

Ark Schools

**Consolidated annual report and
financial statements**

31 August 2015

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

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Reference and administrative details Year to 31 August 2015

Members	Absolute Return for Kids (ARK)
Directors	Ron Beller Paul Dunning Stanley Fink Gerard Griffin Lucy Heller Paul Marshall Anthony Williams Neil Wood
Secretary	Michael Sandall
Managing Director	Lucy Heller
Registered office	65 Kingsway London WC2B 6TD
Company registration number	05112090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc 95 George Street Croydon CR9 2NS Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

REPORT OF THE DIRECTORS

The directors of Ark Schools present their annual report and the audited consolidated financial statements of Ark Schools (the charitable company) for the year to 31 August 2015 and its subsidiary company, Ark Academies Projects Limited, together known as 'the Group'.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 23 to 26 and comply with the company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Ark Schools was established in 2004 to set up and operate non-selective schools through the academies programme.

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

Members

The member of the company is the principal sponsor, Absolute Return for Kids ("ARK"). The member of the company is liable to contribute a maximum of £10 to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities.

Directors and trustees

The articles of association require at least three directors to hold office at any given time. The following directors served throughout the year:

Director

Ron Beller

Paul Dunning

Stanley Fink

Gerard Griffin

Lucy Heller

Paul Marshall

Anthony Williams

Neil Wood was appointed on October 1st 2015.

Lucy Heller also fulfils a paid role as Managing Director. Further details are provided within note 25 to the financial statements.

During the year under review, the directors held six meetings.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Directors and trustees (continued)

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

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

Method of recruitment and appointment of directors

When new directors are to be appointed, the board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the board, the current needs of the school network, good practice governance for multi-academy trusts and the requirements of the charitable company's governing documents.

Policies and procedures adopted for the induction and training of directors

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

Management

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

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

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

Employee involvement

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principal/headteachers also meet regularly to share knowledge and best practice. The Ark Schools training menu provides information and access to internal and external professional development and support. Network hub days are held for subject specific training. Immediate and topical news is distributed by email. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

STRUCTURE, GOVERNANCE AND MANAGEMENT

(continued)

Disabled employees

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

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

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

Connected organisations

The following are connected organisations within the meaning of the latest Accounts Direction issued by the Education Funding Agency:

- Absolute Return for Kids – Company no. 04589451, Charity no. 1095322 (see note 24)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 24)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 14)

Subsidiary company

Ark Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of Ark Schools. The company's principal activity is the provision of nursery education and the letting of sports facilities through a number of academies operated by Ark Schools.

STRATEGIC REPORT

Introduction

Ark Schools is an education charity. We operate a top-performing network of 31 schools, educating 17,000 young people, across Birmingham, Hastings, London and Portsmouth. Each Ark school has its own ethos and character but they all share the same mission: to give every child the very best start so that, when the time comes, they are able to go on to university or the career of their choice.

Ark Schools works in areas of disadvantage and historic underachievement to ensure that all pupils, whatever their background, go to a great school and have real choices in life.

Public benefit

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

The year in review

In September 2014 we opened four new schools in England – three primaries –Blacklands and Little Ridge in Hastings and Dickens in Portsmouth; and one secondary school –Elvin in Wembley.

What we've achieved: network results

Our schools operate in challenging social contexts, with over half of our year 11 students eligible for Pupil Premium funding – twice the national average. Ark students are also 40% more likely to have entered secondary school behind their peers.

Our schools achieve great results:

- In 2014, Ark was rated by the Department for Education as the highest performing large multi-academy trust for value added which measures how much progress students have made between primary and secondary school.
- Ark students are twice as likely to achieve five good GCSEs as the national average if they start secondary school behind.
- 81% of our Reception pupils achieved a good level of development and 87% of Year 1 pupils passed the phonics screening test up 11 points on 2014 (against a national average of 66% at reception and 77% at Year 1).
- At Key Stage 2, 72% of pupils secured a level 4 in reading, writing and maths, up five percentage points from the year before (against a national improvement rate of just two percentage points).
- Fifty-five percent of our pupils achieved five good GCSEs including English and maths, compared to a national average of 53%, and a sponsored academy average of 45%.

There are also some notable success stories from individual academies:

STRATEGIC REPORT (continued)

What we've achieved: network results (continued)

- King Solomon got 95% in the headline measure, improving even on their brilliant 93% last year, which makes them the best non-selective school in the whole country. Additionally, an impressive 72% of students at the school achieved at least five A*-Bs at GCSE.
- King's is the most improved sponsored academy in the country and the most improved school in Birmingham over the past two years.
- Conway Primary had the best key stage 1 exam results in the country for reading, writing and mathematics. The school, which has a mixed intake and is non-selective, beat many top private schools.

Encouragingly, we have seen a strong showing on some of the newer performance measures:

- In Attainment 8 (which measures students' average achievement across eight subjects) we scored 4.8 (around a 'C' grade) – above last year's Ark average and above the national average.
- On Progress 8 results (which measures students' progress across eight subjects) we scored +0.2, demonstrating our added value - above last year's national average.
- The number of students attaining the EBacc (a basket of at least five academic subjects) improved by two percentage points this year, up to 25%, just above last year's national average (23%).

We're proud that our schools have achieved some of the best results in the country. We're also proud that our staff have built environments where pupils can succeed. Ark schools are twice as likely to be outstanding and every Ark school that was in special measures when it joined the network has now come out of special measures. All but one of our schools that were given Ofsted's lowest inadequate rating ahead of joining the network are now rated good.

What next

Three new schools are opening in September 2015: Boulton and Chamberlain in Birmingham, along with Byron in Ealing and the expansion of Burlington Danes in Hammersmith and Fulham to include a primary phase. We have several free school projects in the pipeline which are due to open in 2017 – all of these schools are located in London close to our existing schools.

FINANCIAL REVIEW

Financial report for the year

Ark Schools reported an underlying operating surplus before transfers from Local Authorities on Conversion of £5.0m for the year ended 31 August 2015 (2014: surplus of £2.3m). This surplus reduces to £0.8m once Founding Partner monies of £2.7m, school donations and endowment withdrawals of £1.1m, and grants from UK Programmes of £0.4m are removed. Total operating incoming resources were £145.1m (2014: £116.9m). The 2015 figures are shown on the statement of financial activities in the two columns marked unrestricted funds and restricted general funds.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Most income comes from the Department for Education (DfE) as recurrent grants for particular purposes. These grants and the associated expenditure are included within restricted funds in the statement of financial activities.

