

Ark Schools

**Consolidated annual report
and financial statements**

31 August 2016

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

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Reference and Administrative Details

Member	Absolute Return for Kids (ARK)
Directors	Ron Beller Paul Dunning Lord Fink Gerard Griffin Lucy Heller Sir Paul Marshall Anthony Williams Neil Wood
Secretary	Michael Sandall to 23 June 2016 Christopher Sheasby from 23 June 2016
Senior Leadership Team	Lucy Heller, Managing Director Brian Sims, Director of Education Christopher Sheasby, Chief Financial Officer Katie Oliver, Director of Operations
Registered office	65 Kingsway London WC2B 6TD
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

Directors' Report Year to 31 August 2016

Directors' Report

The directors who are also trustees of the charitable company, Ark Schools, present their annual report and the audited consolidated financial statements of Ark Schools for the year to 31 August 2016 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 27 to 33 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Strategic Review

Ark Schools is an education charity. We operate a high-performing network of 34 schools, educating over 20,000 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 best start.

Ark Schools works in areas of economic disadvantage and historic underachievement. This year we built upon our three main objectives:

1. To create excellent schools – we aim to build a group of outstanding, non-selective schools that will radically improve our students' life chances.
2. To build a sustainable network – excellence alone is not enough, we want the Ark model to be scalable, so it is important that our schools can be maintained on government funding alone.
3. To grow capacity in the education system. The Ark network will, when it is at full capacity, provide a great education for around 50,000 students, but our ambitions go beyond this; we want to provide a model for other schools, to develop programmes that deliver elements of our model in non-Ark schools (e.g. Mathematics Mastery and Ark Teacher Training) and to support Ark's international programmes.

We aim to give every young person, regardless of their background, a great education and real choices in life. We want all of our students to be in a position where they can go on to university, or the career of their choice, by the time they finish year 13. To do this we know we must deliver a great education throughout a young person's school life, from early years through to sixth form.

We also know how important it is to develop children outside the classroom. We want our young people to be well rounded citizens, with not just academic qualifications, but all the other skills that will develop them as confident individuals, ready for the world after school.

Directors' Report Year to 31 August 2016

What we've achieved: network results

Our students gained strong results across secondary, primary and sixth form:

Our secondary schools:

- **Progress 8** – Our network average Progress 8 score is +0.1 (above national average)
 - o King Solomon and St Albans are among a handful of the best schools in the country on this measure, while Ark Academy, Ark Charter Academy and Ark Kings Academy are among the top quartile
 - o Our Progress 8 for *disadvantaged* students is +0.3 grades above the national average, and for students who *started secondary school behind expected levels* it is +0.2 grades above the national average
- **Attainment 8** – Our students achieved 4.7 – across 8 qualifications
 - o Our Attainment 8 for *disadvantaged* students is +0.5 above the national average, and for students who *started secondary school behind expected levels* it is +0.4 grades above the national average
- **A*-C in English & Maths** – 57% of our students achieved these grades
 - o Our A*-C in English & Maths for *disadvantaged* students is 11 percentage points above the national average, and for students who *started secondary school behind expected levels* it is 4 percentage points above the national average
- **EBacc** – 22% of our students passed English, Maths, Sciences, Humanities and Language GCSEs
 - o Our EBacc score for *disadvantaged* students is nearly double the national average and for students who *started secondary school behind expected levels* it is treble the national average

Our primary schools:

- **Early years** – 82% of pupils achieved a “Good Level of Development” - significantly above last year's national average of 66%
- **Phonics** – Nearly every school in the network showed improvement this year in the percentage of students passing the year 1 phonics screening check, with our network average rising 5 points to 93%
- **Key Stage 1** – 84% of pupils met the expected level in reading, 77% in maths and 84% in writing.
- **Key Stage 2** – Our combined network score for reading, writing and mathematics for this year is 52%. In writing and mathematics, we have met or exceeded the national average

Our sixth forms:

- 80% of Ark year 13 students gained places at university this year – the national average for year 13 students is 59%

Directors' Report Year to 31 August 2016

- Our disadvantaged students have a much greater chance of attending a good university. In 2016, 20% of year 13 students eligible for free school meals gained a place at a Russell Group university. Nationally, this number is only 5%. For all other pupils, the chances of gaining a place at a Russell Group university are also higher at an Ark school (21% vs 17%).

