



Company limited by guarantee registration number: 04589451

Charity registration number: 1095322

Annual Report and Accounts

For the year ended 31 August 2018

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Strategic Report

Reference and administrative details

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

Directors

The directors of the charity 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)
Lord Fink
Sir Paul Marshall
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.

Kevin Gundle resigned as a director on 31 July 2018. Jennifer Moses resigned as a director on 7 April 2018. Anthony Clake was appointed as a director on 8 November 2018.

Auditors

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Strategic Report (continued)

Overall approach

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

Ark is the parent organisation of Ark Schools, a separate legal entity that is a successful academy network, with 36 schools (as at 31 August 2018) and nearly 24,000 pupils.

Ark runs Ark Ventures, which aim to improve education beyond our schools. We want Ark to be a home for people with great ideas that have the potential to do this. Many of these ideas started in Ark's schools, while others have come from partners outside Ark. We incubate, launch and scale ventures that share our mission.

Working in partnership with different organisations around the world has allowed us spread 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 have helped to develop low-cost school information systems to drive student progress.

The school that Ark set up in India in 2015 has now become a network of three schools, known as Peepul - an Ark venture.

The separate legal entities of Ark Schools, Ambition School Leadership and Frontline are all former ventures and continue to be supported by Ark, but are not included in the financial statements in this report.

Review of activities

The activities and achievements of Ark funded programmes are set out in the Trustees' Report starting on page 6.

Results and performance

The financial performance of Ark and its subsidiaries is set out in the Financial Review section of the Trustees' report, starting on page 8.

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.

Organisation

The Board of Trustees, which can have up to 12 members, oversees the charity. The board meets at least three times a year. There is also a programme board to oversee each venture, and a Financial Stewardship Committee (FSC). The sub-committees report to the board and make recommendations in their areas of responsibility.

New trustees undergo an induction programme that includes meeting the Executive Team and briefing on their role and responsibilities, and meetings with existing trustees and our advisors.

Executive Directors are appointed by the trustees to oversee the day to day operations of the

Strategic Report (continued)

charity. 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 other Board members and the Advisor to the Board. 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. The CEO or Deputy Chief Executive of Ark approve 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 is an employee of the charity and has delegated authority from the Ark Board.

Related parties

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. It has the same registered address as Ark. 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.

The charity has established a number of companies to implement its programmes. Subsidiaries are listed in Note 16.

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. It has the same registered address as Ark.

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. Its registered address is Mazars House, Rialto Road, Grand Mootings Precinct, Century City 7441, South Africa and is consolidated as a subsidiary of the charity.

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. Its registered address is 292 Samora Machel Avenue, Eastlea, Harare, Zimbabwe.

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 mission, and which 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 the risks that relate to individual programmes as part of the annual review of business plans. In addition, the FSC reviews the Risk Register to monitor and manage risks and to report to the Board. The FSC meets regularly and at least three times per year. The main risks and mitigating actions are described in Note 20 to the accounts.

Operational risks

The principal operational risk relates to a decline in income which, in turn, could limit the ability of the organisation to fund 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 event, but instead develops long term relationships with a diversified group of institutional and individual donors. Further, while programme plans may be developed for 4 to 5 years, funds are mostly committed annually to limit future unfunded commitments.

Financial risks

Financial risks are explained in Note 20 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 on 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. 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 offset 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 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. On 31 January 2019, Ark

Strategic Report (continued)

closed its maternal health programme in Zimbabwe. Any unspent grants, currently estimated to be between \$150k to \$200k, will be repaid to Ark.

Future developments

Ark will continue to support its existing ventures, ensuring their sustainability and looking for opportunities to build links between our ventures and our schools. Ark UK Programmes will continue to create and test new Ark ventures. Ark will continue to support Ambition Institute, which has relaunched as a graduate school for teachers, school leaders and system leaders. EdCity will be the long-term home for Ark, Ark Schools and Ark Ventures and include a training and conference centre from which many of Ambition Institutes' programmes will be delivered.

Internationally, the Ark Education Partnerships Group will continue its focus on education programmes in developing countries. It is anticipated that Peepul, formerly known as Ark India, will become an independent organisation.

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 declining as schools move towards sustainability.

Trustees' Report

Achievement and performance

Ark Ventures

Ark Ventures incubates, launches and scales ventures that share Ark's mission, helping them grow into sustainable organisations. Below is a summary of the ventures that are currently being supported, and that have become independent organisations.

Current ventures

Mathematics Mastery

Mathematics Mastery aims to improve mathematics education in the UK through curriculum and teacher development programmes for primary and secondary schools. Mathematics Mastery, which has been an Ark venture since 2012, has grown from 476 schools in 2017/18 to 559 schools in 2018/19. It is now having an impact on over 176,000 pupils, 25% more than in 2017/18.