During the year ended 31 August 2015, total expenditure (excluding depreciation) of £140.5m (2014 - £117.3m) was more than covered by grant funding from the DfE and other income. This figure does however include grants for our academies which are intended to be spent over more than one year. Grants to individual academies from the DfE and other sources are delegated to those academies in full.

At 31 August 2015, the net book value of tangible fixed assets was £358.0m (2014 - £334.8m).

Impact of capital items, depreciation and pension scheme adjustments

Once capital items, depreciation and pension scheme adjustments are included, the outcome for the year to 31 August 2015 was a net increase in funds of £30.0m. (2014: £81.5m.) Incoming resources were £179.3m (2014: £211.5m). Academies are funded by the Education Funding Agency (EFA) and the DfE for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for Ark Schools' financial statements:

1. Capital grants receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), these grants are shown in the Statement of Financial Activities as restricted income under the fixed assets fund, leading to accounting surpluses in the year a grant is received.
2. Ark Schools capitalises the school buildings it leases on a long term basis, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.
3. Ark Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pension schemes. Additionally Ark Schools will inherit the pension liability of new schools that join the network thus increasing the overall liability. Ark Schools accepts its financial responsibilities and has fully implemented the provisions of FRS17 relating to the pension schemes. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy ceased operating altogether, Parliament has agreed, at the request of the Secretary of State for Education, that the Department for Education would meet any outstanding pension liability.

Reserves policy

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

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Reserves policy (continued)

Included within restricted general funds is the pension reserve deficit of £14.9m (see note 21). Whilst this fund is in deficit, the local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As mentioned previously, it is unlikely that Ark Schools will be liable for lump sum amounts and the increased pension contribution will be met through budgeted annual income. Accordingly, there is no direct impact on Ark Schools' free reserves in recognising the deficit.

Financial position

Ark Schools held total fund balances at 31 August 2015 of £370m (2014: £340m), being £350m of restricted funds (2014: £328m) and £20m (2014: £12m) of unrestricted general funds. Restricted funds include a pension reserve deficit of £15m and £358m tied up in tangible fixed assets (2014: pension reserve deficit of £13m and tangible fixed assets of £335m).

Going concern

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk management

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

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

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Financial risk management objectives and policies

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

Liquidity risk

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

Interest rate risk

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

Other risks

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

AUDITOR

So far as the directors are aware:

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

The Directors' report, incorporating a strategic report, approved by order of the members of the board of directors on December 16th 2015 and signed on its behalf by:



Paul Marshall
Director

Scope of responsibility

As directors, we acknowledge we have overall responsibility for ensuring that Ark Schools has an effective and appropriate system of financial and management control. The directors have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between Ark Schools and the Secretary of State for Education. We are also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met six times during the last year. Attendance was as follows:

Director	Number of meetings	
	attended	Out of a possible
Ron Beller	5	6
Paul Dunning	4	6
Stanley Fink	5	6
Gerard Griffin	5	6
Lucy Heller	6	6
Paul Marshall	6	6
Anthony Williams	6	6
Neil Wood	2	3

Neil Wood was confirmed as the Chair of Audit and Risk Committee of the Ark Schools Board on February 12th 2015.

The Audit and Risk Committee is a sub-committee of the main board. It helps the Board oversee financial and other controls and with risk management, in the context of the planned growth in the network. The committee exists to ensure probity and efficiency in the management and expenditure by Ark Schools of income from all sources: public funding, donations and investment and commercial income, and compliance with the requirements of the EFA Academies Financial Handbook. The Committee was chaired by Paul Dunning, an Ark Schools director, who is an experienced investment manager until February 12th 2015 when Neil Wood, a Chartered Accountant, became Chair. Attendance at the Audit and Risk Committee meetings in the year was as follows:

Committee member	Number of meetings	
	attended	Out of a possible
Paul Dunning	4	4
Steve Maslin	3	4
Micky Sandall	4	4
Amanda Spielman	4	4
Neil Wood	4	4

Neil Wood and Steve Maslin, a Chartered Accountant, were appointed on October 1st 2014. Rob Brown resigned with effect from October 21st 2014. There were no other changes to committee membership in the year.

Governance review

Following a review that started in the year ended 31 August 2014 the Ark Schools Board has appointed two additional members with a professional finance background to the Audit and Risk Committee reflecting the need for further finance expertise given the expected tighter funding environment in future years. One of these appointees also serves on the Board of Ark Schools.

We continue to review the skills across our 31 Local Governing Bodies to ensure that we have the right skills in support of our schools, and enhanced the induction process for new governors. We continue to deliver training for governors.

Ark Schools was subject to a financial management and governance review by the Risk Analysis Division of the Education Funding Agency (EFA) in January 2015. Following this review of six of our schools and the central team, the EFA concluded that "Ark Schools is a well-managed and controlled Multi Academy Trust with good governance and financial accountability arrangements".

Review of value for money

As Accounting Officer the Managing Director has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the charitable company's use of its resources has provided good value for money during the academic year, and reports to the board of trustees where value for money can be improved, including the use on benchmarking data where available. The Accounting Officer for Ark Schools has delivered and improved value for money during the year by:

1) Delivering results

We're proud of the results achieved in our schools. For full details of the network results please refer to page 5.

2) Cost/budget management

Individual schools are responsible for their own budgets, under overall review from the network. Schools are required to submit management accounts to the central finance function of the academy trust on a monthly basis, showing actual costs against budget. Where schools' costs are significantly greater than those budgeted, the finance function and management team assists schools in understanding the reasons for this and putting in place strategies to manage costs going forward. In addition, each school presents its latest monthly management accounts to its Local Governing Body with commentaries explaining variances to budget.

3) Procurement / financial controls

A procurement policy is in place at Ark Schools whereby schools are required to make purchases from approved suppliers in order to guarantee the best possible value for money. Rigorous processes covering payroll management are also embedded in Ark Schools.

In 2014/15 Ark Schools engaged Baker Tilly to perform an internal audit at each school in the network which, amongst other things, examined the implementation and monitoring of controls in schools.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively and economically. The system of internal control operated during the year to 31 August 2015 and up to the date of approval of the annual report and financial statements.

Capacity to manage risk

The directors have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports showing financial performance against budgets and forecasts which are reviewed and where relevant approved by the board;
- regular reviews by the board of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors have considered the need for an internal audit function and have appointed Baker Tilly to perform a range of checks on each academy's financial systems and to produce a report which is made available to each Local Governing Body on the operation of the systems of control and on the discharge of the Local Governing Body's financial responsibilities, and by exception to the directors. These checks were carried out by Baker Tilly as planned and the internal audit function for the year has been fully delivered in line with the requirements of the Financial Handbook. While improvements to procedures have been recommended, no material control weaknesses were reported this year.

