the world. Through one of Ark's ventures, Education Partnerships Group, Ark is working to bring governments and education organisations closer together to create better schools. In India and Uganda, this involves implementing new ways of tracking and improving school quality and student performance. In Kenya and South Africa, we've helped develop low-cost school information systems to drive student progress through better use of data.

The school that Ark set up in India in 2015 has now become a network of three schools, and has spun out as an Ark venture.

Ark's reach and influence goes beyond the programmes consolidated in these accounts. As separate legal entities, Ark Schools and the ventures that Ark supports are not included in the financial statements in this report.

Review of activities

The key activities and achievements of Ark funded programmes are set out in the Trustees' Report commencing on page 7.

Results and performance

The financial performance of Ark and its subsidiaries is set out in the Trustees' Report in the Financial Review section commencing on page 10.

Governance

Governing Document

Ark is a company limited by guarantee governed by its Memorandum and Articles of Association dated 12 November 2002, and is registered as a charity with the Charity Commission.

Strategic Report (continued)

Organisation

The board of trustees, which can have up to twelve members, oversees the charity. The board meets at least three times a year. There is also a programme board to oversee each individual international and UK-based project and venture, and one committee dealing with finance and audit. The sub-committees each report back to the board and make recommendations on policy and practice in their respective areas of jurisdiction.

All new trustees undergo an induction programme that includes meeting with the Executive Team and briefing on their role and responsibilities. The trustees' induction programme includes meetings with existing trustees and our advisors to maximise the benefit the Board of Trustees brings to Ark.

Executive Directors are appointed by the trustees to oversee the day to day operations of the charity. To facilitate effective operations, the Executive Directors have delegated authority for operational matters including finance and employment.

Remuneration Statement

Pay and benefits for the Chief Executive Officer (CEO) are determined by the Chair of the Board in consultation with advisors and other Board members. When deciding pay and benefits for the rest of the organisation, including the Executive team (except the CEO), salary survey information and other relevant data is used as a benchmark to compare against similar organisations in the voluntary sector.

Ark key management salaries are set on appointment and reviewed annually in accordance with pay review procedures as mentioned above. The Chief Executive or Deputy Chief Executive of Ark approves all salaries on appointment and any base salary in excess of £75,000 per annum is also approved by Ark's Advisor to the Board who has delegated authority from the Ark Board.

Related Parties

The charity has established a number of companies to implement its key programmes. Subsidiaries are listed in Note 17.

Ark Schools is a multi-academy trust that is responsible for the schools that Ark runs in the UK. Ark is sole member of Ark Schools. Ark Schools is registered in England as a company limited by guarantee (company number 5112090) and an exempt charity. Ark Schools receives the majority of its income from the UK Government and, due to the requirement for ultimate government control of these funds, does not form part of the Group in these accounts.

Ark UK Programmes is responsible for Ark's work in UK education beyond Ark Schools. Ark UK Programmes is registered in England as a company limited by guarantee (company number 5932797; charity number 1137932). It is wholly owned by Ark and consolidated in these accounts.

Ark (South Africa) Limited, an association incorporated in South Africa under section 21 (registration number 2004/003952/10) and registered in England as a charitable company limited by guarantee (company number 4957091; charity number 1108175) runs the charity's programmes in Sub-Saharan Africa and is part of these Group accounts.

Ark Zimbabwe Trust was registered in April 2012 (registration number MA0398/2012). The maternal and newborn care programme is accounted for through this Trust which is consolidated as a subsidiary of the charity.

Ark India, which runs the charity's programmes in India, is registered as a Society in India and its results are consolidated in these accounts.

The charity is also affiliated to Absolute Return for Kids US, Inc. (Ark US) a US philanthropic organisation which shares Ark's passion for transformational change in the lives of disadvantaged children. Ark US supports the work of the charity through grants.

Strategic Report (continued)

Principal risks and uncertainties

Risk management

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to manage those risks. Sub-committees of the Board of Trustees meet regularly and consider risks in relation to individual programmes as part of the annual review of business plans. In addition, the Financial Stewardship Committee (FSC) is charged with the responsibility to formally review the Risk Register, to monitor and manage risks and to report to the Board. The FSC meets on a regular basis and has at least three meetings per annum. The main risks are described in Note 21 to the accounts, together with explanations relating to risk-mitigation.

Operational risks

The principal operational risk relates to a decline in income which, in turn, could limit the ability of the organisation to fund planned programmes and to cover central administrative costs. To limit this risk there has been a change in fundraising strategy since 2012 whereby Ark no longer focuses on a single major dinner event, but instead develops long term relationships with a diversified group of institutional and individual donors. Further, while programme plans may be developed for a period of 4 to 5 years, funds are mostly committed on an annual basis to limit future unfunded commitments.

Financial risks

Financial risks are explained in Note 21 to the accounts.

Financial instrument risks

Ark invests the majority of liquid funds in a portfolio that is mostly comprised of hedge fund investments. The majority of these investments are denominated in US Dollars and hence there is both a currency risk and a market risk in relation to the performance of these investments. The risk is limited through diversification of the portfolio across investment strategies and across investment funds, with the average value of each holding being less than 10% of the total invested funds. Further, the investment objective is to outperform cash without significantly increasing risk and historically this portfolio has proved to be significantly less volatile than global equity markets, with positive returns in each of the last 10 calendar years except 2008. Currency risk is managed by monitoring the net imbalance of foreign currency assets and liabilities and the Board has approved the use of forward foreign currency contracts to limit currency gains and losses where the imbalance is regarded as excessive. The forward contracts in place effectively offsets most of the foreign currency risk.

Law and regulation risks

There are no significant law or regulation risks perceived by the charity and its subsidiaries, with the exception of operations in India and Zimbabwe. In India local regulations governing the remittance of funds into the country are complex, bureaucratic and slow. Existing approval capacity and further applications that are in progress are expected to be adequate to enable programmes to continue at planned levels, but a change in policy or the application of current policies could have a detrimental impact. Legal and financial advisers in India are employed to limit this risk as far as possible. In Zimbabwe the foreign currency reserves are fragile and the charity protects against the risk of funds being frozen locally by remitting relatively small amounts (maximum US\$100k) and by settling larger liabilities by payment directly from UK.

Strategic Report (continued)

Future developments

In the UK it is expected that Ark Schools will slowly expand through growth of existing schools and the addition of new schools. Funding from Ark is expected to decline. Ark UK Programmes will continue to host new programmes and, as they become relatively mature and self-sustaining, they will continue to move to legal independence.

Internationally, the Ark Education Partnerships Group will continue its focus on education programmes.

Trustees' Report

Achievement and performance

Ark Schools

Ark Schools is an education charity that runs schools in England. Below is a summary of the performance of its schools and the context it operates in.