English Mastery

English Mastery aims to improve teaching of the subject of English at key stage three in UK classrooms. Since it became an Ark venture in 2017, the programme has grown to 57 schools, including three of the country's leading Multi-Academy Trusts. The English Mastery impact report by the Brilliant Club, published in 2018, concluded that students in schools with English Mastery made on average four months' more progress than similar students in schools that did not adopt the programme.

Now Teach

Now Teach brings experienced professionals into teaching so that they can use their talent and experience in the classroom. Now Teach's aim is to address the crisis of recruitment and retention in the teaching profession, so that the students who need it most get the best education possible. Now Teach has successfully recruited 122 experienced career-changers across two cohorts.

EdCity

EdCity is a non-profit project to create an education hub in White City, London. EdCity will bring social and educational benefits to the local community. In 2017/18 a grant was made by EdCity to Ark Schools to support the initial work performed on redeveloping the Ark academy site. The development will include:

- A newly-redeveloped Harmony Nursery with nearly double capacity.
- A rebuilt Ark Swift Primary Academy, which will benefit from modern teaching environments, new outdoor learning spaces, improved IT, and sports and performing arts facilities.
- A rebuilt Adult Community Education, which will offer an extended service to adults taking their first steps back into education, training and employment. The centre will provide training and life-long learning opportunities for local residents, with the main aim of supporting people back into employment.
- A new office building for Ark and other mission-aligned organisations.
- A new public square and a pedestrian and cycle route, which will halve the time it takes to walk from the White City Estate to the underground station and other amenities.

Trustees' Report (continued)

- 132 homes, more than half of which will be affordable.

The project is a partnership between Ark, the youth charity Onside Youth Zone and the London Borough of Hammersmith and Fulham. Construction will begin in 2019.

Education Partnerships Group

Education Partnerships Group (EPG) is one of Ark's international ventures. EPG provide services and support to governments in low and middle income countries in order to make sure all children receive a high quality education.

EPG believes that there is an opportunity to significantly improve student outcomes by helping governments create the regulatory framework to improve their education systems, with a focus on increasing the accountability of schools and enabling non-state actors to participate in the provision of public education. The organisation is particularly focused on supporting schools in the most disadvantaged communities. EPG works in Uganda, South Africa, Ghana, Cote d'Ivoire and India, and is exploring opportunities in other countries.

Peepul

Peepul is a non-profit organisation that aims to transform children's lives through quality education. Formerly known as Ark India, Peepul has entered partnerships with government and non-government agencies to improve learning in government schools. As an Ark venture, Peepul has been able to use international good practice in the Indian context. Across its three schools, there are now 787 students and 26 teachers. In 2017, Peepul also piloted a teacher training programme to build the capacity of 450 government teachers across 105 schools over 2 years, educating around 160,000 students. Through the exemplar schools and teacher training interventions, Peepul has demonstrated the impact that strong partnerships and programmes can have on the quality of education within the government school system.

Assembly

In 2015, Ark and the NEON Foundation established Assembly, also supported by Zing and the Fidelity Foundation. Assembly's mission is to:

- Solve school analytics by offering live data dashboards covering all aspects of a school or Multi-Academy Trust (MAT). This product is called Assembly Analytics.
- Break down the barriers constraining school data by making it easy and cheap to move data between school improvement systems. This product is called the Assembly Platform.

The Assembly Platform now has 25 third party developers (up from 10 the previous year). Twelve MATs have also signed up to use Assembly Analytics (from three the previous year), and partnerships have been established with RM and ScholarPack.

On 1 February 2019, Assembly transferred to Groupcall, a leading provider of data, identity management and communication solutions for schools. Assembly's funds balance of £32k at 31 August 2018 was fully utilised at the transfer date.

Former ventures

Frontline

Frontline was set up in 2012 to provide a route for high-achieving graduates and career changers to become social workers. With their fifth cohort of almost 340 participants

Trustees' Report (continued)

recently starting, the Frontline programme has brought over 1,000 people into child protection practice. Over the last five years, Frontline has grown into a national charity working across London, the Midlands, the North West, North East and central England. The scheme is currently recruiting for 450 places for the 2019 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. 252 Firstline leaders have started the programme to date and a further 240 social work managers will be developed by 2020.

In addition, the charity has established the Frontline Fellowship, a movement of outstanding individuals who are applying themselves to address social disadvantage in different ways and who have all received training from Frontline. There are currently over 400 fellows in the Fellowship, which will grow to 1,500 by 2020.

Ambition School Leadership

Ambition School Leadership aims to improve outcomes for disadvantaged children by developing great leaders for schools in challenging contexts. 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 over 6,000 leaders across over 2,500 schools and trusts, and have an impact on over 1.5 million children across the country.

At the end of August 2018, the charity legally merged with another Ark-incubated venture, the Institute for Teaching. The mission of the new organisation, the Ambition Institute, is to help educators to keep getting better.