Review of effectiveness

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

- the work of the Responsible Officer and internal auditor;
- the work of the external auditor;

Governance statement 31 August 2015

Review of effectiveness (continued)

- the financial management and governance self-assessment process;
- the work of the staff responsible for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Approved by the directors on December 16th 2015 and signed on their behalf on by:



Paul Marshall
Director



Lucy Heller
Accounting Officer

Statement on regularity, propriety and compliance 31 August 2015

As Accounting Officer for Ark Schools I have considered my responsibility to notify the board and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between Ark Schools and the Secretary of State. In this I have had due regard to the requirements of the Academies Financial Handbook.

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of directors and EFA.

A handwritten signature in black ink, appearing to read 'Lucy Heller'.

Lucy Heller
Accounting Officer

Date: December 16th 2015

Statement of directors' responsibilities 31 August 2015

The directors (who act as the trustees of the charitable company for the purposes of charity law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the charitable company and financial information included on the charitable company's website.

Approved by order of the members of the board of directors on 16th December 2015 and signed on its behalf by:



Paul Marshall
Director

Independent auditor's report on the financial statements to the members of Ark Schools

We have audited the financial statements of Ark Schools for the year ended 31 August 2015 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the EFA.

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

Respective responsibilities of directors and auditor

The directors are also the trustees for the charitable activities of Ark Schools for the purpose of charity law.

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

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

Scope of the audit of the financial statements

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

Independent auditor's report on the financial statements 31 August 2015

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 August 2015 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

17 December 2015

Independent reporting accountant's assurance report on regularity to Ark Schools and the Education Funding Agency

In accordance with the terms of our engagement letter dated 28 September 2009 and its addendum dated 28 August 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Ark Schools during the period from 1 September 2014 to 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Ark Schools and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Ark Schools and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ark Schools and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Ark Schools' Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Ark Schools' amended and restated master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2014, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2014 to 2015. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies: Accounts Direction 2014 to 2015 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Approach (continued)

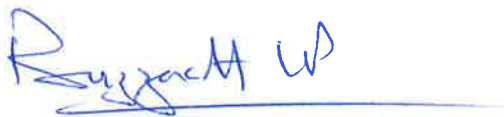
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Ark Schools' income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of Ark Schools' activities;
- ◆ Further testing and reviewing of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2014 to 31 August 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

17 December 2015

Consolidated statement of financial activities Year to 31 August 2015
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted funds £'000	Restricted funds General funds £'000	Fixed assets fund £'000	2015 Total funds £'000	2014 Total funds £'000
Incoming resources						
Income from generated funds						
. Voluntary income	2	3,583	5,725	17,600	26,908	35,045
. Transfer from Local Authority on conversion	19	546	(900)	11,782	11,428	59,926
. Activities for generating funds	3	1,688	—	—	1,688	1,438
. Interest receivable		118	70	—	188	131
Income from charitable activities						
. Funding for Ark Schools' educational operations	4	2,585	131,070	4,740	138,395	114,194
. Project management grants	5	—	265	—	265	395
Other incoming resources	6	388	—	—	388	439
Total incoming resources		8,908	136,230	34,122	179,260	211,568
Resources expended						
Cost of generating funds	8	973	—	—	973	1,020
Charitable activities						
. Ark Schools' educational operations	9a	1,561	134,792	9,204	145,557	123,637
. Development costs	9b	649	2,397	—	3,046	3,135
Governance costs	10	—	126	—	126	139
Total resources expended	7	3,183	137,315	9,204	149,702	127,931
Net incoming (outgoing) resources before transfers and other recognised gains and losses		5,725	(1,085)	24,918	29,558	83,637
Gross transfers between funds	17	1,765	—	(1,765)	—	—
Net income (expenditure)		7,490	(1,085)	23,153	29,558	83,637
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	21	—	215	—	215	(2,142)
Net gains on investments	24	222	—	—	222	—
		222	215	—	437	(2,142)
Net movement in funds		7,712	(870)	23,153	29,995	81,495
Fund balances brought forward at 1 September 2014		11,985	(7,257)	334,816	339,544	258,049
Fund balances carried forward at 31 August 2015		19,697	(8,127)	357,969	369,539	339,544

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

Balance sheets 31 August 2015

		2015		2014	
		Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
Fixed assets					
Tangible assets	13	357,969	357,969	334,816	334,816
Investments	14,24	1,032	1,032	750	750
		359,001	359,001	335,566	335,566
Current assets					
Debtors	15	11,730	12,361	7,501	7,855
Short term deposits		5,690	5,690	7,373	7,373
Cash at bank and in hand		22,231	22,231	13,005	13,005
		39,651	40,282	27,879	28,233
Creditors: amounts falling due within one year	16	(14,173)	(14,804)	(10,735)	(11,085)
Net current assets		25,478	25,478	17,144	17,148
Net assets excluding pension liability		384,479	384,479	352,710	352,714
Pension scheme liability	21	(14,940)	(14,940)	(13,166)	(13,166)
Net assets including pension liability		369,539	369,539	339,544	339,548

Represented by:

Funds and reserves

Income funds

Restricted funds	17				
. Fixed assets fund		357,969	357,969	334,816	334,816
. General restricted fund		6,813	6,813	5,909	5,909
. Pension reserve		(14,940)	(14,940)	(13,166)	(13,166)
		349,842	349,842	327,559	327,559
Unrestricted funds					
. General funds	17	19,697	19,697	11,985	11,989
		369,539	369,539	339,544	339,548

Approved by the board of directors on 16 December 2015 and signed on their behalf by:



Paul Marshall

Director

Company registration number: 05112090 (England and Wales)

Consolidated cash flow statement Year to 31 August 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	A	5,720	4,772
Return on investments and servicing of finance			
Interest received		118	131
Capital expenditure and financial investment			
Purchase of fixed assets		(2,975)	(3,486)
Capital grants received		4,740	3,010
Investments made		(60)	—
	B	7,543	4,427
Management of liquid resources			
Short term deposit transfers	B	1,683	(5,270)
Increase / (Decrease) in cash	B	9,226	(843)