1) Ark schools are located where the need is greatest and where it can make the biggest difference

Ark is a network of 35 schools, educating nearly 24,000 students. All of Ark's schools are non-selective and located in areas of economic disadvantage or historic underachievement:

- **Disadvantage:**
 - More than half (52%) of Ark secondary students are disadvantaged (i.e. have been eligible for free school meals, a measure of economic deprivation)– nearly double the national average of 27%
- **Low Prior Attainment:**
 - Students going to Ark secondaries are less likely to have achieved the expected standard at primary school, and the number of secondary students who have only entered the country after the age of eleven is three times the national average
- **Closing the gap:**
 - The proportion of students who started secondary school behind but still went on to pass English & Maths GCSEs (17%) is x1.5 higher than the national average (11%)
 - The proportion of our disadvantaged students passing English & Maths GCSEs (59%) is over a third higher than the national average (43%)

2) Ark is creating successful new schools

- Ark has opened 11 new start schools since 2008 – 3 secondaries, 4 primaries and 4 all-throughs (combined primary and secondary schools). Every new start Ark school which has been inspected has been rated as Good or Outstanding by Ofsted
- 73% of students in new start Ark schools pass English & Maths GCSEs; these students achieve 0.4 grades higher than the national average, given their starting points
- Two new-start Ark secondaries, King Solomon Academy and Isaac Newton Academy are in the top 1% of schools nationally for pupil progress
- All of our new start primaries achieved 90%+ in their early years phonics check, with six achieving 97%+ against a national average of 81%

3) Ark is making a difference turning around challenging schools

- Ark has transitioned 25 challenging schools into its network, all in areas of disadvantage or with a history of underachievement
- 18 of these schools had previously been rated inadequate or in special measures by Ofsted
- Nine of these transition schools were performing among the 5% lowest attaining schools in the country, while another 2 were among the lowest 10% and another 4 were among the lowest 20%
- 16 transition schools which have been inspected have been rated as Good or Outstanding by Ofsted since joining Ark and no Ark schools remain in special measures
- All of Ark's transition schools, except two primaries and one secondary, are now performing at a higher national ranking than when they joined the network
- In just two years, Ark Blacklands Primary in Hastings went directly from special measures to outstanding – one of only 11 schools in the country to do so this year
- Ark Charter Academy, once rated as the worst school in Portsmouth before joining Ark, now ranks as one of the best and has won a national award for its work with the pupil premium
- Ark St Albans Academy in Birmingham has been on a similar journey since joining Ark, moving from the bottom 20% to the top 20% of schools nationally

Trustees' Report (continued)

4) Students at Ark schools make strong progress and our overall attainment is improving

- Despite having taken on some of the most challenging transition schools in the country Ark's network-wide secondary progress score is ~0.2, which is roughly equivalent to a top third school
- Two Ark schools are among the top 1% of schools in the country for progress, while 5 are among the top 20%
- At network level in 2017, we've improved on every major Key Stage 4 and Key Stage 2 measure
 - Attainment at KS4 improved by 5ppt while the national average stayed flat
 - Attainment at KS2 also improved at a rate higher than the national average, reflecting accelerated improvement being made by our primary schools
- Our attainment at Early Years and for the phonics screening test is well above national average – we are laying down a strong foundation for future primary performance

5) Our students are more likely to go on to further education

- In 2016-2017, 81% of Ark sixth-form students gained a place at university, compared with a national average of 48%
- Thanks to our new Professional Pathways programme, Ark sixth formers are performing particularly well in applied general qualifications, which are opening doors to increasingly high quality universities and courses
- 44% of Ark students go on to top third universities, with 20% going to Russell Group universities – double the national average for state-funded schools & colleges
- The proportion of economically disadvantaged sixth formers attending university from Ark schools is also double the national average

Ark Ventures

Ark Ventures incubates, launches and scales ventures that share Ark's mission and values. We contribute strategic and operational support while they grow into sustainable organisations. Below is a summary of the current Ark ventures that we are supporting, and ones that have spun out to be independent organisations.

• **Current ventures**

Education Partnerships Group (EPG)

Education Partnerships Group (EPG) is one of Ark's international ventures. EPG provide services and support to government and private sector partners in developing countries in order to make sure all children receive a high quality education.

EPG believes that there is an opportunity to significantly increase student outcomes in the developing world by better aligning the interests, skills, and expertise of the public and private sectors in the provision of education.

To achieve this, EPG works to help governments create the systems required to deliver high quality education through developing public-private partnerships. They also work with non-state school operators who serve disadvantaged communities.

EPG works in Uganda, South Africa, Liberia, India, and are exploring opportunities in other countries.

Trustees' Report (continued)

Mathematics Mastery

Mathematics Mastery aims to transform mathematics education in the UK. They work in partnership to empower and equip schools to deliver world-class mathematics teaching. The programme provides professional development for teachers, aiming to improve pupils' understanding, enjoyment and attainment in mathematics. The approach is based on research and internationally recognised practice, particularly drawing on evidence from Singapore and Shanghai.

In the past year, Mathematics Mastery experienced their most successful programme growth to date, with 150 new schools on board for 2017-18. The programme now covers the entire curriculum from Reception to Year 11. This represents a major milestone for the organisation.

In 2017-18, the programme will be impacting nearly 140,000 pupils. This is a 44% increase in pupil reach from 2016-17 overall.

English Mastery

English Mastery is a Key Stage 3 curriculum development programme launched in Ark schools in 2014. The programme's mission is to transform children's lives by raising the standard of cultural and academic literacy, one classroom at a time.

This year, the programme had been introduced to 14 Ark secondary schools, leading to impressive and sustained progress in students' English. From September 2017, English Mastery will take its first steps beyond the Ark network as it is introduced in 10 schools from Oasis Academies, Inspiration Trust and West London Free School.

EdCity

EdCity is non-profit development which will establish an innovative education hub in White City, London. On the site of a current Ark school, EdCity will provide:

- Improved early years, primary and adult education facilities
- Enhanced public spaces and transport connectivity
- Affordable housing for key workers and local residents

The project is a partnership between education charity Ark, leading youth charity Onside Youth Zone and the London Borough of Hammersmith and Fulham.

Assembly

In April 2015 Ark and the NEON Foundation established a technology joint initiative called Assembly, also supported by Zing. Assembly is creating a platform that helps schools, developers and education programmes to use data more effectively by integrating school systems and enabling analytics. The design of the platform is geared towards school improvement and improved pupil outcomes.

Institute for Teaching

The Institute for Teaching is a new specialist graduate school for teachers. It has a single purpose - to help teachers keep getting better.

It was founded by a diverse group of school alliances - all of whom serve low income communities. These include Ark Schools, Oasis Community Learning, Dixons Academies Trust and Mossley Hollins Teaching School Alliance.

This year The Institute for Teaching has been preparing for launch, when it will offer three courses; Transforming Teaching; Masters in Expert Teaching and Fellowship in Teacher Education.

Trustees' Report (continued)

Now Teach

Now Teach was set up in November 2016 by Lucy Kellaway, ex-FT columnist and Katie Waldegrave, a social entrepreneur, to help people who have had a successful career to retrain as teachers in challenging secondary schools. They received over 1,000 expressions of interest for around 40 places, and 46 people started to teach in September 2017. They included ex-lawyers, bankers, diplomats, CEOs and traders. Next year Now Teach will expand to Hastings, and continue to grow in London, offering 80 places.

Peepul

Peepul is an education focused non-profit that aims to transform children's lives through quality education. Formerly known as Ark India, Peepul has been in the country since 2010, and has partnered with government and non-government agencies to execute high impact education programmes, focused on improving learning levels in government schools.

In the past year, the enrollment at Peepul's flagship school in Lajpat Nagar III has grown from 230 to 370, and they now support the entire school from KG to Grade 5. In July 2017, Peepul also started supporting two more schools in partnership with the South Delhi Municipal Corporation, and they now have a total of 550 students and 14 teachers across our 3 schools. In addition to that, this year Peepul are piloting a teacher training programme to build the capacity of government teachers.

- **Family ventures**

Frontline

Frontline was set up in 2012 to provide a route for high achieving graduates and career changers to become social workers. Their fourth cohort of over 280 has recently started, and the programme has trained or is currently training around 670 participants. The programme is set to expand from London, the South East, the North West and the North East, into the Midlands and the East of England from September 2017. The scheme is currently recruiting for 352 places for the 2018 cohort.

