



ABSOLUTE RETURN FOR KIDS (ARK)

Company limited by guarantee registration number:

04589451 Charity registration number: 1095322

Annual Report and Accounts

For the year ended 31 August 2019

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Legal reference and administrative details

Absolute Return for Kids (ARK) (referred to throughout as 'Ark', or 'the charity') is a company limited by guarantee, registered in England and Wales, 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 Clake (appointed 08 November 2018)
Anthony Williams (resigned 30 March 2019)

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

Elizabeth Dawson is Company Secretary.

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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 also supports Ark Schools, a separate legal entity that is a successful academy network, with 37 schools and around 26,000 pupils.

Ark runs Ark Ventures, which aims 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 to spread our expertise through initiatives designed to support and improve education systems in a number of different ways.

Ark Schools, Ambition Institute, Frontline, STiR and Peepul were all incubated and supported by Ark as ventures and are now separate legal entities, not included in the financial statements in this report. Assembly, also an Ark venture, was acquired in the year by Groupcall, a leading provider of data, identity management and communication solutions for schools.

Trustees' Report including Strategic Report Activities, achievements 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 those that have become independent organisations.

Current ventures

Mathematics Mastery

Mathematics Mastery improves 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 reached more than 200,000 students, up from 176,000 in the previous year - a 12% increase. Students who studied Mathematics Mastery at key stage 3 had an average progress score of +0.2 in 2018, equivalent to three months additional progress compared to the national average.

English Mastery

English Mastery improves the 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 reach 140 schools. Growth from 2018/19 includes 48 new schools that have joined the programme as part of an Education Endowment Foundation randomised control trial that is being run to assess the impact of the programme on students and teachers.

Now Teach

Now Teach brings experienced professionals into teaching and supports them through training and the early years of their career to ensure they stay in the classroom for the long term. Now Teach have recruited over 200 career-changers in three years. They aim to help meet the national shortage of teachers, share the life experience of candidates in schools

where it is needed and tap into the growing pool of later-stage career changers. Now Teach plans to spin out into a separate charity, independent of Ark, from 1 September 2020.

EdCity

EdCity is a non-profit project to create an education hub in White City, London. EdCity would bring social and educational benefits to the local community. The development would 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 which will include office space for Ark, various charities and commercial tenants.
- 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.
- 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. It was planned that construction would begin in 2020, and Ark has incorporated three Special Purpose Vehicles to oversee the construction and ongoing management of the venture: EdCity Office (also a registered charity), EdCity Development Ltd and EdCity Management Company Ltd. Due to the unprecedented and far-reaching impact of the COVID-19 pandemic on the wider economy, the key stakeholders of the EdCity project are now reconsidering the future of the project. At the time of approving this annual report and the accompanying financial statements, there was a possibility that the EdCity project may now be significantly delayed, delivered through alternative arrangements, or abandoned entirely.

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 to help them shape and strengthen their education systems. EPG believes that supporting governments to design and implement contextually relevant, evidence-based and results-focused public policy results is the best way to achieve sustainable progress towards high quality education for all.

EPG is currently working in partnership with ministries of education in Cambodia, Cote d'Ivoire, Ghana, Sierra Leone and South Africa on projects as wide-ranging as: mapping the decentralised system of service delivery; mapping and strengthening accountability for learning; conducting research into public-private partnerships; supporting new and innovative methods of using school-level data to make better evidence-based decisions about school monitoring and support; and strengthening school inspections and monitoring at scale. The disruptions of Covid-19 and travel restrictions have significantly impacted EPG's ability to deliver its programmes. As a result, EPG has moved its focus to business development and is in conversation with a number of funders to secure long-term funding.

Global Schools Forum

Global Schools Forum (GSF) is a not-for-profit membership organisation of education entrepreneurs who are running and supporting innovative and inclusive schools across the developing world. GSF was established in response to the rapid growth of the non-state school education sector in Sub-Saharan Africa, Asia, and Latin America and has grown to include 48 members from 32 countries, representing more than 17,000 schools. In 2018/19, GSF was supported by private donors but began generating a small income from events. GSF is diversifying its cost base and will be launching a membership fee in 2020/21.

Key Global Schools Forum activities in 2018/19 included: bringing together one hundred delegates, including school operators, intermediary organisations, investors, funders and other key stakeholders at our GSF Annual Meeting in Nairobi, Kenya. GSF also contributed to consultations on critical policy and strategy documents such as the Abidjan Principles, GPE Private Sector Strategy, USAID Education Policy and the UNICEF Education Strategy.

The impact of Covid-19 on GSF has been minimal. Whilst face-to-face events have been cancelled or postponed, online activity has significantly increased. GSF has a dedicated Covid-19 resource area on its website and has hosted multiple webinars with members and non-members attending from all-over the world. Membership enquiries have increased significantly, and the profile of the venture has increased as the content produced to support schools around the world has been used and shared widely.

Ark Family Ventures

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.

On 1 February 2019, Groupcall, a leading provider of data, identity management and communication solutions for schools acquired Assembly from Ark. Assembly's funds balance was fully utilised at the transfer date.

Peepul (Ark India)

Peepul became independent of Ark on 1 September 2019. 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. More than 1,000 students are enrolled across Peepul's three schools. Peepul also supports state governments to improve the quality of education at scale. In 2017, Peepul started its Teacher Training Programme which aims to build the capacity and skills of government teachers and, through a set of codified best practices and processes, work towards achieving quality improvements at scale. In 2019, Peepul began working in Madhya Pradesh to improve classroom practice, teacher training and to strengthen academic monitoring. This support will impact 90,000 schools in the state by 2023. Peepul is demonstrating the impact that strong partnerships and programmes can have on the quality of education within the government school system.

Frontline

Frontline was set up in 2012 to provide a route for high-achieving graduates and career changers to become social workers. Last year, 391 participants began their social work journey as the sixth cohort on the Frontline programme. For the first time, Frontline has placed participants in the South West, and is now working in every region in England. The scheme is currently recruiting for 452 places on the 2020 Cohort. 94% of local authority partners on the Frontline programme were satisfied with their partnership with Frontline, as of September 2019.

The charity also delivers a leadership development programme for existing social work managers, called Firstline. In January 2017, an independent evaluation of Firstline gave “overwhelmingly positive” feedback. 333 Firstline leaders have completed the programme to date and an additional two cohorts of around 80 individuals will start each year. On the Autumn 2018 cohort, 100% of Firstline leaders were satisfied or very satisfied with their experience of the Firstline programme.

Having completed one of Frontline’s programmes, alumni join the Frontline Fellowship. There are currently 747 fellows in the Fellowship, which will double by 2020. This year Frontline has devised a new organisational model that empowers fellows to take the reins of the Fellowship, collaborating, innovating and leading change for children, families and society. 95% of fellows are either satisfied or very satisfied with being part of the Fellowship.

Ambition Institute

Ambition Institute is a graduate school for teachers, school leaders and system leaders. Their programmes help educators serving children from disadvantaged backgrounds to keep getting better. Their unique graduate-school-approach combines the mission-focus of a charity, the academic rigour of a traditional university, and the essential classroom-connection of a teaching school. Their suite of programmes support educators at all levels – from new teachers through to leaders of groups of schools.

Ambition Institute was launched in March 2019 following the merger of two Ark-incubated charities, Ambition School Leadership and the Institute for Teaching.