Financial review

Ark recorded a net deficit of £1.1m 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 £13.8m at August 2018 (2017 £14.9m).

Ark's consolidated income in the year to 31 August 2018 totalled £18.7m (2017 £19.8m).

The cost of generating funds, at £0.9m, is £0.2m higher than last year (2017 £0.7m). 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 £3.0m lower at £20.8m (2017 £23.8m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 96% (2017 97%) 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. The charity makes grants to subsidiary companies and programmes to support their charitable activities. The aims and objectives of the programmes supported by the charity are consistent with its own and so support of these programmes contributes to the achievement of the charity's own aims and objectives.

During the period expenditure at the charity level on grants and project operating costs was £15.9m (2017 £19.0m). This includes support costs of £1.5m (2017 £1.4m).

Trustees' Report (continued)

Core Costs Fund income and expenditure

	2018 £'000	2017 £'000
Contributions arranged by trustees and patrons	2,200	315
Donations	18	152
Investment fee rebates	-	181
Return on investments	983	1,325
Other income	26	3
Total income raised for core costs	3,227	1,976
Less: Expenditure on core costs	(2,270)	(2,130)
Surplus/ (deficit) on core costs for the year	957	(154)
Balance at 1 September	1,281	1,435
Balance at 31 August	2,238	1,281

The Core Costs Fund is a designated fund within the unrestricted fund of 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 4 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 and £2.2m was donated in the year for this purpose. 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 2018 a reserve of £2.2m has been established to cover core costs.

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 2018 was £12.3m (2017 £16.2m).

The group also holds an additional amount of £11.6m to invest in current and new programmes (2017 £13.6m): £6.4m as endowment funds (2017 £6.3m) held for the benefit of individual academies within Ark Schools, £5.1m as restricted funds (2017 £3.3m) and £0.1m as unrestricted funds held in its General Programme Fund (2017 £4.0m).

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. Due to funding of programmes in the year, the total of cash and investments in the group balance sheet is £6.0m lower than the prior year at £32.6m (2017 £38.6m).

Trustees' Report (continued)

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 2018 100% of the charity's cash was invested in the Lloyds accounts (2017 100%). The profile of the cash holdings is dependent on the working capital needs of Ark's programmes.

At 31 August 2018 the non-cash investments held by the charity represented 68% of total cash and invested funds (2017 68%) and the FSC has approved this as reasonable. 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 in place to largely mitigate currency risk.

Funds and Reserves

Total reserves at the year end amounted to £13.8m (2017 £14.9m) for the group and £5.1m (2017 £6.3m) 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.

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 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.

Note 13 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). Where income is not committed to a specific project at the point of receipt it is credited to Ark's General Programme Fund and stays there until such time as it is committed to a specific project.

Ark anticipates that the balance of General Programme Funds will be committed to specific programmes within the next 12 months. The trustees consider this to be in line with the organisation's policy.

Trustees' Report (continued)

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 is equivalent to 10 months' expenditure on core costs at 2018 levels (2017 - 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.

Approach to fundraising

Ark fundraises from a defined list of individuals, companies and charitable trusts and foundations. We do not conduct mass mailing or telephone campaign fundraising and have no plans to start this kind of fundraising activity. Ark's network of schools conduct their own fundraising and may use fundraising platforms to promote specific school campaigns, including Just Giving and Virgin Money. Ark has a small team of professional fundraisers and support staff. We do not out-source fundraising activities. Donor data is handled with care – information is held on a secure database and files managed by Ark. Ark is a paid member of the Fundraising Regulator and we comply with advice and guidance set by the body. We have not received any fundraising complaints.

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 a going concern.

This report was approved by the trustees on 28 May 2019.



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 ('the charitable company') for the year ended 31 August 2018 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 22, 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 2018 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, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 FSC'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 12, 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 give a true and fair view, and for such internal control 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.

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,

Independent auditors' report to the members of Ark

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.

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.

Use of our report

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.



James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 May 2019

Consolidated Statement of Financial Activities

For the year ended 31 August 2018

					Year ended 31-Aug-18 Total £'000	Year ended 31-Aug-17 Total £'000
	Notes	Unrestricted £'000	Restricted £'000	Endowments £'000		
Income and endowments from:						
Donations and legacies						
Donations	2	3,770	11,619	-	15,389	17,227
Donated services		729	197	-	926	675
Charitable activities		-	2,185	-	2,185	1,798
Investment income	3	115	77	-	192	102
Other		-	5	-	5	3
Total		4,614	14,083	-	18,697	19,805
Expenditure on:						
Raising funds	4	802	-	53	855	743
Charitable activities	4 & 5	1,468	18,483	-	19,951	23,070
Total		2,270	18,483	53	20,806	23,813
Net gains on investments	6	845	-	209	1,054	1,842
Gains/(losses) on foreign currency transactions		(29)	(13)	-	(42)	(35)
Net income/(expenditure)		3,160	(4,413)	156	(1,097)	(2,201)
Fund Transfers	13	(6,178)	6,178	-	-	-
Net movement in funds	7	(3,018)	1,765	156	(1,097)	(2,201)
Reconciliation of funds						
Total funds brought forward		5,306	3,334	6,275	14,915	17,116
Total funds carried forward		2,288	5,099	6,431	13,818	14,915