The charity has also launched a leadership development programme for existing social work managers, called Firstline. In January 2017, an independent evaluation of Firstline gave "overwhelmingly positive" feedback, and Justine Greening MP, the Secretary of State for Education, confirmed support for the expansion of the programme. By 2020, over 500 social work managers will have completed or be currently undertaking the Firstline programme.

Ambition School Leadership

Ambition School Leadership is improving outcomes for disadvantaged children by developing great leaders for schools in challenging contexts. The new charity is the result of a merger between Teaching Leaders and The Future Leaders Trust in November 2016.

Ambition provides leadership development for leaders at all levels and supports schools and academy trusts to develop their own leadership teams. They have worked with nearly 6,000 leaders across over 1,900 schools, and they have an impact on over 1.5 million children across the country. All the programmes as mentioned above are helping to achieve Ark's objective, to make sure that all children have access to a great education and real choice in life.

Financial review

Ark recorded a net deficit of £2.0m for the year, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £2.2m deficit in the previous year. As a result, group reserves decreased to £14.9m at August 2017 (2016 £17.1m).

Trustees' Report (continued)

Ark's consolidated income in the year to 31 August 2017 totalled £19.8m (2016 £14.9m).

The cost of generating funds is similar, at £0.7m, to last year (2016 £0.8m). The cost of generating funds includes a proportion of the cost of the Development team incurred by the charity based upon the percentage of staff time spent on fundraising.

Group expenditure during the year was £5.0m higher at £23.8m (2016 £18.8m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 97% (2016 91%) of total expenditure excluding reserves transfers.

Expenditure by the charity differs from the group in that where a grant is made to a subsidiary company the total amount committed is shown as expenditure (on grants and project operating costs) for the charity, whereas for the group the value of funds actually spent by the subsidiary is shown, as all intergroup transactions are eliminated.

During the period expenditure at the charity level on grants and project operating costs was £19.0m (2016 £14.4m). This includes support costs of £1.4m (2016 £1.7m).

Core Costs Fund income and expenditure

	2017 £'000	2016 £'000
Contributions arranged by trustees and patrons	315	552
Donations	152	-
Investment fee rebates	181	301
Return on investments	1,325	131
Other income	3	16
Total income raised for core costs	1,976	999
Less: Expenditure on core costs	(2,130)	(2,510)
Surplus / (deficit) on core costs for the year	(154)	(1,511)
Balance at 1 September	1,435	2,946
Balance at 31 August	1,281	1,435

The Core Costs Fund is a designated fund within Unrestricted Funds in the Charity and Group balance sheets. The income and expenditure in this Fund is included in the Unrestricted section of the Charity and Group SoFAs and is further supported by Note 5 to the accounts. It has been established by trustees to meet the central, or core, administrative costs of the charity. Trustees and patrons are major supporters of the charity and a portion of their donations is allocated to support the core costs. The trustees are confident that these funds, together with investment income and Ark's other sources of core income, will cover core cost expenditure in the period ahead. This reserve has been established over a number of years.

This undertaking is central to Ark's operating philosophy as it gives other donors the assurance that 100% of every donation to programme funds can go directly to specific programmes.

As the above table shows, at 31 August 2017 a reserve of £1.3m has been established to cover core costs, equivalent to 7 months' expenditure at the 2017 level (2016 £1.4m – 7 months).

Trustees' Report (continued)

Core Costs Fund income and expenditure (continued)

Investment fee rebates, included within Core income, arise from funds that rebate their fees as a donation to Ark. Where capital is invested in a fund controlled by trustees of Ark, 100% of fees are donated in this way. During the period the combined rebates and donations totalled £0.2m (2016 £0.3m). This additional return was equivalent to a further return of 0.8% (2016 1.6%) on Ark's average investment value during the period.

Balance Sheet

The typical lifecycle of non-UK programmes is 3 to 5 years and Ark may underwrite part or all of the cost and set aside reserves at the outset. In the group balance sheet these programme commitments are shown as grant creditors. UK-based programmes typically have a longer life and Ark funding is often focused in the early years of incubation and development. For these programmes grants are awarded mainly on an annual basis and therefore there is little or no grant creditor relating to future period funding. The total value of grant creditors in the group balance sheet at 31 August was £16.2m (2016 £9.9m).

The group also holds an additional amount of £13.6m to invest in current and new programmes (2016 £15.7m): £6.3 as endowment funds (2016 £5.9), £3.3m as restricted funds (2016 £3.2m) and £4.0m as unrestricted funds held in its General Programme Fund (2016 £6.6m).

This funding model is considered by the trustees to be reasonably prudent and results in a significant balance of cash and investments due to the receipt of funds in advance of application in programmes. The total of cash and investments in the group balance sheet is £9.2m higher than the prior year at £38.6m (2016 £29.4m).

The FSC oversees the charity's cash management. During the year the charity's main banking accounts were held with Lloyds Banking Group. At 31 August 2017 100% of the charity's cash was invested in the Lloyds accounts (2016 100%). The profile of the cash holdings is dependent on the working capital needs of Ark's programmes.

At 31 August 2017 the non-cash investments represented 68% of total cash and invested funds (2016 83%) and was therefore slightly outside these guidelines but has been approved by the FSC. The objective for Ark's investments is to outperform cash without significantly increasing risk. The investment portfolio managed by Aurum includes a range of investment strategies aiming to ensure an absolute return on investment that is not correlated to the UK equity market. Having taken independent advice on this investment strategy, the trustees believe this is an appropriate investment of the charity's funds.

The trustees consider that the investments, which are largely US\$ denominated, provide a foreign currency match for programme grant liabilities denominated in foreign currency. In the event that foreign currency assets and liabilities do not match, a currency hedge contract is put in place to largely mitigate currency risk.

Funds and Reserves

Total Reserves at the year end amounted to £14.9m (2016 £17.1m) for the group and £6.3m (2016 £8.1m) for the charity. Ark's policy on reserves is to maintain an unrestricted fund (General Programme Fund and Core Costs Fund) at a level that ensures Ark is able to meet its financial commitments and obligations as they fall due, fund unexpected expenditure when unplanned events or programmes occur, and safeguard the charity from uncertainty over future income. The appropriate level of reserves is set at an amount sufficient to cover unfunded expenditure from unrestricted funds for a minimum period of six months in the event of a significant fall in income. The narrative below confirms that unrestricted funds at the year end are consistent with the reserves policy.

Trustees' Report (continued)

Restricted funds

Ark achieves its charitable objectives through direct implementation of projects by its own charitable subsidiaries and by way of grants to partner organisations.

At the launch of a new programme Ark may underwrite a portion of the cost with a transfer of unrestricted funds from the General Programme Fund (GPF) to the relevant restricted fund. This allows the project to be launched with funding in place for the initial grant period, without the time delay of having to raise specific funds up front and without the risk of having to scale back the programme due to lack of resources.

Where the programmes are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. The group balance sheet also includes within restricted funds £6.3m (2016 £5.9m) of endowment funds held for the benefit of individual academies within Ark Schools. The value of other restricted funds held by the group at 31st August 2017 was £3.3m (2016 £3.2m).

Note 14 shows how these reserves are split across Ark's various programmes.

Unrestricted funds – General Programme Fund

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

In the charity balance sheet these funds are shown as unrestricted funds – General Programme Fund. The balance held in this fund was £4.0m at 31st August 2017 (2016 £6.6m). Ark anticipates that all these funds will be committed to specific programmes within the next 24 months. The trustees consider this to be in line with the organisation's policy.