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

	2015 £'000	2014 £'000
Net incoming resources	29,558	83,637
Capital funding grants	(4,740)	(3,010)
Capital donations received	(10,551)	—
Buildings brought in at valuation	(18,831)	(91,591)
FRS 17 pension costs less contributions payable (note 21)	1,159	744
FRS 17 pension finance (income) / cost (note 21)	(70)	72
Opening deficit on FRS 17 liability acquired on conversion (note 21)	900	3,430
Depreciation (note 13)	9,204	10,627
Interest receivable	(118)	(131)
Increase in debtors	(4,229)	(21)
Increase in creditors	3,438	1,015
Net cash inflow from operating activities	5,720	4,772

B. Analysis of changes in net funds

	At 1 September 2014 £'000	Cash flows £'000	At 31 August 2015 £'000
Cash at bank and in hand	13,005	9,226	22,231
Short term deposits	7,373	(1,683)	5,690
	20,378	7,543	27,921

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified to include certain investments at market value, and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice', Accounting and Reporting by Charities ('SORP 2005') the Academies Accounts Direction 2014 to 2015 issued by the EFA and the Companies Act 2006.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet includes the financial statements of the charitable company and its trading subsidiary, Ark Academies Projects Limited, made up to the balance sheet date.

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

Going concern

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

Incoming resources

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

Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed assets fund.

Donations

Donations are included in the statement of financial activities on an accruals basis where they are assured with certainty and receivable by the balance sheet date.

Sponsorship

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

Incoming resources (continued)

Interest receivable

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

Resources expended

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

Allocation of costs

In accordance with the SORP 2005, expenditure has been analysed between the group's charitable activities, development work and governance.

Development costs

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

Charitable activities

These are costs incurred in relation to the educational operations of the academies.

Governance costs

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

Tangible fixed assets

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

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

Furniture, fittings and equipment	25% p.a.
Computer equipment	50% p.a.
Motor vehicles	25% p.a.
Leasehold buildings and improvements	2% p.a.

Assets under construction include direct costs incurred to date on building work that is in progress at the year end. This includes professional costs. These are not depreciated until the asset is brought into use.

Tangible fixed assets (continued)

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

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

Investments

The company's shareholding in its wholly owned subsidiary, Ark Academies Projects Limited is included in the charitable company's balance sheet at the cost of the share capital owned.

Other investments are included on the balance sheet at fair value.

Fund accounting

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

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

The restricted fixed assets fund comprises resources which are to be applied to specific capital purposes imposed by the EFA and other funders where the asset acquired or created is held for a specific purpose.

Leased assets

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

Taxation

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

Pensions

Some of the academies' based staff are members of one of two types of multi-employer defined benefit pension schemes. More details of the schemes are given in note 21.

Defined Benefit Schemes

Teachers' Pension Scheme (TPS)

As the charitable company is unable to identify its share of the underlying (notional) assets and liabilities of the TPS, the charitable company has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the charitable company in the year.

Local Government Pension Scheme (LGPS)

Each LGPS is a defined benefit pension scheme and the company is able to identify its share of assets and liabilities within the scheme. Therefore, the requirements of the FRS 17, Retirement Benefits, have been followed.

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

Schools joining the Ark Schools network

Schools joining the Ark Schools network transfer identifiable assets and liabilities and the operation of the predecessor school. The assets and liabilities transferred have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the charitable company. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Notes to the financial statements 31 August 2015

1. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, all schools within the Ark Schools network were subject to limits at 31 August 2015 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes.

No schools within the Ark Schools network exceeded these limits during the year ended 31 August 2015.

2. Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Donation towards core costs by Ark (note 24)	3,583	—	3,583	4,710
Donations – capital	—	17,600	17,600	28,997
Donations – other	—	5,291	5,291	1,112
Grant from ARK UK Programmes	—	434	434	226
	3,583	23,325	26,908	35,045

3. Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Nursery fees	681	—	681	748
Hire of facilities	1,007	—	1,007	690
	1,688	—	1,688	1,438

Notes to the financial statements 31 August 2015

4. Funding for Ark Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Capital grants				
Devolved formula capital allocations	—	314	314	63
Academy main building grants	—	3,821	3,821	2,108
Local authority ICT capital grants	—	605	605	839
	—	4,740	4,740	3,010
DfE revenue grants				
General annual grant (GAG)	—	110,100	110,100	90,281
Start-up A	—	735	735	1,230
Start-up B	—	2,018	2,018	3,566
DfE Lead in and implementation income	—	1,708	1,708	1,101
Other DfE grants	—	9,472	9,472	8,263
	—	124,033	124,033	104,441
Other grants				
Local authority funding	—	4,315	4,315	3,645
Extended schools programme	267	—	267	130
Miscellaneous grants	—	2,173	2,173	703
	267	6,488	6,755	4,478
Other income				
School meals income	1,561	—	1,561	1,527
Tuition Fees	—	549	549	—
School uniform sales	130	—	130	246
Parent contributions to school trip costs	627	—	627	492
	2,318	549	2,867	2,265
	2,585	135,810	138,395	114,194

5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Academies programme	—	265	265	395

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

Notes to the financial statements 31 August 2015

6. Other income

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Miscellaneous income	388	—	388	439

7. Resources expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2015 £'000	Total 2014 £'000
Cost of generating funds	—	—	973	973	1,020
Academy's educational operations					
. Direct costs	81,917	9,204	8,386	99,507	87,282
. Educational support costs	21,720	10,892	13,438	46,050	36,355
Development costs	649	530	1,867	3,046	3,135
	104,286	20,626	24,664	149,576	127,792
Governance costs including allocated support costs	—	—	126	126	139
	104,286	20,626	24,790	149,702	127,931

Net Incoming/outgoing resources for the year include:

	2015 £'000	2014 £'000
Operating lease rentals :		
. Plant and machinery	422	349

Notes to the financial statements 31 August 2015

8. Cost of generating funds

	2015 Total funds £'000	2014 Total funds £'000
Lettings and nursery expenditure	973	1,020

9a. Ark Schools' educational operations

	2015 Total funds £'000	2014 Total funds £'000
Direct costs		
Staff costs (note 11)	81,917	68,952
Depreciation (note 13)	9,204	10,627
Educational supplies	3,220	3,106
Examination fees	900	750
Transport	104	97
Other pupil support costs	2,960	2,630
	98,305	86,162
Extended schools programme	1,202	1,120
Educational support costs		
Staff costs (note 11)	21,720	18,486
Recruitment and other staff costs	2,094	1,899
Catering contract	4,039	3,164
Printing and stationery	1,324	818
Office overheads	333	301
Heat and light	2,165	1,774
Premises (including buildings insurance)	8,671	6,742
Technology costs	4,221	2,018
Other insurance costs	56	101
Bank charges and net FRS 17 finance cost	10	102
Other expenses including release of provision	1,417	950
	46,050	36,355
	145,557	123,637

Notes to the financial statements 31 August 2015

9b. Development costs

	2015 Total funds £'000	2014 Total funds £'000
Staff costs (note 11)	649	647
Project implementation	195	150
Education development	201	247
Staff training and induction	811	1,016
Building costs	530	407
Research and marketing	343	307
Set up and launch costs	317	304
Miscellaneous	—	57
	3,046	3,135

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

10. Governance costs

	2015 Total funds £'000	2014 Total funds £'000
External auditor's remuneration		
. Audit of group financial statements*	90	89
Other compliance costs	36	50
	126	139

* This also includes regularity assurance and Teachers Pension end of year certificate assurance.