The notes on pages 21 to 42 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2018

				<i>Year ended 31-Aug-18 Total £'000</i>	<i>Year ended 31-Aug-17 Total £'000</i>
	<i>Notes</i>	<i>Unrestricted £'000</i>	<i>Restricted £'000</i>		
Income from:					
Donations and legacies					
Donations	2	3,770	10,053	13,823	16,009
Donated services		729	-	729	554
Charitable activities		-	1	1	-
Investment income	3	115	-	115	8
Other		-	-	-	3
Total		<u>4,614</u>	<u>10,054</u>	<u>14,668</u>	<u>16,574</u>
Expenditure on:					
Raising funds	4	802	-	802	709
Charitable activities	4 & 5	<u>1,468</u>	<u>14,392</u>	<u>15,860</u>	<u>18,989</u>
Total		<u>2,270</u>	<u>14,392</u>	<u>16,662</u>	<u>19,698</u>
Net gains on investments	6	845	-	845	1,323
Gains/(losses) on foreign currency transactions		(29)	(2)	(31)	(42)
Net income/ (expenditure)		<u>3,160</u>	<u>(4,340)</u>	<u>(1,180)</u>	<u>(1,843)</u>
Fund Transfers	13	(6,178)	6,178	-	-
Net movement in funds	7	<u>(3,018)</u>	<u>1,838</u>	<u>(1,180)</u>	<u>(1,843)</u>
Reconciliation of funds					
Total funds brought forward		<u>5,306</u>	<u>962</u>	<u>6,268</u>	<u>8,111</u>
Total funds carried forward		<u>2,288</u>	<u>2,800</u>	<u>5,088</u>	<u>6,268</u>

The notes on pages 21 to 42 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2018

Company number 04589451

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	8	27	35
Investment property	9	685	716
Investments	6	23,417	26,309
		<u>24,129</u>	<u>27,060</u>
Current assets			
Debtors	10	3,280	1,496
Cash at bank and in hand		9,193	12,248
		<u>12,473</u>	<u>13,744</u>
Liabilities			
Creditors: amounts falling due within one year	11	(16,785)	(19,880)
Creditors: amounts falling due after one year	11	(5,999)	(6,009)
Total net assets		<u>13,818</u>	<u>14,915</u>
Total Funds of the Group			
Endowment funds		6,431	6,275
Restricted income funds		5,099	3,334
Unrestricted funds:			
General Programme Fund		50	4,025
Core costs		2,238	1,281
Total Group funds	13	<u>13,818</u>	<u>14,915</u>

The notes on pages 21 to 42 form an integral part of these financial statements.

Approved by the Board of Directors on 28 May 2019 and signed on its behalf by:



Ian Wace

Chairman, Ark

Charity Balance Sheet

As at 31 August 2018

Company number 04589451

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments	6	16,166	19,320
		<u>16,166</u>	<u>19,320</u>
Current assets			
Debtors	10	3,173	1,268
Cash at bank and in hand		7,594	11,437
		<u>10,767</u>	<u>12,705</u>
Liabilities			
Creditors: amounts falling due within one year	11	(15,918)	(19,835)
Creditors: amounts falling due after one year	11	(5,927)	(5,922)
		<u>(21,845)</u>	<u>(25,757)</u>
Total net assets		<u>5,088</u>	<u>6,268</u>
Total Funds of the Charity			
Endowment funds			
Restricted income funds		2,800	962
Unrestricted funds:			
General Programme Fund		50	4,025
Core costs		2,238	1,281
		<u>2,288</u>	<u>5,306</u>
Total charity funds	13	<u>5,088</u>	<u>6,268</u>

The notes on pages 21 to 42 form an integral part of these financial statements.

Approved by the Board of Directors on 28 May 2019 and signed on its behalf by:



Ian Wace

Chairman, Ark

Consolidated Statement of Cash Flows

For the year ended 31 August 2018

	Notes	Year ended 31-Aug-18 Total £'000	Year ended 31-Aug-17 Total £'000
Net cash provided by (used in) operating activities	19	(7,223)	1,535
Cash flow from investing activities			
Dividends, interest and rent from investments		192	102
Proceeds from sale of property, plant and equipment		-	202
Purchase of property, plant and equipment		-	(44)
Proceeds from sale of investments		6,331	2,640
Purchase of investment		(2,355)	(2,651)
Purchase of investment property		-	-
Net cash provided by (used in) investment activities		4,168	249
Net cash provided by (used in) financing activities		-	5,500
Net cash		(3,055)	7,284
 Reconciliation of net funds			
		Year ended 31-Aug-18 Total £'000	Year ended 31-Aug-17 Total £'000
Cash and cash equivalents at 1 September		12,248	4,964
Change in Cash and cash equivalents		(3,055)	7,284
Cash and cash equivalents at 31 August		9,193	12,248

The notes on pages 21 to 42 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2018

1. Accounting policies

Basis of preparation

These financial statements have been prepared for the year to 31 August 2018.