Unrestricted funds – core costs

The trustees ensure that the central administrative costs of the charity are met through funds set aside specifically for that purpose. They understand that the charity's growth could require a gradual expansion of expenditure on core costs in the years ahead and have established a reserve to provide security of funding in this area. This represents a designated portion of the unrestricted reserves of the charity.

In the balance sheet these funds are shown under unrestricted funds - core costs. The balance held on this fund was £1.3m at 31st August 2017 (2016 - £1.4m) which is equivalent to 7 months' expenditure on core costs at 2017 levels (2016 - 7 months). The trustees consider this to be in line with the organisation's policy

Statement of public benefit

Trustees have paid due regard to the Charity Commission's public benefit guidance and are satisfied that the charity complies with Section 4 of the Charities Act 2006. The sections at the beginning of this trustees' report dealing with objectives and achievements explain in detail the activities of the charity and the sections of the international community that benefit from Ark's work. The charity does not rely to any significant extent on the services of volunteers, with the exception of the contribution of time and skills from the trustees and a small number of patrons and advisors.

Trustees' Report (continued)

Trustees' assessment of going concern status

The Trustees have considered the risks facing the charity, the forecast of cash flows and the level of reserves and are satisfied that Ark will be able to meet all financial obligations as they fall due over the next 12 months following the audit and therefore conclude that the charity is clearly a going concern.

This report was approved by the trustees on 12 December 2017.



Ian Wace
Chairman, Ark

Trustees' Responsibility Statement

The trustees are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the trustees 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure 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 group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and ensuring that the assets are properly applied in accordance with charity law; hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the Auditors

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

Independent auditor's report to the members of Ark

We have audited the financial statements of Absolute Return for Kids (Ark) for the year ended 31 August 2017 which comprise the Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the charitable company's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Independent auditors' report to the members of Ark

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the trustees' report.

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 trustees' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the charitable company or to cease operations, or has no realistic alternative but to do so.

Independent auditors' report to the members of Ark

Auditor's responsibilities for the audit of the financial statements

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

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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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



James Beszant (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

14 December 2017

Consolidated Statement of Financial Activities

For the year ended 31 August 2017

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Endowments</i>	<i>Year ended</i> <i>31-Aug-17</i> <i>Total</i> <i>£'000</i>	<i>Year ended</i> <i>31-Aug-16</i> <i>Total</i> <i>£'000</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		
<i>Income and endowments from:</i>						
Donations and legacies	2					
Donations		715	16,512		17,227	11,957
Donated services		554	121	-	675	1,449
Charitable activities		-	1,798	-	1,798	1,321
Other trading activities					-	-
Fundraising events	3	-	-	-	-	-
Investment income	4	8	94	-	102	131
Other		3	-	-	3	18
Total		1,280	18,525	-	19,805	14,876
<i>Expenditure on:</i>						
Raising funds	5	709	-	34	743	852
Charitable activities	5 & 6	1,421	21,539	110	23,070	17,185
Other	5	-	-		-	768
Total		2,130	21,539	144	23,813	18,805
Net gains on investments	7	1,323	-	519	1,842	1,819
Gains/(losses) on foreign currency transactions		(42)	7	-	(35)	(76)
Net income/ (expenditure)		431	(3,007)	375	(2,201)	(2,186)
Fund Transfers	14	(3,130)	3,130	-	-	-
Net movement in funds	8	(2,699)	123	375	(2,201)	(2,186)
<i>Reconciliation of funds</i>						
Total funds brought forward		8,005	3,211	5,900	17,116	19,302
Total funds carried forward		5,306	3,334	6,275	14,915	17,116

The notes on pages 24 to 43 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2017

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>Note:</i>	<i>£'000</i>	<i>£'000</i>	<i>31-Aug-17</i>	<i>31-Aug-16</i>
				<i>Total</i>	<i>Total</i>
				<i>£'000</i>	<i>£'000</i>
<i>Income from:</i>					
Donations and legacies	2				
Donations		715	15,294	16,009	11,402
Donated services		554		554	1,446
Other trading activities					
Fundraising events	3	-	-	-	-
Investment income	4	8	-	8	74
Other		3	-	3	16
<i>Total</i>		<u>1,280</u>	<u>15,294</u>	<u>16,574</u>	<u>12,938</u>
<i>Expenditure on :</i>					
Raising funds	5	709	-	709	821
Charitable activities	5 & 6	1,421	17,568	18,989	14,400
<i>Total</i>		<u>2,130</u>	<u>17,568</u>	<u>19,698</u>	<u>15,221</u>
Net gains on investments	7	1,323	-	1,323	1,572
Gains/(losses) on foreign currency transactions		(42)	-	(42)	(38)
<i>Net income/ (expenditure)</i>		<u>431</u>	<u>(2,274)</u>	<u>(1,843)</u>	<u>(749)</u>
<i>Fund Transfers</i>	14	(3,130)	3,130	-	-
<i>Net movement in funds</i>	8	<u>(2,699)</u>	<u>856</u>	<u>(1,843)</u>	<u>(749)</u>
<i>Reconciliation of funds</i>					
Total funds brought forward		8,005	106	8,111	8,860
Total funds carried forward		<u>5,306</u>	<u>962</u>	<u>6,268</u>	<u>8,111</u>

The notes on pages 24 to 43 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	9	35	522
Investment property	10	716	713
Investments	7	26,309	24,458
		<u>27,060</u>	<u>25,693</u>
Current assets			
Debtors	11	1,496	1,234
Cash at bank and in hand		12,248	4,963
		<u>13,744</u>	<u>6,197</u>
Liabilities			
Creditors: amounts falling due within one year	12	(19,880)	(14,185)
Creditors: amounts falling due after one year	12	(6,009)	(498)
Provisions for liabilities		-	(91)
		<u>14,915</u>	<u>17,116</u>
Total net assets			
		<u>14,915</u>	<u>17,116</u>
Total Funds of the Group			
Endowment funds		6,275	5,900
Restricted income funds		3,334	3,211
Unrestricted funds:			
General Programme Fund		4,025	6,570
Core costs		1,281	1,435
		<u>14,915</u>	<u>17,116</u>
Total Group funds	14	<u>14,915</u>	<u>17,116</u>

The notes on pages 24 to 43 form an integral part of these financial statements.

Approved by the Board of Directors on 17 December 2017 and signed on its behalf by:



Ian Wace
Chairman, Ark

Charity Balance Sheet

As at 31 August 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	9	-	515
Investments	7	19,320	17,997
		<u>19,320</u>	<u>18,512</u>
Current assets			
Debtors	11	1,268	944
Cash at bank and in hand		11,437	4,588
		<u>12,705</u>	<u>5,532</u>
Liabilities			
Creditors: amounts falling due within one year	12	(19,835)	(15,260)
Creditors: amounts falling due after one year	12	(5,922)	(582)
Provisions for liabilities		-	(91)
		<u>6,268</u>	<u>8,111</u>
Total net assets			
		<u>6,268</u>	<u>8,111</u>
Total Funds of the Charity			
Restricted income funds		962	106
Unrestricted funds:			
General Programme Fund		4,025	6,570
Core costs		1,281	1,435
		<u>6,268</u>	<u>8,111</u>
Total charity funds	14	<u>6,268</u>	<u>8,111</u>

The notes on pages 24 to 43 form an integral part of these financial statements.