11. Staff

a. Staff costs

Staff costs during the period were as follows:

	2015 £'000	2014 £'000
Wages and salaries	80,241	68,842
Social security costs	6,394	5,537
Pension contributions	11,522	8,834
	98,157	83,213
Supply staff costs	5,142	3,979
Compensation payments	987	893
	104,286	88,085

b. Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £82,037 (2014 – £189,286). Individually these were for £3,246, £12,000, £20,000, £13,299, £6,210, £16,000 and £11,282.

Notes to the financial statements 31 August 2015

11. Staff costs (continued)

c. Staff numbers

The average full time equivalent number of persons employed by the group during the year ended 31 August 2015, analysed by function, were as follows:

	2015 FTE	2014 FTE
Charitable activities		
Teachers	1,138	976
Education support and administration staff	1,203	1,087
Projects and management staff	68	63
	2,409	2,126

d. Higher paid staff

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

	2015 Number	2014 Number
£60,001 - £70,000	67	55
£70,001 - £80,000	28	31
£80,001 - £90,000	15	16
£90,001 - £100,000	8	5
£100,001 - £110,000	1	2
£110,001 - £120,000	—	3
£120,001 - £130,000	5	2
£130,001 - £140,000	1	3
£140,001 - £150,000	3	1
£150,001 - £160,000	—	2
£160,001 - £170,000	1	—
£170,001 - £180,000	1	2
£180,001 - £190,000	1	—
	131	122

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Schemes (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £1,244,549 (2014 - £1,060,840).

Notes to the financial statements 31 August 2015

12. Central services

The central team at Ark Schools fulfils a number of functions. These include:

- Corporate governance and reporting, in line with the obligations imposed by company and charity law as well as by the DfE and the EFA;
- Risk management and quality assurance;
- Central administration; and
- New project management.

It also provides services to schools, including education support, training/CPD co-ordination, HR, financial and management accounting, IT licensing and support, legal support and governance services. The academy funding model allocates all funding directly to schools, including the elements that are intended to cover costs incurred at the central office. Some IT services are charged directly to schools on a resources used basis and partly on a per pupil basis. Other costs attributable to open schools are funded by a charge deducted from their GAG income. The actual amounts charged during the year were as follows:

	2015 £'000
Ark Academy	332
All Saints	94
Atwood Primary	55
Ayrton Primary	91
Bentworth Primary	53
Blacklands Primary	81
Brunel Primary	74
Burlington Danes	361
Conway Primary	30
Dickens Primary	97
Elvin	275
Franklin Primary	125
John Keats	80
Kings	75
Little Ridge Primary	65
Oval Primary	101
Priory	28
Putney	108
Rose Primary	63
Swift Primary	106
Tindal Primary	97
William Parker	226
Bolingbroke	99
Charter	194
Evelyn Grace	304
Globe	430
Helenswood	260
Isaac Newton	160
King Solomon	226
St Alban's	198
Walworth	375
	4,863

Notes to the financial statements 31 August 2015

13. Tangible fixed assets

Group and schools	Leasehold buildings and improvements £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 September 2014	349,840	9,741	62	13,709	3,391	376,743
Additions	18,994	752	—	1,143	11,468	32,357
Transfers	22	—	—	—	(22)	—
At 31 August 2015	368,856	10,493	62	14,852	14,837	409,100
Depreciation						
At 1 September 2014	20,338	8,373	62	13,154	—	41,927
Charge for the year	7,373	727	—	1,104	—	9,204
At 31 August 2015	27,711	9,100	62	14,258	—	51,131
Net book value						
At 31 August 2015	341,145	1,393	—	594	14,837	357,969
At 31 August 2014	329,502	1,368	—	555	3,391	334,816

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

Four schools joined the network during the year ended 31 August 2015. The value of the buildings transferred on conversion for the other schools were as follows:

	£'000
Blacklands Primary	3,919
Dickens Primary	2,002
Elvin	2,444
Little Ridge Primary	3,417
	11,782

The total value of £11.782 million has been included as additions to leasehold buildings and improvements addition during the year.

The building programme at Isaac Newton Primary was completed during the year ended 31 August 2015. The building was transferred to Ark Schools and an amount of £6.76 million has been capitalised in the financial statements. The building work at John Keats has not yet been completed and costs incurred to date (£13.89m) in relation to its capital programme are included within assets under construction. Once completed, the buildings will be transferred to Ark Schools on a long lease and the value will be capitalised in the financial statements.

Existing school buildings are leased on a short term basis until new buildings are ready. No value has been placed on these buildings.

Notes to the financial statements 31 August 2015

14. Wholly owned trading subsidiary

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

The following is a summary of the financial statements of Ark Academies Projects Limited for the year ended 31 August 2015, which have been included in the consolidated financial statements.

	2015 £'000	2014 £'000
Turnover	1,612	1,369
Cost of sales	(973)	(1,015)
Gross profit	639	354
Administrative expenses	(4)	(4)
Profit before charitable donation under Gift Aid	635	350
Charitable donation under Gift Aid	(631)	(354)
Profit/(loss) after charitable donation under Gift Aid	4	(4)
Retained loss brought forward at 1 September	(4)	—
Net assets/(liabilities) at 31 August	—	(4)

The £1 issued share capital equalled the net assets of Ark Academies Projects Limited at 31 August 2015.