STiR Education

STiR Education aims to develop autonomy, mastery and purpose within individuals at all levels of education systems, through government system learning and partnerships. They do this through local teacher networks – groups of 20 to 30 teachers that meet each month and gain exposure to evidence-based ideas for improving their teaching practice. The networks strengthen connections between peers, laying the foundation for mutual support and sustainable improvement.

STiR is now working at scale with more than 6 million children, 200,000 teachers, 65 districts and five national/state governments in India and Uganda. 7,000 teacher network meetings run each month across 35,000 schools.

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.

Internationally, the Education Partnerships Group (EPG) will restart work with existing and new funders, continuing its focus on education programmes in developing countries.

In the UK it is expected that Ark Schools will slowly expand through growth of existing schools and the addition of new schools. As planned, funding from Ark is declining now schools are sustainable.

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 FRC reviews the Risk Register to monitor and manage risks and to report to the Board. The FRC meets regularly and at least three times per year. The main risks and mitigating actions are described below.

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. This has been seen since the start of the Covid-19 pandemic and we are in communication with a number of donors who wish to support Ark and its programmes. Further, while programme plans may be developed for 4 to 5 years, funds are mostly committed annually to limit future unfunded commitments.

Covid-19 has had an impact on how Ark delivers its programmes. To limit the impact Ventures have, wherever possible, moved to virtual delivery to ensure they continue to have impact despite the lockdown restrictions both internationally and in the UK.

Financial risks

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:

- Market price risk, arising over the future value of the charity's investments. The charity engages professionals to manage the investment portfolios and ensure that they are suitably diversified and consistent with the trustees' investment strategy.
- Currency risk, arising over the future value of the charity's investments, which are mainly US denominated. The FRC 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.
- Credit risk, representing 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.
- Liquidity risk, representing the ability of the charity to 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.

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. 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 currently no significant legal or regulatory non-compliance risks perceived by the charity and its subsidiaries.

Financial review

Ark recorded a net surplus of £13.6m for the year, largely due to significant income being received for the commencement of the EdCity project, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £1.1m deficit in the previous year. As a result, group reserves increased to £27.4m at 31 August 2019 (2018 - £13.8m). Since the year-end, a decision has been made to pause the EdCity project whilst the future is reassessed by all key stakeholders to the project. There is a range of options available with regards to the future of the project, but a decision was taken to repay £9m of donor funding and the £8m loan pending long-term agreement on the future of the project (note 22).

Ark's consolidated income in the year to 31 August 2019 totalled £38.9m (2018 - £18.7m).

The cost of raising funds, at £0.6m, is £0.3m lower than last year (2018 - £0.8m). The cost of raising 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 £6.7m higher at £27.5m (2018 - £20.8m) as a result of grant expenditure made toward the EdCity project of around £5.5m. The largest component of this was direct charitable expenditure on grants and project operating costs, representing 94% (2018 - 96%) 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 £18.0m (2018 - £15.9m). This includes support costs of £1.6m (2018 - £1.5m).

Core Costs Fund income and expenditure

| | 2019 | 2018 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Contributions arranged by trustees and patrons | 120 | 2,200 |
| Donations | - | 18 |
| Investment fee rebates | 143 | - |
| Return on investments | 1,086 | 983 |
| Other income | 97 | 26 |
| Total income raised for core costs | 1,446 | 3,227 |
| Less: Expenditure on core costs | (2,105) | (2,270) |
| (Deficit)/ surplus on core costs for the year | (659) | 957 |
| Balance at 1 September | 2,238 | 1,281 |
| Balance at 31 August | 1,579 | 2,238 |

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. £0.1m was donated in the year for this purpose (2018 - £2.2m). 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 2019 a reserve of £1.6m has been established to cover core costs.

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.

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 2019 was £1.3m (2018 - £12.3m).

The group also holds an additional amount of £25.8m to invest in current and new programmes, including the EdCity project (2018 - £11.6m): £6.5m as endowment funds (2018 - £6.4m) held for the benefit of individual academies within Ark Schools, £18.7m as restricted funds (2018 - £5.1m) and £0.6m as unrestricted funds held in its General Programme Fund (2018 - £0.1m).

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 for programmes received in the year, the total of cash and investments in the group balance sheet is £23.6m higher than the prior year at £56.2m (2018 - £32.6m).

The FRC oversees the charity's cash management. During the year the charity's main bank accounts were held with Lloyds Banking Group. At 31 August 2019, 100% of the charity's cash was invested in the Lloyds accounts (2018 - 100%). The profile of the cash holdings is dependent on the working capital needs of Ark's programmes.

At 31 August 2019 the non-cash investments held by the charity represented 76% of total cash and invested funds (2018 - 68%) and the FRC 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 £27.4m (2018 - £13.8m) for the group and £3.3m (2018 - £5.1m) 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 value of 6 months' core (unrestricted) operating expenditure approximates to £1.1m with the year end unrestricted reserves standing at £1.6m.

Ark has taken all necessary steps to reduce both the operational and financial the impact of the Covid-19 pandemic. Costs have been closely monitored to ensure that unrestricted reserves remain sufficient to meet financial commitments and obligations. To date there has been minimal impact on income due to Covid-19, but this will continue to be closely monitored as the pandemic advances. The most significant impact of Covid-19 has been on the EdCity project. Due to the unprecedented and far-reaching impact of the pandemic on the wider economy, the key stakeholders of the EdCity project are now reconsidering the future of the project. At the time of approving this annual report and the accompanying financial statements, there was a possibility that the EdCity project may now be significantly delayed, delivered through alternative arrangements, or abandoned entirely.

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.

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 9 months' expenditure on core costs at 2018 levels (2018 - 10 months). The trustees consider this to be in line with the organisation's policy.

Investment Policy

Ark had a portfolio of investments with a market value as at 31 August 2019 of £35.1m. There has been minimal change in the value of investments as a result of the impact of Covid-19 on the economy. Ark invests in order to further the charity's charitable aims, taking into consideration the environmental, social and governance aspects of the investments in line with our values. There are no restrictions on the charity's power to invest. The investment strategy is set by the trustees and takes into account income requirements, with the risk profile and the investment manager's view of the market prospects in the medium term. The overall investment policy is to outperform cash without significantly increasing risk.

Grant-Making Policy

The trustees apply the funds of Ark at their discretion and in accordance with the charitable purposes and objectives of the charity. Grants are made to programmes mostly operated within the Ark family of organisations. Grants are awarded based on the strategic and financial requirements of each programme. Requests are reviewed by the Board and subject to regular reviews of performance against the grant. Expenditure from grant-making is recognised annually in the Consolidated Statement of Financial Activities.

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.

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. On 4 December 2019, Ark changed its registered address from 65 Kingsway, London WC2B 6TD to The Yellow Building, 1 Nicholas Road, London W11 4AN.

Organisation

The Board of Trustees, which can have up to 12 members, oversees the charity. The board meets at least two times a year. There is also a programme board to oversee each venture, and a Finance and Risk Committee (FRC). 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 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's 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

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

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 and Wales as a company limited by guarantee (company number 05112090) 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.

Ark UK Programmes is responsible for Ark's work in UK education beyond Ark Schools. Ark UK Programmes is registered in England and Wales as a company limited by guarantee (company number 05932797; charity number 1137932). It is wholly owned by Ark and consolidated in these accounts. It has the same registered address as Ark.