Approved by the Board of Directors on 2 December 2017 and signed on its behalf by:


 Ian Wace
 Chairman, Ark

Consolidated Statement of Cash Flows

For the year ended 31 August 2017

	Notes	Year ended 31-Aug-17 Total £'000	Year ended 31-Aug-16 Total £'000
Net cash provided by (used in) operating activities	20	1,535	91
Cash flow from investing activities			
Dividends, interest and rent from investments		102	131
Proceeds from sale of property, plant and equipment		202	-
Purchase of property, plant and equipment		(44)	-
Proceeds from sale of investments		2,640	1,440
Purchase of investment		(2,651)	(1,321)
Purchase of investment property		-	(713)
Net cash provided by (used in) investment activities		249	(463)
Net cash provided by (used in) financing activities		5,500	-
Net cash		7,284	(372)
Reconciliation of net funds			
		Year ended 31-Aug-17 Total £'000	Year ended 31-Aug-16 Total £'000
Cash and cash equivalents at 1 September		4,964	5,336
Change in Cash and cash equivalents		7,284	(372)
Cash and cash equivalents at 31 August		12,248	4,964

The notes on pages 24 to 43 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2017

1. Accounting policies

Basis of preparation

These financial statements have been prepared for the year to 31 August 2017.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Charities Act 2011 and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

The accounts consolidate Ark and its project implementing subsidiaries; Ark (South Africa) Limited, Ark UK Programmes, Ark India and Ark Zimbabwe. It also consolidates its dormant subsidiaries Ark Mozambique and Ark Uganda. All intra-group balances, transactions, incomes and expenses are eliminated on consolidation.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed below. With regard to the next accounting period, the year ending 31 August 2018, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information).

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- ◆ Allocating support costs across charitable activities;
- ◆ Timing of income recognition for programme fees;
- ◆ Classification of leases as finance or operating;
- ◆ Determining the discount rate for future cash flows;
- ◆ Measurement of fair values of the investment property.

Notes to the Accounts

For the year ended 31 August 2017

1. Accounting policies (continued)

Fund accounting

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

The endowment fund represents monies invested on behalf of individual Ark academies. Any returns generated on these funds can be used without restriction, but only by the academy in question, and are therefore recognised as restricted income. The initial capital can only be used with agreement of the Secretary of State for Education, unless it is spent on 'equipment, facilities, accommodation, landscaping and signage' at the relevant academy. The Ark All Saints Academy endowment is a permanent endowment for which Ark UK Programmes has been appointed as the trustee.

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

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Unrestricted income is accounted for on a receipts basis. Restricted income is accounted for on a receipts basis but subject to recognising any donor restrictions. Where the corresponding programme expenditure can be clearly identified and matched with donor receipts the income is recorded in the same accounting period as the expenditure and income is deferred if not fully spent. Income is not accrued except where there is a clear contractual entitlement and such income is then only recognised to the extent that the corresponding expenditure is recorded in the same accounting period. Deposit interest is recognised on an accruals basis.

Donated services and facilities provided to the charity are recognised in the period when it is probable that the economic benefits will flow to the charity, provided they can be measured reliably. This is normally when the service is provided. An equivalent amount is included as expenditure.

Donated services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have to pay to obtain facilities or services of equivalent economic benefit on the open market.

Expenditure

Liabilities are recognised as expenditure once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis, and has been classified under headings that aggregate all costs related to the category.

Ark UK Programmes is registered for VAT and reclaims VAT in its business-related expenditure. Irrecoverable VAT is included in expenditure when incurred.

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

Expenditure on charitable activities comprise expenditure related to the direct furtherance of the charity's objectives. In the accounts of the charity the award of a grant is recorded as charitable expenditure and the unexpended amount is held in the balance sheet as a grant creditor. In the accounts of the group any such grant to a subsidiary company is not recognised as expenditure; instead the expenditure in the subsidiary is recognised as the charitable expenditure when incurred. Any unspent grant is recognised in the group balance sheet as a restricted fund.

Notes to the Accounts

For the year ended 31 August 2017

1. Accounting policies (continued)

Allocation of overhead and support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, payroll and Governance costs which support the charity's programmes and activities. Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

Where costs cannot be directly attributed, they have been allocated to activities in line with the time spent by individual members of staff or the department on each activity.

Tangible fixed assets and depreciation

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

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

Leasehold improvements	–	depreciated over the term of the lease
Land and Building	–	overseas assets 4% annum
Office equipment	–	25% per annum
Computer equipment	–	33% per annum (covers both hardware and software)
Motor vehicles	–	20% per annum

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

A fair value hierarchy that prioritises the inputs to valuation techniques is used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The levels of fair value hierarchy are described below:

- ◆ Level 1 (listed investments) – Unadjusted quoted process in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- ◆ Level 2 (unlisted investments) – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable either directly or indirectly; and
- ◆ Level 3 (unlisted investments) – Prices or valuation that requires inputs that are both significant to the fair value measurement and unobservable.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices for an identical instrument, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub-sectors.

Notes to the Accounts

For the year ended 31 August 2017

1. Accounting policies (continued)

Investment Property

Investment property is held by Ark UK Programmes since May 2016 to earn rentals and for capital appreciation, rather than for use in the ordinary course of business. Investment properties are measured at cost and subsequently at fair value at the reporting date. Professional advice is sought as appropriate to determine the valuation of investment property. Changes in fair values are recognised in the statement of financial activities.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is recognised in the statement of financial activities when occurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the statement of financial activities.

Foreign currencies

Charity

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

Group

The income and expenditure of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the relevant period.

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

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

Operating lease

Operating lease rentals are charged on a straight line basis over the term of the lease. These are included in Charitable Activities expenditure in the Statement of Financial Activities.

Finance lease

A finance lease is recognised when it is determined that the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee.

At the commencement of the lease term, Ark recognises its rights of use and obligations under the finance lease as an asset and a liability in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Where the implicit rate cannot be determined the charity's incremental borrowing rate is used.

Any initial direct costs are added to the amount recognised as an asset. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method, to produce a constant rate of change on the balance of the capital repayments outstanding.

Debtors and prepayments

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Notes to the Accounts

For the year ended 31 August 2017

1. Accounting policies (continued)

Accrued Income

Accrued income is income which has been earned but not yet received. It must be recognised in the accounting period in which it arises rather than in the subsequent period in which it will be received.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

2. Donations and legacies

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Contributions to core costs	708	708	865	865
General Donations	7	7	42	42
Grants & restricted donations	16,512	15,294	11,050	10,495
	<u>17,227</u>	<u>16,009</u>	<u>11,957</u>	<u>11,402</u>

The trustees ensure that the core costs of the charity are covered. Grants and donations include £0.708m (2016 £0.865m) raised for this purpose. At 31 August 2017 a total of £7.5m (2016 £13.7m) had been pledged to support Ark programmes and core cost funding in future years, none of which has been reported as income.

During the year, the Group received donated services in the amount of £0.675m (2016 £1.449m) out of which £0.554m (2016 £1.446m) related to pro bono services provided by Bain & Co in the form of UK education consultancy services.

3. Fundraising events

The charity has not held a major fundraising event since 2011/12.

Other pledges are recorded as donations in the year that they are received and reported in the SoFA under donations and legacies.

4. Investment income

Investment income arises from dividend income from investments and interest receivable on funds held in interest bearing bank accounts and on fixed term deposits. During the year investment income was £0.102m (2016 £0.131m) for the group and £0.008m (2016 £0.074m) for the charity.