15. Debtors

	Group 2015 £'000	Ark Schools 2015 £'000	Group 2014 £'000	Ark Schools 2014 £'000
Trade debtors	988	988	723	723
Amounts due from DfE/EFA	1,470	1,470	1,085	1,085
Sponsorship due from Ark	4,362	4,362	2,072	2,072
Prepayments and accrued income	2,906	2,906	1,921	1,921
Amounts due from subsidiary	—	631	—	354
VAT recoverable	1,931	1,931	1,634	1,634
Other debtors	73	73	66	66
	11,730	12,361	7,501	7,855

Notes to the financial statements 31 August 2015

16. Creditors: amounts falling due within one year

	Group 2015 £'000	Ark Schools 2015 £'000	Group 2014 £'000	Ark Schools 2014 £'000
Trade creditors	3,400	3,400	2,108	2,104
Taxation and social security	1,920	1,920	1,771	1,771
Accruals	4,979	4,979	3,177	3,177
Deferred income	1,752	1,752	1,281	1,281
EFA creditor – abatement of GAG	1,882	1,882	1,980	1,980
Amounts owed to subsidiary	—	631	—	354
Amounts due to ARK UK Programmes	—	—	2	2
Other creditors	240	240	416	416
	14,173	14,804	10,735	11,085

	2015 £'000
Deferred income	
Deferred Income at 1 September 2014	1,281
Resources deferred in the year	1,752
Amounts released from previous years	(1,281)
Deferred Income at 31 August 2015	1,752

At 31 August 2015, Ark Schools had received funds in advance for: lead-in income with respect to schools not yet open, schools to be opened after August 2015, funds received in advance with respect to Universal Infant Free School Meals and Devolved Funding Capital.

Notes to the financial statements 31 August 2015

17. Funds

	At 1 September 2014 £'000	Incoming resources £'000	Resources expended £'000	Transfers and other gains and losses £'000	At 31 August 2015 £'000
Restricted funds					
<i>DfE revenue grant funds</i>					
General Annual Grant (GAG) (note 1)	3,515	110,100	(110,641)	—	2,974
Start up and lead in (note 4)	—	4,461	(3,973)	—	488
Other DfE/EFA (note 4)	1,449	9,472	(10,671)	—	250
DfE project management grants (note 5)	—	265	(265)	—	—
	4,964	124,298	(125,550)	—	3,712
Pension reserve	(13,166)	(900)	(1,089)	215	(14,940)
	(8,202)	123,398	(126,639)	215	(11,228)
<i>Other</i>					
Local authority grants	—	4,315	(4,315)	—	—
Other donations	945	7,534	(5,812)	—	2,667
UK Programmes	—	434	—	—	434
Miscellaneous income	—	549	(549)	—	—
	945	12,832	(10,676)	—	3,101
<i>Fixed assets fund</i>					
DfE fixed assets fund	161,413	4,135	(4,337)	—	161,211
Ark sponsorship fixed assets fund	3,741	—	(935)	—	2,806
Other sponsorship fixed assets fund	166,598	29,987	(3,932)	—	192,653
Fixed asset fund - other	3,064	—	—	(1,765)	1,299
	334,816	34,122	(9,204)	(1,765)	357,969
Total restricted funds	327,559	170,352	(146,519)	(1,550)	349,842
Unrestricted funds					
Sponsorship of core costs by Ark	10,803	3,583	(644)	—	13,742
Other unrestricted funds	4,246	5,325	(2,539)	222	7,254
Fixed asset fund – other*	(3,064)	—	—	1,765	(1,299)
Total unrestricted funds	11,985	8,908	(3,183)	1,987	19,697
Total funds	339,544	179,260	(149,702)	437	369,539

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

General Annual Grant

Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2015. Note 1 discloses that these limits were not exceeded.

DfE revenue grant fund and other restricted funds

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

Notes to the financial statements 31 August 2015

17. Funds (continued)

Pension reserve

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

Other

These reserves consist of unutilised Founding Partner monies that have yet to have been requisitioned by specific academies and surpluses on certain UK Programmes that will be carried forward.

Fixed assets fund

This fund equates to the net book value of fixed assets. It includes grant funding received from DfE and sponsorship from Absolute Return for Kids (Ark) and other third parties to carry out capital works as well as school buildings transferred on conversion.

*Unrestricted funds include a deficit balance of £1,299,000 arising as a result of the cumulative transfers to the restricted fixed assets fund balance.

Notes to the financial statements 31 August 2015

17. Funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2015 were allocated as follows:

	2015 £'000
Ark Academy	2,318
All Saints	399
Atwood Primary	305
Ayrton Primary	655
Bentworth Primary	166
Blacklands Primary	96
Brunel Primary	454
Burlington Danes	2,516
Conway Primary	153
Dickens Primary	872
Elvin	756
Franklin Primary	775
John Keats	116
Kings	349
Little Ridge Primary	0
Oval Primary	733
Priory	29
Putney	26
Rose Primary	238
Swift Primary	583
Tindal Primary	1,157
William Parker	(498)
Bolingbroke	(183)
Charter	325
Evelyn Grace	949
Globe	1,430
Helenswood	21
Isaac Newton	360
King Solomon	3,600
St Alban's	657
Walworth	1,898
Sub-total	21,255
Ark Schools Central	5,255
Total fund balances before fixed assets and pension reserve	26,510

	2015 £'000
Total fund balance before fixed assets and pension reserve	26,510
Restricted fixed assets fund	357,969
Pension reserve	(14,940)
Total	369,539

Notes to the financial statements 31 August 2015

17. Funds (continued)

Bolingbroke had a net funds deficit of £183k at 31 August 2015 (2014 - £189k). The academy was opened on 1 September 2012 with only one year group. It is expected that, as the year groups fill up, a surplus will be achieved in future years. Until this time, Ark Schools will work with the academy to monitor costs closely.

William Parker had a net funds deficit of £498k (2014 – surplus £133k) at 31 August 2015 following significant restructuring required due to a fall in pupil numbers. Ark Schools will continue to work closely with the academy to ensure a surplus is achieved in future years.