The uncertainties created by the Covid-19 pandemic has raised the need for the future of the EdCity project to be reassessed by all key stakeholders to the project. At the time of approving this annual report and the accompanying financial statements, there was a possibility that the EdCity project may now be significantly delayed, delivered through alternative arrangements, or abandoned entirely. Should Ark continue with the project, it will be delivered out of three Special Purpose Vehicles (SPVs):

- EdCity Office, incorporated 1 October 2018, is a registered charity and company limited by guarantee (charity number 1184547; company number 11596797) would be responsible for receiving and disbursing project funds, oversight and commissioning of marketing, leasing and fit out activity to EdCity Development Ltd and running an office once construction completed.
- EdCity Development Ltd, incorporated 10 August 2018, a company limited by guarantee (company number 11511870) would be responsible for construction delivery and implementing marketing, leasing activity and fit out commissioned by EdCity Office.
- EdCity Management Company Ltd, incorporated 21 August 2018, a company limited by guarantee (company number 11528726) would be responsible for oversight of public realm and engagement with Ark Swift lease as required.

All EdCity SPVs are wholly owned subsidiaries of Ark and are consolidated in these accounts. They are all registered in England and Wales at the same 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 and Wales as a charitable company limited by guarantee (company number 04957091; 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). It became independent of Ark on 31 January 2019. Previously, the maternal and newborn care programme was accounted for through this Trust and the results have been consolidated as a subsidiary of the charity until its independence.

Ark India (Peepul), which runs the charity's programmes in India, is registered as a Society in India and its results are consolidated in these accounts. It became independent on 1 September 2018.

Ark 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.

Statement of Trustees' Responsibilities

The trustees (who are also the directors of Absolute Return for Kids (ARK) for the purposes of company law) are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the charitable company and of the income or expenditure 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;
- observe the methods and principles in Accounting and Reporting by Charities: statement of recommended practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- 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 charitable company and group will continue in operation.

The trustees are responsible for keeping proper accounting records and disclose with reasonable accuracy at any time the financial position of the group and charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the trustees confirms that:

- so far as the trustee is aware there is no relevant audit information of which the charitable company's auditors are unaware;
- the trustee has 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.

The confirmation is given and should be interpreted in accordance with the provision of 418 of the Companies Act 2006. The trustees are responsible for the maintenance and integrity of information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

This report was Approved by the Board of Trustees on 13 July 2020 and signed on its behalf by:



Ian Wace, Trustee

Independent auditor's report to the members of Absolute Return for Kids (Ark)

We have audited the financial statements of Absolute Return for Kids (ARK) ('the charitable company') for the year ended 31 August 2019 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, 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 group and parent charitable company's affairs as at 31 August 2019 and the group and parent charitable company's 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 group 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 group or 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 and Accounts 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 Absolute Return for Kids (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 is also the directors' report for the purposes of company law, and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, has 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 trustees' report, including the strategic 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 13, 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 Absolute Return for Kids (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.



Katharine Patel (Senior Statutory Auditor)
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London EC2V 6DL

22 July 2020

Consolidated Statement of Financial Activities (including income and expenditure account) For the year ended 31 August 2019

| | | <i>Unrestricted</i> | <i>Restricted</i> | <i>Endowments</i> | <i>Year ended</i> <i>31-Aug-19</i> <i>Total</i> | <i>Year ended</i> <i>31-Aug-18</i> <i>Total</i> |
|--|--------------|---------------------|-------------------|-------------------|---|---|
| | <i>Notes</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| <i>Income and endowments from:</i> | | | | | | |
| Donations and legacies | | | | | | |
| Donations | 2 | 2,025 | 27,577 | — | 29,602 | 14,515 |
| Donated services | 2 | 2,254 | 155 | — | 2,409 | 926 |
| Charitable activities | | — | 3,764 | — | 3,764 | 2,089 |
| Investment income | 3a | 281 | 72 | — | 353 | 192 |
| Other trading activities | | | | | | |
| Non-charitable trading funds | 3b | — | 1,900 | — | 1,900 | — |
| Other | | 9 | 88 | — | 97 | 5 |
| Continuing operations | | 4,569 | 33,556 | — | 38,125 | 17,727 |
| Discontinued operations | 2 & 21 | — | 736 | — | 736 | 970 |
| Total | | 4,569 | 34,292 | — | 38,861 | 18,697 |
| <i>Expenditure on:</i> | | | | | | |
| Raising funds | 4 | 541 | — | 60 | 601 | 855 |
| Charitable activities | 4 & 5 | 1,473 | 23,951 | — | 25,424 | 19,077 |
| Continuing operations | | 2,014 | 23,951 | 60 | 26,025 | 19,932 |
| Discontinued operations | 4 & 21 | 91 | 1,449 | — | 1,540 | 874 |
| Total | | 2,105 | 25,400 | 60 | 27,565 | 20,806 |
| Net income (expenditure) before gains on investment and losses on foreign exchange | | 2,464 | 8,892 | (60) | 11,296 | (2,109) |
| Net gains on investments | 6 | 1,086 | 1,105 | 147 | 2,338 | 1,054 |
| Gains/(losses) on foreign currency transactions | | (41) | — | — | (41) | (42) |
| Net income/ (expenditure) | | 3,509 | 9,997 | 87 | 13,593 | (1,097) |
| <i>Fund Transfers</i> | 13 | (3,589) | 3,589 | — | — | — |
| Net movement in funds | 7 | (80) | 13,586 | 87 | 13,593 | (1,097) |
| <i>Reconciliation of funds</i> | | | | | | |
| Total funds brought forward | | 2,288 | 5,099 | 6,431 | 13,818 | 14,915 |
| Total funds carried forward | | 2,208 | 18,685 | 6,518 | 27,411 | 13,818 |

The notes on pages 22 to 47 form an integral part of these financial statements.

These are no recognised gains and losses other than those shown above.

Charity Statement of Financial Activities (including income and expenditure account)

For the year ended 31 August 2019

| | <i>Notes</i> | <i>Unrestricted £'000</i> | <i>Restricted £'000</i> | <i>Year ended 31-Aug-19 Total £'000</i> | <i>Year ended 31-Aug-18 Total £'000</i> |
|--|--------------|-------------------------------|-----------------------------|---|---|
| <i>Income from:</i> | | | | | |
| Donations and legacies | | | | | |
| Donations | 2 | 2,025 | 11,072 | 13,097 | 13,768 |
| Donated services | 2 | 2,254 | — | 2,254 | 729 |
| Charitable activities | | — | 58 | 58 | — |
| Investment income | 3 | 281 | — | 281 | 115 |
| Other | | 9 | — | 9 | — |
| Continuing operations | | 4,569 | 11,130 | 15,699 | 14,612 |
| Discontinued operations | 2 & 21 | — | — | — | 56 |
| Total | | 4,569 | 11,130 | 15,699 | 14,668 |
| <i>Expenditure on:</i> | | | | | |
| Raising funds | 4 | 541 | — | 541 | 802 |
| Charitable activities | 4 & 5 | 1,473 | 16,208 | 17,681 | 15,804 |
| Continuing operations | | 2,014 | 16,208 | 18,222 | 16,606 |
| Discontinued operations | 4 & 21 | 91 | 207 | 298 | 56 |
| Total | | 2,105 | 16,415 | 18,520 | 16,662 |
| Net income (expenditure) before gains on investment and losses on foreign exchange | | 2,464 | (5,285) | (2,821) | (1,994) |
| Net gains on investments | 6 | 1,086 | — | 1,086 | 845 |
| Losses on foreign currency transactions | | (41) | — | (41) | (31) |
| Net income/ (expenditure) | | 3,509 | (5,285) | (1,776) | (1,180) |
| <i>Fund Transfers</i> | 13 | (3,589) | 3,589 | — | — |
| Net movement in funds | 7 | (80) | (1,696) | (1,776) | (1,180) |
| <i>Reconciliation of funds</i> | | | | | |
| Total funds brought forward | | 2,288 | 2,800 | 5,088 | 6,268 |
| Total funds carried forward | | 2,208 | 1,104 | 3,312 | 5,088 |

The notes on pages 22 to 47 form an integral part of these financial statements.