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 2019, 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;
- Measurement of fair values of the investment property.

Notes to the Accounts

For the year ended 31 August 2018

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 objectives 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.

Notes to the Accounts

For the year ended 31 August 2018

1. Accounting policies (continued)

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.

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

Notes to the Accounts

For the year ended 31 August 2018

1. Accounting policies (continued)

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.

The method of calculating realised gain on withdrawal of investments is on an average historical cost basis.

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.

Notes to the Accounts

For the year ended 31 August 2018

1. Accounting policies (continued)

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.

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.

Notes to the Accounts

For the year ended 31 August 2018

1. Accounting policies (continued)

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 2018 £'000</i>	<i>Charity 2018 £'000</i>	<i>Group 2017 £'000</i>	<i>Charity 2017 £'000</i>
Contributions to core costs	2,218	2,218	708	708
General Donations	1,552	1,552	7	7
Grants & restricted donations	11,619	10,053	16,512	15,294
Total	15,389	13,823	17,227	16,009

The trustees ensure that the core costs of the charity are covered. Grants and donations include £2.2m (2017 £0.7m) raised for this purpose. At 31 August 2018 a total of £6.9m (2017 £7.5m) 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 £0.9m (2017 £0.7m) out of which £0.7m (2017 0.6m) related to pro bono services provided by Bain & Co in the form of UK education consultancy services.

3. 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 £192k (2017 £102k) for the group and £115k (2017 £8k) for the charity.

Notes to the Accounts

For the year ended 31 August 2018

4. 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 2018 £'000</i>	<i>Total 2017 £'000</i>
Charitable activities					
UK Education	5,747	5,397	807	11,951	15,739
EdCity	-	2,554	-	2,554	-
Intl Education					
Education Partnerships Group	2,729	421	440	3,590	4,916
Global Schools Forum	191	120	1	312	-
Intl Education - Other	-	1,250	73	1,323	1,832
Health					
Zimbabwe - Safe Arrivals	18	56	147	221	670
South Africa - HIV/AIDS	-	-	-	-	(197)
Sub-total	<u>8,685</u>	<u>9,798</u>	<u>1,468</u>	<u>19,951</u>	<u>22,960</u>
Endowment Funds	53	-	-	53	144
Cost of generating funds	-	-	802	802	709
Total expenditure	<u><u>8,738</u></u>	<u><u>9,798</u></u>	<u><u>2,270</u></u>	<u><u>20,806</u></u>	<u><u>23,813</u></u>

Notes to the Accounts

For the year ended 31 August 2018

4. Analysis of resources expended (continued)

Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2018 £'000</i>	<i>Total 2017 £'000</i>
Charitable activities					
UK Education	1,635	5,646	807	8,088	12,782
EdCity	-	2,554	-	2,554	-
Intl Education					
Education Partnership Group	1,823	1,117	440	3,380	4,165
Global Schools Forum	190	121	1	312	-
Intl Education - Other	-	1,250	73	1,323	1,832
Health					
Zimbabwe - Safe Arrivals	-	56	147	203	407
South Africa - HIV/AIDS	-	-	-	-	(197)
	3,648	10,744	1,468	15,860	18,989
Cost of generating funds	-	-	802	802	709
Total expenditure	3,648	10,744	2,270	16,662	19,698

Group activities undertaken directly represent programmatic work by the central charity and its operating subsidiaries. For the central charity, this represents where 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 £0.4m (2017 £0.6m) 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 2018

5. Allocation of support costs

Group and Charity

	<i>Management costs £'000</i>	<i>Finance £'000</i>	<i>Governance costs £'000</i>	<i>Other overheads & support staff £'000</i>	<i>Total 2018 £'000</i>
Charitable activities					
UK Education	213	187	108	299	807
Intl Education					
Education Partnership Group	116	102	59	163	440
Global Schools Forum	-	-	-	1	1
Intl Education - Other	19	17	10	27	73
Health					
Zimbabwe - Safe Arrivals	39	34	20	54	147
	387	340	197	544	1,468
Cost of generating funds	129	45	-	628	802
Total expenditure	516	385	197	1,172	2,270

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 7 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 2018