Notes to the financial statements 31 August 2015

17. Funds (continued)

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total £'000
Ark Academy	6,470	868	176	1,506	9,020
All Saints	1,570	492	28	555	2,645
Atwood Primary	972	279	91	326	1,668
Ayrton Primary	1,455	214	49	424	2,142
Bentworth Primary	951	212	31	372	1,566
Blacklands Primary	1,491	134	106	409	2,140
Brunel Primary	1,257	161	43	368	1,829
Burlington Danes	5,540	1,069	315	2,351	9,275
Conway Primary	425	194	34	159	812
Dickens Primary	1,411	330	33	427	2,201
Elvin	4,038	756	55	1,994	6,843
Franklin Primary	2,004	614	139	1,138	3,895
John Keats	1,172	179	106	448	1,905
Kings	1,559	379	52	804	2,794
Little Ridge Primary	1,179	268	41	511	1,999
Oval Primary	1,997	346	30	471	2,844
Priory	529	196	23	164	912
Putney	2,659	325	94	809	3,887
Rose Primary	904	192	34	352	1,482
Swift Primary	1,695	222	59	603	2,579
Tindal Primary	1,337	295	46	583	2,261
William Parker	4,033	643	147	1,480	6,303
Bolingbroke	1,680	313	96	679	2,768
Charter	2,906	627	80	1,013	4,626
Evelyn Grace	4,809	730	166	2,045	7,750
Globe	6,748	917	181	2,449	10,295
Helenswood	4,331	764	182	1,469	6,746
Isaac Newton	3,007	596	142	1,066	4,811
King Solomon	3,935	712	186	1,527	6,360
St Alban's	3,086	819	135	855	4,895
Walworth	5,864	767	189	1,957	8,777
Ark Schools Central	345	7,107	131	4,885	12,468
Ark Schools excluding subsidiaries	81,359	21,720	3,220	34,199	140,498

Notes to the financial statements 31 August 2015

18. Analysis of net assets between funds

Group	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Fund balances at 31 August 2015 are represented by:				
Tangible fixed and investment assets	—	1,032	357,969	359,001
Current assets	19,697	19,954	—	39,651
Creditors: amounts falling due within one year	—	(14,173)	—	(14,173)
Pension scheme liability	—	(14,940)	—	(14,940)
Total net assets	19,697	(8,127)	357,969	369,539

Schools	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Fund balances at 31 August 2015 are represented by:				
Tangible fixed and investment assets	—	1,032	357,969	359,001
Current assets	19,697	20,585	—	40,282
Creditors: amounts falling due within one year	—	(14,804)	—	(14,804)
Pension scheme liability	—	(14,940)	—	(14,940)
Total net assets	19,697	(8,127)	357,969	369,539

Notes to the financial statements 31 August 2015

19. Transfer from Local Authority on conversion

During the year ended 31 August 2015, four academies joined the Ark Schools network. These were Blacklands Primary, Little Ridge Primary, Dickens Primary and Elvin. All four schools were previously under the control of the Local Authority (LA).

All schools achieved academy status under the Academies Act 2010 on joining the Ark Schools network and the operations together with any assets and liabilities of predecessor Local Authority controlled schools were transferred from the relevant Local Authority to Ark Schools at that date. These transfers have been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred from the Local Authority and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2015 £'000	Total 2014 £'000
Leasehold land and buildings (note 13)	—	—	11,782	11,782	62,595
Budget surplus on LA funds	546	—	—	546	761
LGPS pension deficit (note 21)	—	(900)	—	(900)	(3,430)
Net assets (liabilities)	546	(900)	11,782	11,428	59,926

Transfers by school

Blacklands Primary

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Leasehold land and buildings (note 13)	—	—	3,919	3,919
Budget surplus on LA funds	21	—	—	21
LGPS pension deficit (note 21)	—	(306)	—	(306)
Net assets (liabilities)	21	(306)	3,919	3,634

Dickens Primary

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Leasehold land and buildings (note 13)	—	—	2,002	2,002
Budget surplus on LA funds	522	—	—	522
LGPS pension deficit (note 21)	—	(318)	—	(318)
Net assets (liabilities)	522	(318)	2,002	2,206

19. Transfer from Local Authority on conversion (continued)

Transfers by school (continued)

Elvin

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Leasehold land and buildings (note 13)	—	—	2,444	2,444
Budget surplus on LA funds	—	—	—	—
LGPS pension deficit (note 21)	—	—	—	—
Net assets (liabilities)	—	—	2,444	2,444

Little Ridge Primary

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2015 £'000
Leasehold land and buildings (note 13)	—	—	3,417	3,417
Budget surplus on LA funds	3	—	—	3
LGPS pension deficit (note 21)	—	(276)	—	(276)
Net assets (liabilities)	3	(276)	3,417	3,144

20. Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

21. Pensions and similar obligations

School based employees belong to one of two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff or a Local Government Pensions Scheme (LGPS) for non-teaching staff. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

21. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £6,609,398 (2014: £5,297,384).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website: <https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

Each Local Government Pension Scheme is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of fourteen different funds. The total contribution made for the year ended 31 August 2015 was £4,244,000, of which employees' contributions totalled £953,000 and employers' contributions totalled £3,291,000. The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The funds that the charitable company is part of are: London Borough of Hammersmith and Fulham Pension Fund (Burlington Danes, Bentworth, Swift and Conway); City of Westminster Pension Fund (King Solomon and Atwood); London Borough of Southwark Pension Fund (Walworth, All Saints and Globe); London Borough of Lambeth Pension Fund (Evelyn Grace); London Borough of Brent Pension Fund (Ark Academy, Franklin Primary and Elvin); London Borough of Croydon (Oval); Hampshire County Council Pension Fund (Charter, Ayrton and Dickens); London Borough of Redbridge Pension Fund (Isaac Newton); London Borough of Wandsworth Pension Fund (Bolingbroke and Putney), East Sussex Pension Fund (William Parker, Helenswood, Blacklands and Little Ridge), Royal Borough of Kensington and Chelsea Fund (Brunel), London Borough of Ealing Pension Fund (Priory), London Borough of Enfield Pension Fund (John Keats) and West Midlands Pension Fund (St Alban's, Kings, Tindal and Rose).

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions

	2015 %	2014 %
Rate of increase in salaries	4.1	4.1
Rate of increase in pension payments	2.5	2.5
Discount rates	3.9	3.9
Inflation assumptions	3.6	3.3

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

	2015	2014
Retiring today		
Males	22.7	22.5
Females	25.0	25.1
Retiring in 20 years		
Males	25.0	24.6
Females	27.5	27.4

Notes to the financial statements 31 August 2015

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	Value at 31 August 2015 £'000	Expected return at 31 August 2014* %	Value at 31 August 2014 £'000
Equities	23,261	6.9%	18,831
Corporate bonds	3,854	3.6%	2,739
Government bonds	2,833	3.0%	2,667
Property	3,471	6.1%	2,475
Cash	847	1.9%	699
Other	1,864	7.0%	1,522
Total market value of assets	36,130		28,933
 Present value of scheme liabilities	 (51,070)		 (42,099)
Net deficit in scheme	(14,940)		(13,166)

* No long-term expected rate of return at 31 August 2015 has been provided, as for accounting periods beginning on or after 1 January 2015, the expected return and interest cost will be replaced with a single net interest cost. This will effectively set the expected return at a level equal to the discount rate of 3.9%.