These are no recognised gains and losses other than those shown above.



Consolidated Balance Sheet

As at 31 August 2019

Company number 04589451

| | <i>Notes</i> | <i>2019</i> <i>£'000</i> | <i>2018</i> <i>£'000</i> |
|--|--------------|-----------------------------|-----------------------------|
| <i>Fixed assets</i> | | | |
| Tangible assets | 8 | — | 27 |
| Investment property | 9 | 742 | 685 |
| Investments | 6 | 42,555 | 23,417 |
| | | <u>43,297</u> | <u>24,129</u> |
| <i>Current assets</i> | | | |
| Debtors | 10 | 3,474 | 3,280 |
| Cash at bank and in hand | | 13,613 | 9,193 |
| | | <u>17,087</u> | <u>12,473</u> |
| <i>Liabilities</i> | | | |
| Creditors: amounts falling due within one year | 11 | (18,823) | (16,785) |
| <i>Net current liabilities</i> | | | |
| | | <u>(1,736)</u> | <u>(4,312)</u> |
| Creditors: amounts falling due after one year | 11 | (14,150) | (5,999) |
| <i>Total net assets</i> | | | |
| | | <u>28,862</u> | <u>13,818</u> |
| <i>Total Funds of the Group</i> | | | |
| Endowment funds | | 6,518 | 6,431 |
| Restricted income funds | | 18,685 | 5,099 |
| Unrestricted funds: | | | |
| General Programme Fund | | 629 | 50 |
| Core costs | | 1,579 | 2,238 |
| <i>Total Group funds</i> | | | |
| | 13 | <u>27,411</u> | <u>13,818</u> |

The notes on pages 22 to 47 form an integral part of these financial statements.

Approved by the Board of Trustees on 13 July 2020 and signed on its behalf by:

Ian Wace

Trustee

Charity Balance Sheet

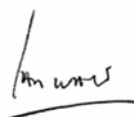
As at 31 August 2019

Company number 04589451

| | <i>Notes</i> | <i>2019</i> <i>£'000</i> | <i>2018</i> <i>£'000</i> |
|--|--------------|-----------------------------|-----------------------------|
| <i>Fixed assets</i> | | | |
| Investments | 6 | 35,141 | 16,166 |
| | | 35,141 | 16,166 |
| <i>Current assets</i> | | | |
| Debtors | 10 | 967 | 3,173 |
| Cash at bank and in hand | | 5,993 | 7,594 |
| | | 6,960 | 10,767 |
| <i>Liabilities</i> | | | |
| Creditors: amounts falling due within one year | 11 | (32,785) | (15,918) |
| <i>Net current liabilities</i> | | | |
| | | (25,825) | (5,151) |
| Creditors: amounts falling due after one year | 11 | (6,004) | (5,927) |
| <i>Total net assets</i> | | | |
| | | 3,312 | 5,088 |
| <i>Total Funds of the Charity</i> | | | |
| Restricted income funds | | 1,104 | 2,800 |
| Unrestricted funds: | | | |
| General Programme Fund | | 629 | 50 |
| Core costs | | 1,579 | 2,238 |
| <i>Total charity funds</i> | | | |
| | 13 | 3,312 | 5,088 |

The notes on pages 22 to 47 form an integral part of these financial statements.

Approved by the Board of Trustees on 13 July 2020 and signed on its behalf by:



Ian Wace
Trustee

Consolidated Statement of Cash Flows

For the year ended 31 August 2019

| | <i>Notes</i> | Year ended 31-Aug-19 Total £'000 | <i>Year ended 31-Aug-18 Total £'000</i> |
|--|--------------|---|---|
| <i>Net cash provided by (used in) operating activities</i> | 19 | 20,871 | (7,223) |
| <i>Cash flow from investing activities</i> | | | |
| Dividends, interest and rent from investments | | 353 | 192 |
| Proceeds from sale of investments | | 3,382 | 6,331 |
| Purchase of investment | | (20,186) | (2,355) |
| <i>Net cash provided by (used in) investment activities</i> | | (16,451) | 4,168 |
| <i>Net cash</i> | | 4,420 | (3,055) |
| <i>Reconciliation of net funds</i> | | | |
| | | Year ended 31-Aug-19 Total £'000 | <i>Year ended 31-Aug-18 Total £'000</i> |
| Cash and cash equivalents at 1 September | | 9,193 | 12,248 |
| Change in Cash and cash equivalents | | 4,420 | (3,055) |
| Cash and cash equivalents at 31 August | | 13,613 | 9,193 |

The notes on pages 22 to 47 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2019

1. Accounting policies

Basis of preparation

These financial statements have been prepared for the year to 31 August 2019.

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 active during the year: Ark (South Africa) Limited, Ark UK Programmes, Ark India, Ark Zimbabwe, EdCity Development Limited, EdCity Management Company Limited and EdCity Office. It also consolidates its dormant subsidiaries Ark Mozambique and Ark Uganda. All intra-group balances, transactions, incomes and expenses are eliminated on consolidation.

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:

- Estimating the impact of Covid-19 on the charity's income and expenditure flows for the purpose of preparing cash flow forecast and budgets to assist in the assessment of going concern;
- 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 2019

1. Accounting policies (continued)

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.

In making their assessment, the trustees of the charity have considered the impact of the global coronavirus pandemic and have acknowledged that some areas of work may be challenged by the impact of Covid-19, for example the delivery of EPG and GSF activity overseas, and ACP activity in UK schools. However, the charity has put steps in place to reduce its costs through the use of the government's coronavirus job retention scheme and as explained in the trustees' report, is using the lockdown to diversify its funder base as the charity adapts to the challenges presented.

A number of significant areas of judgement that affect items in the accounts are detailed above. In addition, the most significant areas that affect the carrying value of the assets held by the charity in the next accounting period (the year ending 31 August 2020), 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). Whilst this is likely to lead to a reduction in income, the trustees remain of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

The trustees have therefore 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.

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.

Notes to the Accounts

For the year ended 31 August 2019

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 2019

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.

Discontinued operations

Where a decision has been made to discontinue or terminate an activity in accordance with the definitions contained within FRS 102, income, costs and obligations associated with the discontinuing operation are recognised within the year. The income, costs and obligations are disclosed separately on the face of the statement of financial activities.

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:

Notes to the Accounts

For the year ended 31 August 2019

1. Accounting policies (continued)

Investments (continued)

- 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.

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.

Notes to the Accounts

For the year ended 31 August 2019

1. Accounting policies (continued)

Foreign currencies (continued)

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.

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.