6. Investments

	Group 2018 £'000	Charity 2018 £'000	Group 2017 £'000	Charity 2017 £'000
Investments b/fwd	15,943	10,898	15,777	10,898
Adjustment to historical cost and unrealised gain	51	51	-	-
Additional investment in the year	-	-	-	-
Investment redeemed in the year	(4,299)	(1,988)	(2,485)	-
Endowment investment in the year	2,355	-	2,651	-
Investments c/fwd	<u>14,050</u>	<u>8,961</u>	<u>15,943</u>	<u>10,898</u>
Unrealised gains b/fwd	10,366	8,422	8,681	7,099
Adjustment to historical cost and unrealised gain	(51)	(51)	-	-
Unrealised gain/(loss) in the year	<u>(948)</u>	<u>(1,166)</u>	<u>1,685</u>	<u>1,323</u>
Market value at 31 August	<u>23,417</u>	<u>16,166</u>	<u>26,309</u>	<u>19,320</u>

Net gains on investments

	Group 2018 £'000	Charity 2018 £'000	Group 2017 £'000	Charity 2017 £'000
Unrealised gain/(loss) in the year	(947)	(1,166)	1,685	1,323
Realised (loss)/gain in the year	<u>2,032</u>	<u>2,011</u>	<u>154</u>	<u>-</u>
	<u>1,085</u>	<u>845</u>	<u>1,839</u>	<u>1,323</u>

An £50k adjustment has been made to the balance of historical cost and unrealised gain brought forward to correct an error in the previous year. The adjustment is to reclassify the amount between these two balances and has no impact on the unrealised loss recorded in the current year.

Notes to the Accounts

For the year ended 31 August 2018

7. Net movement in funds

Net movement in funds is stated after charging:

	<i>Group</i> <i>2018</i> <i>£'000</i>	<i>Charity</i> <i>2018</i> <i>£'000</i>	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>
Operating lease charges	163	-	125	0
Depreciation	9	-	328	314
Auditors' remuneration				
- audit of consolidated accounts	28	28	26	26
- audit of subsidiaries	11	-	14	-
Total	39	28	40	26

There were no non-audit services provided by the auditor in the year (2017 none).

8. Fixed assets

Group

	<i>Equipment, F&F £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost:			
At 1 September 2017	8	75	83
Reclassification	-	-	-
At 31 August 2018	8	75	83
Depreciation:			
At 1 September 2017	7	40	47
Charge for the year	1	8	9
At 31 August 2018	8	48	56
Net Book Value:			
At 31 August 2018	-	27	27
At 31 August 2017	1	34	35

No fixed assets are held by the Charity (2017 £nil).

Notes to the Accounts

For the year ended 31 August 2018

9. Investment property

	£'000
Cost or valuation:	
At 1 September 2017	716
Decrease in fair value	(31)
At 31 August 2018	685

In the group, long leasehold investment property is held at fair value. As the property was purchased on 20 May 2016, Ark UK Programmes Directors have performed the valuation of the property based on publicly available information.

Included in the amount for investment property is £72,309 (2016/17 - £92,023) relating to assets held under a finance lease (note 12).

10. Debtors

	Group 2018 £'000	Charity 2018 £'000	Group 2017 £'000	Charity 2017 £'000
Receivable within 1 year				
Prepayments and other debtors	3,280	3,173	1,496	1,268
	3,280	3,173	1,496	1,268

11. Creditors

	Group 2018 £'000	Charity 2018 £'000	Group 2017 £'000	Charity 2017 £'000
Amounts falling due within 1 year				
Trade Creditors	256	105	139	58
Related company creditors (Ark Schools)	3,096	1,895	2,211	-
Grant creditors	11,825	12,867	15,796	18,407
Tax and social security creditors	212	89	-	-
Other creditors	273	920	509	1,143
Deferred Income	1,123	42	1,225	227
	16,785	15,918	19,880	19,835

Notes to the Accounts

For the year ended 31 August 2018

11. Creditors (continued)

Amounts falling due after 1 year	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2018</i>	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Finance Lease Liability	72	-	87	-
Loan	5,500	5,500	5,500	5,500
Grant creditors	427	427	422	422
	5,999	5,927	6,009	5,922

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'.