Amounts recognised in the statement of financial activities:

	At 31 August 2015 £'000	At 31 August 2014 £'000
Current service cost (net of employee contributions)	4,450	3,178
Loss on curtailments	—	22
Total operating charge	4,450	3,200
 Analysis of pension finance costs		
Interest on pension liabilities	1,762	1,594
Expected return on pension scheme assets	(1,872)	(1,522)
Net finance cost	(110)	72

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS17 is a deficit of £3,836,000 (2014 – deficit of £4,051,000).

Notes to the financial statements 31 August 2015

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movement in deficit during the year

	2015 £'000	2014 £'000
Deficit at 1 September	(13,166)	(6,778)
Current service cost	(4,450)	(3,178)
Employer contributions	3,291	2,456
Net return on assets	110	(72)
Brought forward pension scheme liability (note 19)	(900)	(3,430)
Actuarial gain/(loss)	215	(2,142)
Loss on curtailments	(40)	(22)
Liabilities at 31 August	(14,940)	(13,166)

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

	2015 £'000	2014 £'000
At 1 September	42,099	24,412
Current service cost	4,450	3,178
Interest cost	1,762	1,594
Loss on curtailments	40	22
Employee contributions	953	921
Actuarial loss	(717)	3,224
Benefits paid	176	255
Brought forward pension scheme obligation	2,307	8,493
At 31 August	51,070	42,099

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

	2015 £'000	2014 £'000
At 1 September	28,933	17,634
Expected return on assets	1,872	1,522
Actuarial gain	(502)	1,082
Employer contributions	3,291	2,456
Employee contributions	953	921
Benefits paid	176	255
Brought forward pension scheme asset	1,407	5,063
At 31 August	36,130	28,933

The brought forward defined benefit pension scheme represents the net liability acquired by the group totalling £900,000, comprising £306,000 for Blacklands Primary, £276,000 for Little Ridge Primary, and £318,000 for Dickens Primary (2014 - liability of £3,430,000; £550,000 for William Parker, £289,000 for Swift Primary, £1,357,000 for Franklin Primary, £528,000 for Helenswood, £140,000 for Brunel Primary, £362,000 for Ayrton Primary and £204,000 All Saints).

Notes to the financial statements 31 August 2015

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The five year history of experience adjustments is as follows:

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Fair value of assets	(51,070)	(42,099)	(24,412)	(16,421)	(11,988)
Present value of scheme liabilities	36,130	28,933	17,634	11,807	9,365
Deficit in scheme	(14,940)	(13,166)	(6,778)	(4,614)	(2,623)
Experience gains on scheme assets	717	1,082	1,080	246	1,835
Experience gains on scheme liabilities	(502)	(3,224)	(671)	(1,736)	(1,558)

22. Lease commitments

At 31 August 2015, the group had annual commitments under non-cancellable operating leases as follows:

	2015 £'000	2014 £'000
Equipment		
Expiring in under one year	51	153
Expiring within two to five years	371	194
Expiring in over five years	—	2
	422	349

23. Capital commitments

At 31 August 2015, the group had capital commitments as follows:

	2015 £'000	2014 £'000
Other		
Contracted for but not provided in the financial statements	4,170	11,700

24. Related party transactions

Ark Schools is sponsored by Absolute Return for Kids (Ark), which is also the principal member of Ark Schools. Ark is also a charitable company and has four directors in common with Ark Schools. During the year, Ark Schools was awarded £3.58m (2014 £4.71m) sponsorship from Ark.

Notes to the financial statements 31 August 2015

24. Related party transactions (continued)

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

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

	2015 £'000	2014 £'000
Staff costs	173	198
Rent and service charges	429	245
Other costs	100	94

Ark has a charitable subsidiary, Ark UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by Ark Schools. Ark UK Programmes staff were transferred to the Ark Schools payroll in September 2014 and therefore no staff recharges were required in the year ended August 31st 2015. The amounts recharged by Ark Schools to Ark UK Programmes during the year were:

	2015 £'000	2014 £'000
Salaries recharged	—	1,497
Grants	89	403

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

	2015 £'000	2014 £'000
In respect of enrichment programmes which have been transferred to Ark Schools from Ark UK Programmes	434	133

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

As at 31 August 2015, £5.767m (2014 - £5.767m) had been paid over by Ark into the endowment funds held by Ark UK Programmes. £861k (2014 - £130k) was withdrawn from the endowments during the year and paid over to Ark Academy and St Albans as agreed by the directors. The endowments were valued at year end at £6.3m (2014 - £6.7m).

The endowment amounts paid over included £810,000 (2014 - £750,000) of reserves from two of the open academies, as part of their investment strategy. This amount is owed by ARK UK Programmes. The market value of the endowment contributions were £1,032,000 as at 31 August 2015. An unrealised gain of £222,000 has been recognised in the Statement of Financial Activities.

Notes to the financial statements 31 August 2015

24. Related party transactions (continued)

One of the directors of Ark Schools, Lord Fink, is the Chairman of Zenith Hygiene Systems who provided cleaning services to three Ark schools. The total amount paid to Zenith Hygiene Systems during the year was £4,500 (2014: £3,386).

25. Directors' emoluments

The Managing Director is a director of the company. In the year ended 31 August 2015, she was also the Managing Director of Ark Academies Projects Ltd, Ark UK Programmes and also Chief Executive of Ark. 50% of her salary has been charged to Ark.

The Managing Director's remuneration in relation to her role in Ark Schools and Ark Academies Projects Ltd (including performance related bonus) for the year ended 31 August 2015 was £97,500 (2014 - £99,000). In addition, £9,750 was paid by Ark UK Programmes (2014 - £9,900), to reflect time spent as Managing Director of that charity. Ark Schools made employer's pension contributions of £9,900 for the benefit of the Managing Director during the year (2014 - £9,900). Ark UK Programmes made employer's contributions of £990 (2014 - £990). No other directors of the company received any payment or other emoluments from the charitable company in the period. No director had any beneficial interest in any contract with the company during the year.

26. Directors', Governors' and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2 million on any one claim and the cost for the year ended 31 August 2015 was £2,500 (2014 - £2,500). This cost of this insurance is included in the total insurance cost.

27. Taxation

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

28. Post balance sheet events

From September 2015, four new academies joined the trust. These academies were Boulton, Chamberlain, Byron and Burlington Danes Primary. Their assets and liabilities will be recognised within the financial statements ending 31 August 2016.