Notes to the Accounts

For the year ended 31 August 2019

1. Accounting policies (continued)

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 2019 £'000</i> | <i>Charity 2019 £'000</i> | <i>Group 2018 £'000</i> | <i>Charity 2018 £'000</i> |
|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Unrestricted funds | | | | |
| Contributions to core costs | 120 | 120 | 2,218 | 2,218 |
| General Donations | 4,159 | 4,159 | 1,552 | 1,552 |
| | <u>4,279</u> | <u>4,279</u> | <u>3,770</u> | <u>3,770</u> |
| Restricted funds | | | | |
| Restricted grants & donations | 27,732 | 11,072 | 10,449 | 9,998 |
| Continuing operations | <u>32,011</u> | <u>15,351</u> | <u>14,219</u> | <u>13,768</u> |
| Zimbabwe-Safe arrivals | 350 | — | 57 | 56 |
| Assembly | 386 | — | 730 | — |
| Peepul | — | — | 383 | — |
| Discontinued operations | <u>736</u> | <u>—</u> | <u>1,170</u> | <u>56</u> |
| Total | <u><u>32,747</u></u> | <u><u>15,351</u></u> | <u><u>15,389</u></u> | <u><u>13,824</u></u> |

The trustees ensure that the core costs of the charity are covered. Grants and donations include £0.1m (2018 - £2.2m) raised for this purpose. At 31 August 2019 a total of £2.3m (2018 - £6.9m) 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 £2.4m (2018 - £0.9m) out of which £2.2m (2018 - £0.7m) related to pro bono services provided by Bain & Co in the form of UK education consultancy services.

3a. Investment income

Investment income arises from dividend income from investments, fee rebates and interest receivable on funds held in interest bearing bank accounts and on fixed term deposits. During the year investment income was £353k (2018 - £192k) for the group and £281k (2018 - £115k) for the charity.

Notes to the Accounts

For the year ended 31 August 2019

3b. Non-charitable trading funds

Non-charitable trading funds represents the turnover generated by EdCity Development Limited through charges made to third parties for the delivery of the EdCity development project.

4. Analysis of expenditure

Group

| | Restricted funds | | Unrestricted funds | Total 2019 £'000 | Total 2018 £'000 |
|---|---|--------------------------------------|---------------------------------|---------------------------------|------------------------|
| | Activities undertaken directly £'000 | Grant funding of activities £'000 | Support costs (note 5) £'000 | | |
| Expenditure on charitable activities | | | | | |
| UK Education | 6,775 | 5,720 | 683 | 13,178 | 11,107 |
| EdCity | 4,913 | 2,078 | 310 | 7,301 | 2,554 |
| Intl Education | | | | | |
| Education Partnerships Group | 571 | 1,824 | 310 | 2,705 | 3,634 |
| Global Schools Forum | 4 | 272 | 77 | 353 | 312 |
| Intl Education - Other | — | 1,794 | 93 | 1,887 | 1,323 |
| Continuing operations | 12,263 | 11,688 | 1,473 | 25,424 | 18,930 |
| Zimbabwe-Safe arrivals | 435 | — | 77 | 512 | 221 |
| Assembly | 418 | — | 14 | 432 | 844 |
| Peepul | 596 | — | — | 596 | (44) |
| Discontinued operations | 1,449 | — | 91 | 1,540 | 1,021 |
| Total | 13,712 | 11,688 | 1,564 | 26,964 | 1,021 |
| Expenditure on raising funds | | | | | |
| Endowment funds | | | | | |
| Investment management fees | 60 | — | — | 60 | 53 |
| Unrestricted funds | | | | | |
| Cost of raising funds | — | — | 541 | 541 | 802 |
| | 60 | — | 541 | 601 | 855 |
| Total expenditure | 13,772 | 11,688 | 2,105 | 27,565 | 20,806 |

Notes to the Accounts

For the year ended 31 August 2019

4. Analysis of expenditure (continued)

Charity

| | Restricted funds | | Unrestrict ed funds | Total 2019 £'000 | Total 2018 £'000 |
|---|---|--|---------------------------------------|---------------------------------|------------------------|
| | Activities undertaken directly £'000 | Grant funding of activities £'000 | Support costs (note 5) £'000 | | |
| Expenditure on charitable activities | | | | | |
| UK Education | 2,568 | 5,400 | 683 | 8,651 | 8,088 |
| EdCity | — | 4,021 | 310 | 4,331 | 2,554 |
| Intl Education | | | | | |
| Education Partnership Group | 53 | 2,187 | 310 | 2,550 | 3,380 |
| Global Schools Forum | 4 | 272 | 77 | 353 | 312 |
| Intl Education - Other | — | 1,794 | 93 | 1,887 | 1,323 |
| Continuing operations | 2,625 | 13,674 | 1,473 | 17,772 | 15,657 |
| Zimbabwe - Safe arrivals | — | (202) | 77 | (125) | 203 |
| Assembly | — | 318 | 14 | 332 | — |
| Discontinued operations | — | 116 | 91 | 207 | 203 |
| Total | 2,625 | 13,790 | 1,564 | 17,979 | 15,860 |
| Expenditure on raising funds | | | | | |
| Cost of raising funds | — | — | 541 | 541 | 802 |
| Total expenditure | 2,625 | 13,790 | 2,105 | 18,520 | 16,662 |

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 raising 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 £0.2m (2018 - £0.4m) 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 2019

5. Allocation of support costs

Group and Charity

| | Management costs £'000 | Finance £'000 | Governance costs £'000 | Other overheads & support staff £'000 | Total 2019 £'000 | Total 2018 £'000 |
|---|---------------------------|------------------|---------------------------|--|-----------------------------------|---------------------|
| Expenditure on charitable activities | | | | | | |
| UK Education | 227 | 218 | 100 | 138 | 683 | 781 |
| EdCity | 101 | 101 | 46 | 62 | 310 | — |
| Intl Education | | | | | | |
| Education Partnership Group | 101 | 101 | 46 | 62 | 310 | 386 |
| Global Schools Forum | 25 | 25 | 11 | 16 | 77 | 1 |
| Intl Education - Other | 25 | 25 | 11 | 32 | 93 | 73 |
| Continuing activities | 479 | 470 | 214 | 310 | 1,473 | 1,241 |
| Zimbabwe - Safe Arrivals | 25 | 25 | 11 | 16 | 77 | 147 |
| Assembly | — | 9 | 3 | 2 | 14 | 26 |
| Peepul | — | — | — | — | — | 54 |
| Discontinued operations | 504 | 504 | 228 | 328 | 1,564 | 1,468 |
| Expenditure on raising funds | 139 | 59 | — | 343 | 541 | 802 |
| Total expenditure | 643 | 563 | 228 | 671 | 2,105 | 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 i.e. charitable activities and raising funds and is based upon an allocation of the time spent by individual members of staff.

Notes to the Accounts

For the year ended 31 August 2019

6. Investments

| | Group | Charity | Group | Charity |
|---|---------------|----------------|---------------|---------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £000 | £000 | £000 | £000 |
| Market value at 1 September | 23,417 | 16,165 | 26,309 | 19,320 |
| Additions to investments at cost | 20,186 | 17,000 | 2,355 | - |
| Disposals at market value | (4,048) | (584) | (4,299) | (1,989) |
| Net unrealised investment gains/(losses) | 2,711 | 2,289 | (2,024) | (2,091) |
| Market value at 31 August | <u>42,266</u> | <u>34,870</u> | <u>22,341</u> | <u>15,240</u> |
| Cash held by investment managers for reinvestment | 289 | 271 | 1,076 | 926 |
| | 42,555 | 35,141 | 23,417 | 16,166 |
| Cost of listed investments at 31 August | <u>30,188</u> | <u>25,377</u> | <u>14,050</u> | <u>8,961</u> |

Disposals are analysed as follows:

| | Group | Charity | Group | Charity |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £000 | £000 | £000 | £000 |
| Proceeds | (4,181) | (868) | (6,331) | (4,000) |
| Realised gain | 133 | 284 | 2,032 | 2,011 |
| Disposals at market value | (4,048) | (584) | (4,299) | (1,989) |

All listed investments were traded on a recognised stock exchange. Investments held by the group at 31 August 2019 comprised the following:

| | 2019 | 2018 |
|-------------------------------|---------------|-------|
| | £000 | £000 |
| Overseas equities | 3,811 | 3,976 |
| Fixed interest | 998 | 685 |
| Foreign exchange contracts | (106) | (59) |
| Alternative assets | 37,240 | 1,874 |
| Cash, deposits and short term | 135 | - |
| Miscellaneous | 461 | 626 |
| | 42,539 | 7,102 |

Alternative assets include investments in hedge funds.