Notes to the Accounts

For the year ended 31 August 2017

5. Analysis of resources expended

Group

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2017 £'000</i>	<i>Total 2016 £'000</i>
Charitable activities					
UK Education	5,701	9,256	782	15,739	11,874
Intl Education					
Education Partnership Group	756	3,734	426	4,916	2,765
Intl Education - Other	-	1,761	71	1,832	566
Health					
Mozambique HIV (GPAF IMPo8o)*	-	-	-	-	462
Zambia- Awareness & Elimination of Diarrhoea*	-	-	-	-	157
Uganda-Scale-Up of Diarrhoea Treatment*	-	-	-	-	79
Zimbabwe- Safe Arrivals	528	-	142	670	785
HIV/AIDS - South Africa ARV's	-	(197)	-	(197)	168
Child Protection					
Romania	-	-	-	-	54
Sub-total continued operations	<u>6,985</u>	<u>14,554</u>	<u>1,421</u>	<u>22,960</u>	<u>16,911</u>
	6,985	14,554	1,421	22,960	17,952
Endowment Funds	144	-	-	144	32
Cost of generating funds	-	-	709	709	821
Total expenditure	<u>7,129</u>	<u>14,554</u>	<u>2,130</u>	<u>23,813</u>	<u>18,805</u>

*Programmes delivered by other organisations than Ark Family.

Activities undertaken directly represent programmatic work by the central charity and its operating subsidiaries.

Grant funding of activities represents programmatic work carried out by non-group entities (including Ark Schools) and funded by grants from the charity. Grant funding of activities includes donated services in the amount of £0.552m that has been restricted to UK Education.

Support costs relate to Ark's core staff team and the London office and are covered by the Core Costs Fund. These costs are allocated to programmes to reflect the estimated share of staff time and related cost.

Notes to the Accounts

For the year ended 31 August 2017

5. Analysis of resources expended (cont.)

Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2017 £'000</i>	<i>Total 2016 £'000</i>
Charitable activities					
UK Education	966	11,034	782	12,782	9,135
Intl Education					
Education Partnership Group	-	3,739	426	4,165	2,514
Intl Education - Other	-	1,761	71	1,832	1,588
Health					
Mozambique HIV (GPAF IMPo8o)*	-	-	-	-	462
Zambia- Awareness & Elimination of Diarrhoea*	-	-	-	-	157
Uganda-Scale-Up of Diarrhoea Treatment*	-	-	-	-	79
Zimbabwe- Safe Arrivals	-	265	142	407	411
HIV/AIDS - South Africa ARV's	-	(197)	-	(197)	-
Child Protection					
Romania*	-	-	-	-	54
	966	16,602	1,421	18,989	14,400
Cost of generating funds	-	-	709	709	821
Total expenditure	966	16,602	2,130	19,698	15,221

*Programmes delivered by other organisations than Ark Family.

Activities undertaken directly represents programmatic work carried out by the central charity and where this charitable expenditure (as opposed to the cost of generating funds) relates primarily to research and development of new programmes.

Grant funding of activities represents programmatic work carried out by group and non-group companies and funded by grants from the central charity. Grant funding of activities includes donated services in the amount of £0.552m that has been restricted to UK Education.

Support costs relate to Ark's core staff team and the London office and are covered by the Core Costs Fund. These costs are allocated to programmes to reflect the estimated share of staff time and related cost.

Notes to the Accounts

For the year ended 31 August 2017

6. Allocation of support costs

Group and Charity

	<i>Management costs £'000</i>	<i>Finance £'000</i>	<i>Governan ce costs £'000</i>	<i>Other overheads & support staff £'000</i>	<i>Total 2017 £'000</i>	<i>Total 2016 £'000</i>
Charitable activities						
UK Education	128	223	88	343	782	675
Intl Education						
Education Partnership Group	69	122	48	187	426	541
Intl Education - Other	12	20	8	31	71	68
Health						
Mozambique HIV (GPAF IMPo8c	-	-	-	-	-	84
Zambia- Awareness & Elimination	-	-	-	-	-	84
Uganda-Scale-Up of Diarrhoea Tr	-	-	-	-	-	34
Zimbabwe- Safe Arrivals	23	41	16	62	142	169
Child Protection						
Romania	-	-	-	-	-	34
	232	406	160	623	1,421	1,689
Cost of generating funds	76	53	-	580	709	821
Total expenditure	308	459	160	1,203	2,130	2,510

Support costs relate entirely to Ark's London office and the core staff team covering fundraising, communications, finance, human resources, general management and administration.

Ark uses this broad definition of core costs and then covers these costs from funds raised and set aside specifically for this purpose.

The table above shows how the resources covered by the core budget are allocated using the two broad categories required under the Charities SORP FRS102, and is based upon an allocation of the time spent by individual members of staff. Note 6 further apportions the charitable activities element between individual programmes undertaken directly by the Ark group.

Notes to the Accounts

For the year ended 31 August 2017

7. Investments

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Investments b/fwd	15,777	10,898	16,546	10,898
Investment redeemed in the year	(2,485)	-	(2,090)	-
Endowment investment in the year	2,651	-	1,321	-
Investments c/fwd	<u>15,943</u>	<u>10,898</u>	<u>15,777</u>	<u>10,898</u>
Unrealised gains b/fwd	8,681	7,099	6,212	5,527
Unrealised gain/(loss) in the year	1,685	1,323	2,469	1,572
Market value at 31 August	<u>26,309</u>	<u>19,320</u>	<u>24,458</u>	<u>17,997</u>

Net gains on investments

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Unrealised gain/(loss) in the year	1,685	1,323	2,469	1,572
Realised (loss)/gain in the year	154	-	(650)	-
	<u>1,839</u>	<u>1,323</u>	<u>1,819</u>	<u>1,572</u>

8. Net movement in funds

This is stated after charging:	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Operating lease charges	<u>125</u>	<u>-</u>	<u>2,667</u>	<u>2,633</u>
Depreciation	<u>328</u>	<u>314</u>	<u>164</u>	<u>160</u>
Auditors' remuneration				
- audit of consolidated accounts	26	26	22	22
- audit of subsidiaries	14	-	10	-
Total	<u>40</u>	<u>26</u>	<u>32</u>	<u>22</u>

Notes to the Accounts

For the year ended 31 August 2017

9. Fixed assets

Group	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, F&F</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2016	1,061	-	712	32	1,805
Additions	-	-	1	43	44
Disposals	(1,061)	-	(705)	-	(1,766)
Reclassification	-	-	-	-	-
At 31 August 2017	-	-	8	75	83
Depreciation:					
At 1 September 2016	604	-	653	26	1,283
Disposals	(859)	-	(704)	-	(1,564)
Charge for the year	255	-	58	14	328
At 31 August 2017	-	-	7	40	47
Net Book Value:					
At 31 August 2017	-	-	1	34	35
At 31 August 2016	457	-	59	6	522
Charity					
	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, F&F</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2016	1,061	-	705	-	1,766
Disposals	(1,061)	-	(705)	-	(1,766)
At 31 August 2017	-	-	-	-	-
Depreciation:					
At 1 September 2016	604	-	647	-	1,251
Revaluations	-	-	-	-	-
Disposals	(859)	-	(705)	-	(1,565)
Charge for the year	255	-	58	-	314
At 31 August 2017	-	-	-	-	-
Net Book Value:					
At 31 August 2017	-	-	-	-	-
At 31 August 2016	457	-	58	-	515

Notes to the Accounts

For the year ended 31 August 2017

10. Investment property

Group	£'000
Cost or valuation:	
At 1 September 2016	713
Increase in fair value	3
At 31 August 2017	<u>716</u>

In the group, long leasehold investment property included in Land and Buildings is held at fair value. As the property was purchased on 20 May 2016. Due to the proximity of the purchase date to the reporting date, professional advice from an independent valuer has not been sought to perform a formal valuation of the property. UKP Directors have performed the valuation of the property based on publicly available information.