12. Finance Lease

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	-	-
Later than one year and not later than five year	2	2
Later than five years	302	302
Total gross payment	304	304
Less: finance charges	(232)	(217)
Carrying amount of liability	72	87

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

Notes to the Accounts

For the year ended 31 August 2018

13. Analysis of charitable funds

Group

	<i>31 Aug 2017 £'000</i>	<i>Incoming £'000</i>	<i>Transfers in / (out) £'000</i>	<i>Outgoing £'000</i>	<i>31 Aug 2018 £'000</i>
Restricted funds					
UK Education	2,788	5,241	5,636	(11,144)	2,521
EdCity	-	4,250	-	(2,554)	1,696
Intl Education					
Education Partnership Group	198	3,073	430	(3,150)	551
Global Schools Forum	-	199	112	(311)	-
Intl Education - Other	-	1,250	-	(1,250)	-
Health					
Mozambique HIV (GPAF IMPO80)	2	-	-	-	2
Zambia- Awareness & Elimination of Diarrhoea	2	-	-	-	2
Uganda-Scale-Up of Diarrhoea Treatment	2	-	-	-	2
Diarrhoea Gen	1	-	-	-	1
Zimbabwe - Safe Arrivals	304	57	-	(74)	287
South Africa - HIV/AIDS	37	-	-	-	37
Sub-total	3,334	14,070	6,178	(18,483)	5,099
Endowment Funds	6,275	209	-	(53)	6,431
Unrestricted funds					
Core funds	1,281	3,227	-	(2,270)	2,238
General programme funds	4,025	2,203	(6,178)	-	50
	5,306	5,430	(6,178)	(2,270)	2,288
Total Group funds	14,915	19,709	-	(20,806)	13,818

Notes to the Accounts

For the year ended 31 August 2018

13. Analysis of charitable funds (continued)

Charity

	<i>31 Aug 2017</i>	<i>Incoming</i>	<i>Transfers in / (out)</i>	<i>Outgoing</i>	<i>31 Aug 2018</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Restricted funds					
UK Education	962	1,787	5,636	(7,281)	1,104
EdCity	-	4,250	-	(2,554)	1,696
Intl Education					
Education Partnership Group	-	2,510	430	(2,940)	-
Global Schools Forum	-	199	112	(311)	-
Intl Education - Other	-	1,250	-	(1,250)	-
Health					
Zimbabwe- Safe Arrivals	-	56	-	(56)	-
	962	10,052	6,178	(14,392)	2,800
Unrestricted funds					
Core funds	1,281	3,227	-	(2,270)	2,238
General programme funds	4,025	2,203	(6,178)	-	50
	5,306	5,430	(6,178)	(2,270)	2,288
Total Charity funds	6,268	15,482	-	(16,662)	5,088

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.

Notes to the Accounts

For the year ended 31 August 2018

14. Staff costs and numbers

	<i>Group 2018 £'000</i>	<i>Charity 2018 £'000</i>	<i>Group 2017 £'000</i>	<i>Charity 2017 £'000</i>
Salaries and wages	4,918	2,172	4,611	2,359
Social security costs	483	265	478	276
Pension costs	406	200	376	193
Total salary costs	5,807	2,637	5,465	2,828
Other staff costs	93	30	69	22
Total staff cost	5,900	2,667	5,534	2,850

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 2018 No.</i>	<i>Charity 2018 No.</i>	<i>Group 2017 No.</i>	<i>Charity 2017 No.</i>
Programmes	109	19	55	16
Support services	39	18	22	21
Fundraising	6	5	7	7
	154	42	84	44

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

Notes to the Accounts

For the year ended 31 August 2018

	<i>Group 2018 No.</i>	<i>Charity 2018 No.</i>	<i>Group 2017 No.</i>	<i>Charity 2017 No.</i>
£200,001 - £210,000	1	-	-	-
£190,001 - £200,000	-	1	-	-
£140,001 - £150,000	2	2	1	-
£130,001 - £140,000	-	-	1	1
£120,001 - £130,000	-	-	1	-
£100,001 - £110,000	2	1	3	2
£90,001 - £100,000	-	-	-	1
£80,001 - £90,000	5	3	3	-
£70,001 - £80,000	4	2	5	4
£60,001 - £70,000	2	2	3	3

The pension contributions made on behalf of the above employees were £101.1k (2017: 115.1k) in the group and £69.1k (2017: £75.9k) in the charity. No benefit other than pension has been provided to employees. Total remuneration paid to charity key management personnel was £700k (2017: £668k).

15. 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.

Notes to the Accounts

For the year ended 31 August 2018

16. Investments in subsidiaries

<u>Subsidiary Undertaking</u>	<u>Country</u>	<u>Basis of Consolidation</u>	<u>Nature of activities</u>	<u>Status</u>
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 Programmes	S.A. Ltd.	Zimbabwe	India
	£'000	£'000	£'000	£'000
Income	3,705	385	402	663
Expenditure	(4,166)	(451)	(420)	(456)
Net gains on investments	209	5	(1)	(6)
Net movement in funds	(252)	(61)	(19)	201
Total funds brought forward	7,851	75	45	20
Total funds carried forward	7,599	14	26	221
Fixed assets	7,938	-	25	-
Current assets	2,413	33	44	221
Liabilities	(2,752)	(19)	(43)	-
Total Funds	7,599	14	26	221

17. Related party transactions

Ark made new grants of £1.4m to its sister charity Ark Schools (2017 £4.2m) to cover the core costs of the charity to 31 August 2018. At the year end the unpaid grant allocated to Ark Schools was £9.3m (2017 £7.2m), 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 and Teaching Leaders. During the year there were no new grants to Ambition School Leadership (2017 £1.2m), however £0.5m cash was paid to Ambition School Leadership during the year and £0.5m (2017 £1.0m) of cash continues to be held at the year end, in respect of grants made in previous periods. Ark continues to hold £5.5m received from Ambition which is intended to be utilised for a capital investment for the benefit of Ambition School Leadership. Ark may repay any portion of the amount 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 (2017 £5.5m).