Foreign exchange forward contracts are used to ameliorate the risk associated with holding investments in foreign currencies. These are held by the investment managers and form part of their strategy for managing risk.

Notes to the Accounts

For the year ended 31 August 2019

6. Investments (continued)

| | Group | Charity | Group | Charity |
|---|---------------|----------------|---------|---------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Unrealised gains include above: | | | | |
| On investments | 12,367 | 9,764 | 9,367 | 7,205 |
| | 12,367 | 9,764 | 9,367 | 7,205 |
| Reconciliation of movements in unrealised gains: | | | | |
| Unrealised gains at 1 September | 9,367 | 7,205 | 10,366 | 8,422 |
| Less: in respect to disposals in the year | (663) | (284) | 2,002 | 2,010 |
| Add: net realised gains/ (losses) | 3,663 | 2,275 | (3,001) | (3,227) |
| | 12,367 | 9,764 | 9,367 | 7,205 |

7. Net movement in funds

Net movement in funds is stated after charging:

| | Group | Charity | Group | Charity |
|----------------------------------|--------------|----------------|-----------|-----------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Operating lease charges | 185 | — | 163 | — |
| Depreciation | — | — | 9 | — |
| Auditors' remuneration | | | | |
| - audit of consolidated accounts | 27 | 27 | 28 | 28 |
| - audit of subsidiaries | 21 | — | 11 | — |
| - other audit and tax fees | 58 | 3 | — | — |
| Total | 106 | 30 | 39 | 28 |

Notes to the Accounts

For the year ended 31 August 2019

8. Fixed assets

Group

| | Equipment, F&F £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------|----------------------------|----------------------------|----------------|
| Cost: | | | |
| At 1 September 2018 | 8 | 75 | 83 |
| Disposals | (8) | (75) | (83) |
| At 31 August 2019 | — | — | — |
| Depreciation: | | | |
| At 1 September 2018 | 8 | 48 | 56 |
| Disposals | (8) | (48) | (56) |
| At 31 August 2019 | — | — | — |
| Net Book Value: | | | |
| At 31 August 2019 | — | — | — |
| At 31 August 2018 | — | 27 | 27 |

No fixed assets are held by the Charity (2018 - £nil).

9. Investment property

| | £'000 |
|--------------------------|------------|
| Cost or valuation: | |
| At 1 September 2018 | 685 |
| Increase in fair value | 57 |
| At 31 August 2019 | 742 |

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 £131,897 (2018 - £72,309) relating to assets held under a finance lease (note 12).

Notes to the Accounts

For the year ended 31 August 2019

9. Debtors

| | Group 2019 £'000 | Charity 2019 £'000 | Group 2018 £'000 | Charity 2018 £'000 |
|---------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Receivable within 1 year | | | | |
| Trade debtors | 2,327 | 9 | 146 | 48 |
| Prepayments and other debtors | 487 | 328 | 664 | 657 |
| Accrued income | 660 | 630 | 2,470 | 2,468 |
| | 3,474 | 967 | 3,280 | 3,173 |

10. Creditors

| | Group 2019 £'000 | Charity 2019 £'000 | Group 2018 £'000 | Charity 2018 £'000 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Amounts falling due within 1 year | | | | |
| Trade Creditors | 503 | 55 | 256 | 105 |
| Related company creditors (Ark Schools) | 15,620 | 14,193 | 3,096 | 1,895 |
| Grant creditors | 825 | 17,594 | 11,825 | 12,867 |
| Tax and social security creditors | 194 | 97 | 212 | 89 |
| Other creditors | 178 | 764 | 273 | 920 |
| Deferred Income | 1,503 | 82 | 1,123 | 42 |
| | 18,823 | 32,785 | 16,785 | 15,918 |

Notes to the Accounts

For the year ended 31 August 2019

11. Creditors (continued)

Movements in deferred income are analysed below.

| Group | At 31 August 2018 £000 | Released from previous year £000 | Deferred in current year £000 | At 31 August 2019 £000 |
|------------------------------|------------------------------|--|-------------------------------------|---------------------------------------|
| Programme fees | 1,050 | (1,050) | 1,421 | 1,421 |
| Programme grant | 73 | (73) | 82 | 82 |
| Total deferred income | 1,123 | (1,123) | 1,503 | 1,503 |

12.

| Charity | At 31 August 2018 £000 | Released from previous year £000 | Deferred in current year £000 | At 31 August 2019 £000 |
|------------------------------|------------------------------|--|-------------------------------------|---------------------------------------|
| Programme grant | 42 | (42) | 82 | 82 |
| Total deferred income | 42 | (42) | 82 | 82 |

| Amounts falling due after 1 year | Group | Charity | <i>Group</i> | <i>Charity</i> |
|---|---------------|----------------|--------------|----------------|
| | 2019 | 2019 | <i>2018</i> | <i>2018</i> |
| | £'000 | £'000 | <i>£'000</i> | <i>£'000</i> |
| Finance Lease Liability | 132 | — | 72 | — |
| Loan | 13,514 | 5,500 | 5,500 | 5,500 |
| Grant creditors | 504 | 504 | 427 | 427 |
| | 14,150 | 6,004 | 5,999 | 5,927 |

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'.

During the period ended 31 August 2019, a loan totalling £8m was advanced to EdCity Office by a charity based in the Netherlands to support the financing of the EdCity project. The agreement was that the loan was repayable in full on the fifth anniversary of the advance, i.e. 26 February 2024. The loan was interest-free until 26 February 2024. In the event that the loan was not repaid in full on 26 February 2024, the lender would apply interest at a rate of 2% per annum from this date. The loan was unsecured.

Ark is also in receipt of a £5.5m loan from Ambition Institute (note 17).