The critical assumption made relating to the valuation is a yield of 1.43%.

Included in the amount for investment property is £90,391 (2016/17 £91,125) relating to assets held under a finance lease (Note 13).

11. Debtors

	Group 2017 £'000	Charity 2017 £'000	Group 2016 £'000	Charity 2016 £'000
Receivable within 1 year				
Prepayments and other debtors	1,497	1,268	1,234	944
	<u>1,497</u>	<u>1,268</u>	<u>1,234</u>	<u>944</u>

12. Creditors

	Group 2017 £'000	Charity 2017 £'000	Group 2016 £'000	Charity 2016 £'000
Amounts falling due within 1 year				
Trade Creditors	139	58	159	124
Related company creditors (Ark Schools)	2,211	-	1,014	-
Grant creditors	15,796	18,407	9,457	12,466
Other creditors	509	1,143	2,254	2,083
Deferred Income	1,225	227	1,301	587
	<u>19,880</u>	<u>19,835</u>	<u>14,185</u>	<u>15,260</u>
Amounts falling due after 1 year				
Finance Lease Liability	87	-	92	-
Loan	5,500	5,500		
Grant creditors	422	422	406	582
	<u>6,009</u>	<u>5,922</u>	<u>498</u>	<u>582</u>

The related company creditors (Ark Schools) is the creditor to Ark UK Programmes. Grant creditors to Ark Schools from the Charity is included in 'Grant Creditors'.

Notes to the Accounts

For the year ended 31 August 2017

13. Finance Lease

Group

The future minimum finance lease payments are as follows:

	2017 £'000	2016 £'000
Not later than one year	-	-
Later than one year and not later than five year	2	2
Later than five years	302	303
Total gross payment	304	305
Less: finance charges	(217)	(213)
Carrying amount of liability	87	92

Lease payments of £400 are due in no later than one year.

Notes to the Accounts

For the year ended 31 August 2017

14. Analysis of charitable funds

Group

	31 Aug 2016 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2017 £'000
Restricted funds					
UK Education	1,753	13,105	2,887	(14,957)	2,788
Intl Education					
Education Partnership Group	787	3,302	599	(4,490)	198
Intl Education - Other	-	1,761	-	(1,761)	-
Health					
Mozambique HIV (GPAF IMPo8o)	2	86	(86)	-	2
Zambia- Awareness & Elimination of Diarrhoea	2	-	-	-	2
Uganda-Scale-Up of Diarrhoea Treatment	2	-	-	-	2
Diarrhoea Gen	74	-	(73)	-	1
Zimbabwe- Safe Arrivals	554	278	-	(528)	304
HIV/AIDS - South Africa ARV's	37	-	(197)	197	37
Sub-total continued operations	3,211	18,532	3,130	(21,539)	3,334
	3,211	18,532	3,130	(21,539)	3,334
Endowment Funds	5,900	519	-	(144)	6,275
Unrestricted funds					
Core funds	1,435	1,976	-	(2,130)	1,281
General programme funds	6,570	585	(3,130)	-	4,025
	8,005	2,561	(3,130)	(2,130)	5,306
Total Group funds	17,116	21,612	-	(23,813)	14,915

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange.

Transfers are the net value of funds received as unrestricted funds committed in year to specific programmes.

Notes to the Accounts

For the year ended 31 August 2017

14. Analysis of charitable funds (cont.)

Charity

	31 Aug 2016	Incoming	Transfers in / (out)	Outgoing	31 Aug 2017
	£'000	£'000	£'000	£'000	£'000
Restricted funds					
UK Education	33	10,041	2,887	(12,000)	962
Intl Education					
Education Partnership Group	-	3,140	599	(3,739)	-
Intl Education - Other	-	1,761	-	(1,761)	-
Health					
Mozambique HIV (GPAF IMPo8o)	-	86	(86)	-	-
Diarrhoea Gen	73	-	(73)	-	-
Zimbabwe- Safe Arrivals	-	265	-	(265)	-
HIV/AIDS - South Africa ARV's	-	-	(197)	197	-
Child Protection					
Romania	-	-	-	-	-
	106	15,294	3,130	(17,568)	962
Unrestricted funds					
Core funds	1,435	1,976	-	(2,130)	1,281
General programme funds	6,570	585	(3,130)	-	4,025
	8,005	2,561	(3,130)	(2,130)	5,306
Total Charity funds	8,111	17,855	-	(19,698)	6,268

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange.

Transfers are the net value of funds received as unrestricted funds committed in year to specific programmes.

Outgoing is the amount spent by the Charity or committed as grants to other entities including other group companies.

Mozambique SMS received grant income of £86k from the Department for International Development (DFID) grant funding under the Global Poverty Action Fund (GPAF IMPo8o).

Notes to the Accounts

For the year ended 31 August 2017

15. Staff costs and numbers

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Salaries and wages	4,611	2,359	3,590	1,873
Redundancy and termination costs	-	-	57	57
Social security costs	478	276	337	217
Pension costs	376	193	287	162
Total salary costs	5,465	2,828	4,271	2,309
Other staff costs	69	22	8	3
Total staff cost	5,534	2,850	4,279	2,312

Other staff costs include an accrual for untaken annual leave in the financial year.

The average number of staff employed, analysed by function, was:

	<i>Group</i> <i>2017</i> <i>No.</i>	<i>Charity</i> <i>2017</i> <i>No.</i>	<i>Group</i> <i>2016</i> <i>No.</i>	<i>Charity</i> <i>2016</i> <i>No.</i>
Programmes	55	16	38	11
Support services	22	21	16	15
Fundraising	7	7	8	8
	84	44	62	33

The number of staff whose emoluments (excl. employer pension contributions) were in excess of £60,000 during the year were as follows:

	<i>Group</i> <i>2017</i> <i>No.</i>	<i>Charity</i> <i>2017</i> <i>No.</i>	<i>Group</i> <i>2016</i> <i>No.</i>	<i>Charity</i> <i>2016</i> <i>No.</i>
£140,001 - £150,000	1	-	-	-
£130,001 - £140,000	1	1	1	1
£120,001 - £130,000	1	-	2	1
£110,001 - £120,000	-	-	-	-
£100,001 - £110,000	3	2	1	1
£90,001 - £100,000	-	1	1	-
£80,001 - £90,000	3	-	3	1
£70,001 - £80,000	5	4	2	-
£60,001 - £70,000	3	3	2	2

The pension contributions made on behalf of the above employees were £115.1k (2016: £86.0) in the group and £75.9k (2016: £58.2k) in the charity. No benefit other than pension has been provided to employees. Total remuneration paid to charity key management personnel was £463k (2016: £383k).

Notes to the Accounts

For the year ended 31 August 2017

16. Directors' remuneration and expenses

The charity did not pay any remuneration to its trustees. No expenses were reimbursed to or paid on behalf of trustees during the year.