Notes to the Accounts

For the year ended 31 August 2018

17. Related party transactions (continued)

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 £0.3m (\$0.4m) from Ark US (2017 £1.1m (\$1.4m)).

18. 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>2018</i> <i>£'000</i>	<i>Charity</i> <i>2018</i> <i>£'000</i>	<i>Group</i> <i>2017</i> <i>£'000</i>	<i>Charity</i> <i>2017</i> <i>£'000</i>
Within one year	8,665	-	91	-
Later than one year but not later than 5 years	-	-	4	-
	<u>8,665</u>	<u>-</u>	<u>95</u>	<u>-</u>

19. 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>2018</i> <i>£'000</i>	<i>Group</i> <i>2017</i> <i>£'000</i>
Net (expenditure) as per the Statement of Financial Activities	(1,097)	(2,201)
Adjustments for:		
Depreciation charges	9	328
(Gains) on investments	(1,054)	(1,842)
Dividends, interest and rents from investments	(192)	(103)
Decrease/(Increase) in debtors	(1,784)	(262)
(Decrease)/Increase in creditors	(3,105)	5,615
Net cash provided by/(used in) operating activities	<u>(7,223)</u>	<u>1,535</u>

Notes to the Accounts

For the year ended 31 August 2018

20. 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. The charity engages professionals to manage the investment portfolios and ensure that they are suitable diversified and consistent with the trustees' investment strategy.

(c) Currency risk

	2018	2018	2017	2017
	USD	EUR	USD	EUR
	'000	'000	'000	'000
Investment at fair value	15,602	-	15,297	-
Cash at bank	2,781	13	2,326	25
	<u>18,383</u>	<u>13</u>	<u>17,623</u>	<u>25</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 FSC 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.

Notes to the Accounts

For the year ended 31 August 2018

20. Risk factors (continued)

(e) Financial assets

At the year end financial assets comprised:

	<i>Group 2018 £'000</i>	<i>Charity 2018 £'000</i>	<i>Group 2017 £'000</i>	<i>Charity 2017 £'000</i>
Investments	16,166	16,166	19,320	19,320
Endowment Investments	7,251	-	6,989	-
Cash at bank and in hand	9,193	7,594	12,248	11,437
Debtors	3,280	3,173	1,496	1,268
	<u>35,890</u>	<u>26,933</u>	<u>40,054</u>	<u>32,025</u>

(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 (Note 1).

	<i>Level 1 £'000</i>	<i>Level 2 £'000</i>	<i>Level 3 £'000</i>	<i>Total £'000</i>
Listed equity securities	6,339	-	-	6,339
Unlisted equity securities	-	17,077	-	17,077
Investment property	-	-	685	685
	<u>6,339</u>	<u>17,077</u>	<u>685</u>	<u>24,101</u>

(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:

Notes to the Accounts

For the year ended 31 August 2018

20. Risk factors (continued)

Group	<i>within 1 month</i>	<i>between 1-3 months</i>	<i>between 3-12 months</i>	<i>greater than 12 months</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial liabilities					
At 31 August 2018					
Trade Creditors	256	-	-	-	256
Related company creditors	1,791	-	1,305	-	3,096
Grant creditors	808	-	11,017	427	12,252
Other creditors	213	369	1,026	5,572	7,180
Total	3,068	369	13,348	5,999	22,784

Charity	<i>within 1 month</i>	<i>between 1-3 months</i>	<i>between 3-12 months</i>	<i>greater than 12 months</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial liabilities					
At 31 August 2018					
Trade Creditors	105	-	-	-	105
Related company creditors	1,895	-	-	-	1,895
Grant creditors	828	75	11,964	427	13,294
Other creditors	252	27	772	5,500	6,551
Total	3,080	102	12,736	5,927	21,845

21. 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.

22. Post balance sheet events

On 31 January 2019, Ark closed its maternal health programme in Zimbabwe. Any unspent grants will be repaid by Ark Zimbabwe to Ark's General Programme Fund. The current estimate is that this will be in the region of \$150k to \$200k. On 1 February 2019, the Assembly programme transferred to Groupcall, a leading provider of data, identify management and communication solutions for schools and closed its operations in Ark UK Programmes. Assembly's funds balance of £32k at 31 August 2018 was fully utilised at the transfer date.