Notes to the Accounts

For the year ended 31 August 2019

11. Finance Lease

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Not later than one year | — | — |
| Later than one year and not later than five year | 2 | 2 |
| Later than five years | 301 | 302 |
| Total gross payment | 303 | 304 |
| Less: finance charges | (171) | (232) |
| Carrying amount of liability | 132 | 72 |

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

Notes to the Accounts

For the year ended 31 August 2019

12. Analysis of charitable funds

Group

| | 31 Aug 2018 £'000 | Income £'000 | Gains/ (losses) and transfers £'000 | Expenditure £'000 | 31 Aug 2019 £'000 |
|--|-------------------------|-----------------|--|----------------------|-------------------------|
| Restricted funds | | | | | |
| UK Education | 2,489 | 9,155 | 3,889 | (12,495) | 3,038 |
| EdCity | 1,696 | 19,777 | 1,097 | (6,991) | 15,579 |
| Intl Education | | | | | |
| Education Partnership Group | (45) | 2,464 | 44 | (2,395) | 68 |
| Global Schools Forum | — | 236 | 40 | (276) | — |
| Intl Education – Other | — | 1,924 | (130) | (1,794) | — |
| Health | | | | | |
| Mozambique HIV (GPAF IMP080) | 2 | — | (2) | — | — |
| Zambia- Awareness & Elimination of Diarrhoea | 2 | — | (2) | — | — |
| Uganda-Scale-Up of Diarrhoea Treatment | 2 | — | (2) | — | — |
| Diarrhoea Gen | 1 | — | (1) | — | — |
| South Africa - HIV/AIDS | 37 | — | (37) | — | — |
| Continuing operations | 4,184 | 33,556 | 4,896 | (23,951) | 18,685 |
| Zimbabwe-Safe arrivals | 287 | 350 | (202) | (435) | — |
| Assembly | 32 | 386 | — | (418) | — |
| Peepul | 596 | — | — | (596) | — |
| Discontinued operations | 915 | 736 | (202) | (1,449) | — |
| Total | 5,099 | 34,292 | 4,694 | (25,400) | 18,685 |
| Endowment Funds | | | | | |
| Endowment held for Ark Schools | 6,431 | — | 147 | (60) | 6,518 |
| Unrestricted funds | | | | | |
| Core funds | 2,238 | 401 | 1,045 | (2,014) | 1,579 |
| General programme funds | 50 | 4,168 | (3,589) | — | 629 |
| Continuing operations | 2,288 | 4,569 | (2,544) | (2,014) | 2,208 |
| Zimbabwe-Safe arrivals | — | — | — | (91) | (91) |
| Discontinued operations | — | — | — | (91) | (91) |
| Total | 2,288 | 4,569 | (2,544) | (2,105) | 2,208 |
| Total Group funds | 13,818 | 38,861 | 2,297 | (27,565) | 27,411 |

Notes to the Accounts

For the year ended 31 August 2019

13. Analysis of charitable funds (continued)

Charity

| | 31 Aug 2018 | Income | Gains/ (losses) and transfers | Expenditure | 31 Aug 2019 |
|--------------------------------|----------------|---------------|-------------------------------------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Restricted funds | | | | | |
| UK Education | 1,104 | 4,405 | 3,886 | (8,291) | 1,104 |
| EdCity | 1,696 | 2,325 | — | (4,021) | — |
| Intl Education | | | | | |
| Education Partnership Group | — | 2,240 | — | (2,240) | — |
| Global Schools Forum | — | 236 | 40 | (276) | — |
| Intl Education - Other | — | 1,924 | (130) | (1,794) | — |
| Continuing operations | 2,800 | 11,130 | 3,796 | (16,622) | 1,104 |
| Zimbabwe – Safe Arrivals | — | — | (207) | 207 | — |
| Discontinued operations | — | — | (207) | 207 | — |
| Total | 2,800 | 11,130 | 3,589 | (16,415) | 1,104 |
| Unrestricted funds | | | | | |
| Core funds | 2,238 | 401 | 1,045 | (2,014) | 1,670 |
| General programme funds | 50 | 4,168 | (3,589) | — | 629 |
| Continuing operations | 2,288 | 4,569 | (2,544) | (2,105) | 2,208 |
| Zimbabwe-Safe arrivals | — | — | — | (91) | (91) |
| Discontinued operations | — | — | — | (91) | (91) |
| Total | 2,288 | 4,569 | (2,544) | (2,105) | (2,208) |
| Total Charity Funds | 5,088 | 15,699 | 1,045 | (18,520) | 3,312 |

Income is the amount receivable 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. Unrestricted funding transferred to programmes is agreed annually by the Board and is used to further the charitable aims of each programme. Unrestricted funds committed to programmes but not used in full are transferred back to the general programme fund unless there is an agreement with the Board to hold these funds for future use.

Expenditure is the amount expended or committed as grants to other entities including other group companies.

Notes to the Accounts

For the year ended 31 August 2019

13. Staff costs and numbers

| | Group 2019 £'000 | Charity 2019 £'000 | Group 2018 £'000 | Charity 2018 £'000 |
|-------------------------|---------------------------------|-----------------------------------|------------------------|--------------------------|
| Salaries and wages | 5,429 | 2,499 | 4,918 | 2,172 |
| Social security costs | 668 | 317 | 483 | 265 |
| Pension costs | 523 | 241 | 406 | 200 |
| Total salary costs | <u>6,620</u> | <u>3,057</u> | <u>5,807</u> | <u>2,637</u> |
| Other staff costs | 178 | 26 | 93 | 30 |
| Total staff cost | <u>6,798</u> | <u>3,083</u> | <u>5,900</u> | <u>2,667</u> |

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

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

| | Group 2019 No. | Charity 2019 No. | Group 2018 No. | Charity 2018 No. |
|------------------|-------------------------------|---------------------------------|----------------------|------------------------|
| Programmes | 98 | 24 | 109 | 19 |
| Support services | 17 | 13 | 39 | 18 |
| Fundraising | 4 | 4 | 6 | 5 |
| | <u>119</u> | <u>41</u> | <u>154</u> | <u>42</u> |

Notes to the Accounts

For the year ended 31 August 2019

14. Staff costs and numbers (continued)

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

| | Group 2019 No. | Charity 2019 No. | Group 2018 No. | Charity 2018 No. |
|---------------------|----------------------|------------------------|----------------------|------------------------|
| £210,001 - £220,000 | 1 | 1 | - | - |
| £200,001 - £210,000 | - | - | 1 | - |
| £190,001 - £200,000 | - | - | - | 1 |
| £140,001 - £150,000 | 2 | 2 | 2 | 2 |
| £130,001 - £140,000 | - | - | - | - |
| £120,001 - £130,000 | 2 | 2 | - | - |
| £100,001 - £110,000 | 1 | - | 2 | 1 |
| £90,001 - £100,000 | 2 | 2 | - | - |
| £80,001 - £90,000 | 3 | 1 | 5 | 3 |
| £70,001 - £80,000 | 4 | 4 | 4 | 2 |
| £60,001 - £70,000 | 1 | 2 | 2 | 2 |

The pension contributions made on behalf of the above employees were £115.6k (2018 - 101.1k) in the group and £110.3k (2018 - £69.1k) in the charity. No benefit other than pension has been provided to employees.

Total remuneration paid to charity key management personnel was £769k (2018 - £700k).

On closure of the maternity and newborn programme run by Ark Zimbabwe on 31 January 2019, £83k redundancy costs were paid to staff based in Zimbabwe. All costs were recognised in the current financial year.

15. Directors' remuneration and expenses

The charity did not pay any remuneration to its trustees (2018 – nil). No expenses were reimbursed to or paid on behalf of trustees during the year.