17. Investments in subsidiaries

Subsidiary Undertaking	Country	Basis of Consolidation	Nature of activities	Status
Ark UK Programmes	United Kingdom	100% ownership	Education	Trading
Ark (South Africa) Limited	South Africa	100% ownership	Health/Education	Trading
Ark Mozambique	Mozambique	100% ownership	Health	Dormant
Ark Zimbabwe	Zimbabwe	100% ownership	New Born Care	Trading
Ark India	India	100% ownership	Education	Trading
Ark Uganda	Uganda	100% ownership	Education	Dormant

	UK Programm £'000	S.A. Ltd. £'000	Zimbabwe £'000	India £'000
Income	4,842	196	512	631
Exepnditure	(4,879)	(124)	(528)	(632)
Net gains on investments	518	-	-	-
Net movement in funds	481	72	(16)	(1)
Total funds brought forward	7,370	3	61	21
Total funds carried forward	7,851	75	45	20
Fixed assets	7,705	1	34	-
Current assets	3,658	96	45	53
Liabilities	(3,512)	(22)	(34)	(33)
Total Funds	7,851	75	45	20

18. Related party transactions

Ark made new grants of £4.192m to its sister charity Ark Schools (2016 £3.279m) to cover the core costs of the charity to 31 August 2017. At the year end the unpaid grant allocated to Ark Schools was £7.181m (2016 £6.798m), all of which is due in less than one year. The charity also shares its office with Ark Schools, with each charity assuming a reasonable proportion of the costs.

Ambition School Leadership was formed in November 2016 from education charities, The Future Leaders Trust (FL) and Teaching Leaders (TL). FL and TL are charitable companies on which Ark is represented on the Board of Directors.

During the year Ark made a new grant of £1.238m (2016 £0.035m each for FL and TL) to Ambition School Leadership. At the year end the unpaid grant allocated to Ambition School Leadership was £0.993m (2016 £0.235m in FL and £0.203m in TL). Ark provides office space which Ambition School Leadership pays for in proportion to the resources used. During the year Ark received £5.5m from FL which is held as a loan by Ark and is intended to be utilised for a capital investment for the benefit of Ambition School Leadership. Ark may repay any portion of the loan at any time, with interest accrued at a fixed margin above the Bank of England Base Rate. The full amount remains outstanding at year end.

Ark is also affiliated to Absolute Return for Kids, US, Inc. (Ark US), a US philanthropic organisation that shares the charity's objectives. During the year Ark received a grant of £1.090m (\$1.411m) from Ark US (2016 £0.822m (\$1.201m)).

Notes to the Accounts

For the year ended 31 August 2017

19. Operating lease commitments

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

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Within one year	91	-	28	-
Later than one year but not later than 5 years	4	-	14	-
	<u>95</u>	<u>-</u>	<u>42</u>	<u>-</u>

On 1 September 2016, the operating rental lease of the London office was assigned from Ark to Ark Schools, therefore Ark is no longer be a party in the operating lease agreement.

20. Notes to the consolidated cash flow statement

Reconciliation of net movement in funds to net cash provided by (used in) operating activities

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>
Net (expenditure) as per the Statement of Financial Activities	(2,201)	(2,186)
Adjustments for:		
Depreciation charges	328	164
(Gains) on investments	(1,842)	(1,819)
Dividends, interest and rents from investments	(103)	(131)
Decrease/(Increase) in debtors	(262)	1,968
Increase in creditors	5,615	2,094
Net cash provided by/(used in) operating activities	<u>1,535</u>	<u>91</u>

21. Risk factors

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

(a) Interest rate risk

Interest rate risk represents the potential financial loss that the charity might suffer due to interest rate movements. The Charity pays 0% interest on outstanding creditors, 0.25% above base rate interest on the Loan and does not rely on interest earnings to fund its programmes. It is therefore not exposed to any significant interest rate risk.

(b) Market price risk

Market price risk represents the potential financial loss that the charity might suffer through holding market positions in the face of price movements. Market price risk arises over the future value of the charity's investments.

Notes to the Accounts

For the year ended 31 August 2017

21. Risk factors (cont.)

(c) Currency risk

	2017		2016	
	USD '000	EUR '000	USD '000	EUR '000
Investment at fair value	15,297	-	14,255	-
Cash at bank	2,326	25	1,542	14
	<u>17,623</u>	<u>25</u>	<u>15,797</u>	<u>14</u>

The value of assets and liabilities in the Charity balance sheet is set out in the table above. Currency risk arises over the commitment to fund current and future overseas programme grants which are, or will be, committed in foreign currencies. The overseas programme grants are deployed through the operations of the Group's subsidiaries, which financial records are recorded in US Dollars, Indian Rupee and South African Rand.

Currency risk also arises over the future value of the charity's investments, which are mainly US dollar denominated. The Financial Stewardship Committee considers the portfolio of foreign currency assets and liabilities as a whole and has adopted a policy whereby forward currency contracts cover the majority of any net imbalance. The risk may be further managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency of overseas operating programmes.

(d) Credit risk

Credit risk represents the potential financial loss that the charity might suffer through its supporters failing to honour the financial pledges that they have made to it. The charity manages this risk by regularly monitoring outstanding pledges, especially the small number of high value pledges that derive generally from supporters who are well known to the charity and the trustees. Furthermore, pledges are not recognised as income in the accounts of the charity until cash is received.

(e) Financial assets

At the year end financial assets comprised:

	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>Charity</i> <i>2016</i> <i>£'000</i>
Investments	19,320	19,320	17,997	17,997
Endowment Investments	6,989	-	6,461	-
Cash at bank and in hand	12,248	11,437	4,963	4,588
Debtors	1,497	1,268	1,234	944
	<u>40,054</u>	<u>32,025</u>	<u>30,655</u>	<u>23,529</u>

Notes to the Accounts

For the year ended 31 August 2017

21. Risk factors (cont.)

(f) Fair value

The Group measures investment values using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 - valued using quoted prices unadjusted in active markets for identical assets or liabilities.

Level 2 - valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The fair value of the investment portfolio is the published Net Asset Value. It is classified as a Level 2 asset.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equity securities	5,057	-	-	5,057
Unlisted equity securities	-	21,252	-	21,252
Investment property	-	-	716	716
	<u>5,057</u>	<u>21,252</u>	<u>716</u>	<u>27,025</u>

Notes to the Accounts

For the year ended 31 August 2017

21. Risk factors (cont.)

(g) Liquidity risk

The current economic climate has emphasised the need to ensure the Charity can meet its liabilities as and when they fall due. The Charity continues to direct considerable effort to improving cash flow management and forecasts. The cash and investments assets have an adequate level of liquidity to meet the Charity's financial liabilities as they fall due.

The table below analyses the maturity profile of the Charity's financial liabilities, illustrating the amounts contractually due within the bandings specified:

Group	<i>within 1 month £'000</i>	<i>between 1-3 months £'000</i>	<i>between 3-12 months £'000</i>	<i>greater than 12 months £'000</i>	<i>Total £'000</i>
Financial liabilities					
At 31 August 2017					
Trade Creditors	131	-	7	-	138
Related company creditors	-	-	2,211	-	2,211
Grant creditors	500	1,300	13,997	422	16,219
Other creditors	242	156	111	5,587	6,096
Total	873	1,456	16,326	6,009	24,664
Charity					
Financial liabilities					
At 31 August 2017					
Trade Creditors	58	-	-	-	58
Grant creditors	1,450	2,400	14,557	422	18,829
Other creditors	162	124	857	5,500	6,643
Total	1,670	2,524	15,414	5,922	25,530

22. Taxation

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 4589451, and is a UK registered charity, number 1095322. Given the nature of its activities the charity will not be subject to income tax or corporation tax on income derived from its charitable activities, as it would fall within the various exemptions available to registered charities.

23. Post balance sheet events

There are no significant post balance sheet events.