Notes to the Accounts

For the year ended 31 August 2019

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 Uganda | Uganda | 100% ownership | Education | Dormant |
| EdCity Development Limited | United Kingdom | 100% ownership | Construction | Trading |
| EdCity Office Limited | United Kingdom | 100% ownership | Real Estate Holding | Trading |
| EdCity Management Company Limited | United Kingdom | 100% ownership | Real Estate Management | Dormant |

| | Ark UK Programmes £'000 | Ark (South Africa Ltd £'000 | Ark Zimbabwe £'000 | EdCity Office £'000 | EdCity Development Ltd £'000 |
|------------------------------------|-------------------------------|-----------------------------------|--------------------------|---------------------------|---------------------------------------|
| 2019 | | | | | |
| £'000 | | | | | |
| Income | 5,512 | 587 | 350 | 17,092 | 3,406 |
| Expenditure | (4,809) | (518) | (403) | (1,513) | (3,406) |
| Net gains on investments | 147 | — | — | — | — |
| Net movement in funds | 850 | 69 | (53) | 15,579 | — |
| Total funds brought forward | 7,599 | 4 | 287 | — | — |
| Transfer of funds out of the group | — | — | (234) | — | — |
| Total funds carried forward | 8,449 | 73 | — | 15,579 | — |
| Fixed assets | 8,157 | — | — | — | — |
| Current assets | 3,667 | 102 | — | 25,091 | 3,633 |
| Liabilities | (3,375) | (30) | — | (9,512) | (3,633) |
| Transfer of funds out of the group | — | — | — | — | — |
| Total funds | 8,449 | 73 | — | 15,579 | — |

Notes to the Accounts

For the year ended 31 August 2019

17. Related party transactions

Ark made no new grants to its sister charity Ark Schools (2018 - £1.4m) to cover the core costs of the charity to 31 August 2019. £3.8m of grants were made by Ark in support of Ark Schools' programmes (2018 - £1.2m). At the year end the unpaid grant allocated to Ark Schools was £9.8m (2018 - £9.3m), 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.

During the period of report, the charity was gifted £17,000,000 (2018 - £nil) of shares in the MW Eureka Fund, taking the year-end carrying value to £21,395,420 (2018 - £3,052,581). £7,500,000 was gifted by the Sequoia Charitable Trust, where Sir Paul Marshall is a trustee, and £9,500,000 by the Jagclif Charitable Trust, where Ian Wace is a trustee. Sir Paul Marshall and Ian Wace are also trustees of Ark. The MW Eureka Fund is a hedge fund managed by Marshall Wace LLP. Sir Paul Marshall and Ian Wace are members of Marshall Wace LLP.

£1,000,000 income was received in the year from the Jagclif Charitable Trust. Ian Wace is a trustee of the Jagclif Charitable Trust and is also a trustee of Ark. This income was restricted to the EdCity development. The funds were used in full during the reporting period.

£1,750,000 income was received in the year from the Sequoia Trust. Sir Paul Marshall is a trustee of the Sequoia Trust and is also a trustee of Ark. £1,000,000 was restricted to the EdCity development and the funds were used in full during the reporting period. £750,000 was restricted to the Ark Teacher Training programme, operated out of Ark Schools. The full balance was remaining and is included in creditors at 31 August 2019.

Ambition Institute was launched in March 2019 following the merger of two education charities, Ambition School Leadership and the Institute for Teaching. During the year there were no new grants to Ambition Institute (2018 - £nil), but £0.1m cash was paid from Ark to the charity (2018 £0.5m). No cash (2018 £0.5m) was held at the year end. Ark continues to hold £5.5m received from Ambition Institute which is intended to be utilised for a capital investment for the benefit of Ambition Institute. 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 (2018 £5.5m).

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 grants of £1.0m (\$1.3m) from Ark US (2018 £0.3m (\$0.4m)).

Notes to the Accounts

For the year ended 31 August 2019

18. Operating lease commitments

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

| | Group 2019 £'000 | Charity 2019 £'000 | <i>Group</i> <i>2018</i> <i>£'000</i> | <i>Charity</i> <i>2018</i> <i>£'000</i> |
|-----------------|---|---|---|---|
| Within one year | 61 | - | 9 | - |
| | 61 | - | 9 | - |

19. Notes to the consolidated statement of cash flows

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

| | Group 2019 £'000 | Group 2018 £'000 |
|---|---|------------------------|
| Net income (expenditure) as per the Statement of Financial Activities | 13,593 | (1,097) |
| Adjustments for: | | |
| Depreciation charges | — | 9 |
| (Gains) on investments | (2,338) | (1,054) |
| Dividends, interest and rents from investments | (353) | (192) |
| (Increase) in debtors | (194) | (1,784) |
| Increase in creditors (excluding endowment) | 10,163 | (3,105) |
| Net cash provided by/(used in) operating activities | 20,871 | (7,223) |

20. 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.

Notes to the Accounts

For the year ended 31 August 2019

21. Discontinued operations

Assembly

On 1 February 2019, Groupcall, a leading provider of data, identity management and communication solutions for schools acquired Assembly from Ark UK Programmes. Income and expenditure included in the accounts relating to Assembly in 2018/19 is shown below. All funds transferred during 2018/19, leaving £nil fund balance at the end of the year.

| | Restricted £000 | Year ended 31 August 2019 Total £000 | Year ended 31 August 2018 Total £000 |
|--------------------------|--------------------|---|---|
| Income from: | | | |
| Donations and legacies: | | | |
| Grants and donations | 337 | 337 | 730 |
| Charitable activities | | | |
| Programme fees | 49 | 49 | 96 |
| Total income | 386 | 386 | 826 |
| Expenditure on: | | | |
| Charitable activities | | | |
| Support to programmes | 418 | 418 | 844 |
| Total expenditure | 418 | 418 | 844 |
| Net expenditure | (32) | (32) | (18) |

Peepul

On 1 September 2019, Peepul became independent of Ark. There was no income or expenditure in the year. All funds transferred during 2018/19, leaving £nil fund balance at the end of the year.

Notes to the Accounts

For the year ended 31 August 2019

21. Discontinued operations (continued)

Zimbabwe

Ark Zimbabwe Trust was registered in April 2012 (registration number MA0398/2012). It became independent of Ark on 31 January 2019. Previously, the maternal and newborn care programme was accounted for through this Trust which was consolidated as a subsidiary of the charity. Income and expenditure included in the accounts relating to Ark Zimbabwe in 2018/19 is shown below. All funds transferred during 2018/19, leaving £nil fund balance at the end of the year.

| | Restricted £000 | Year ended 31 August 2019 Total £000 | Year ended 31 August 2018 Total £000 |
|------------------------------|--------------------|---|---|
| Income from: | | | |
| Donations and legacies: | | | |
| Grants and donations | 350 | 350 | 57 |
| Total income | 350 | 350 | 57 |
| Expenditure on: | | | |
| Charitable activities | | | |
| Support to programmes | 435 | 435 | 74 |
| Total expenditure | 435 | 435 | 74 |
| Net income (expenditure) | (85) | (85) | (17) |
| Fund transfers | (202) | (202) | - |
| Net movement in funds | (287) | (287) | (17) |

22. Post balance sheet event

The charity was impacted by the UK government decision to take the country into lockdown on 23 March 2020, with the majority of countries in the world also imposing similar restrictions. Ark has adapted its operational model to continue to provide its core services remotely as staff work from home. A small proportion of staff have been furloughed and the delivery of EPG has been curtailed. The charity is planning a number of scenarios for the longer term in light of the impact of continued social distancing. This is likely to change the way the charity operates over the coming months.

At a board meeting on 18 May 2020 a decision was made to pause the EdCity project whilst the future is reassessed by all key stakeholders to the project. There is a range of options available with regards to the future of the project, but a decision was taken to repay £9m of donor funding and the £8m loan pending long-term agreement on the future of the project.

Notes to the Accounts

For the year ended 31 August 2019

23. Comparative consolidated statement of financial activities for the year ended 31 August 2018

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