The year in review

- Three schools joined the Ark network this year: two transition schools (Ark Chamberlain Primary Academy and Ark Boulton Academy) and one new school (Ark Byron Primary Academy). Ark Burlington Danes Academy added a primary phase, making it an all-through school
- Our initial teacher training programme, Ark Teacher Training has expanded; we are delighted that 93% of the graduates from the first cohort are still in teaching (after three years), and 65% of them have been judged as outstanding teachers, both well above national average.
- We have helped prepare our students for university, through a variety of activities outside the classroom. Activities this year include: our university bursaries, music programmes and gala, a series of extra-curricular network events and competitions, and an Outward Bound Trust trip for five of our students to go on a two-week residential in Canada.

Future view

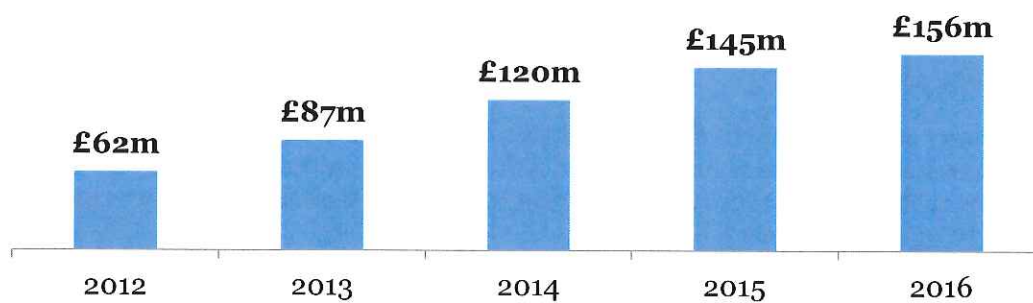
- We aim to continue to grow our school network at a sustainable rate.
- We continue to seek to build all-through schools, or 'virtual' all-through schools (where Ark primary schools feed into local Ark secondary schools), so we can ensure a consistent education and smooth primary-secondary transition for the students in our schools.
- We are working with a number of partner organisations to develop an innovative new education hub called EdCity in West London – a centre where like-minded organisations focussed on education can share space and collaborate.

Directors' Report Year to 31 August 2016

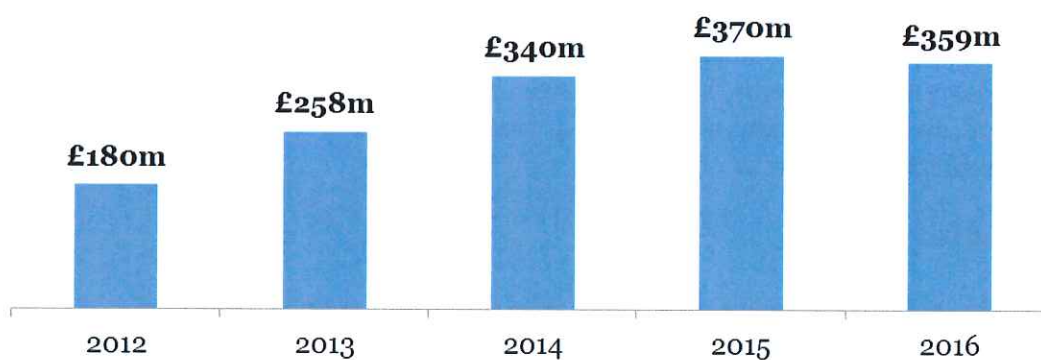
Financial Review

Key financials at a glance

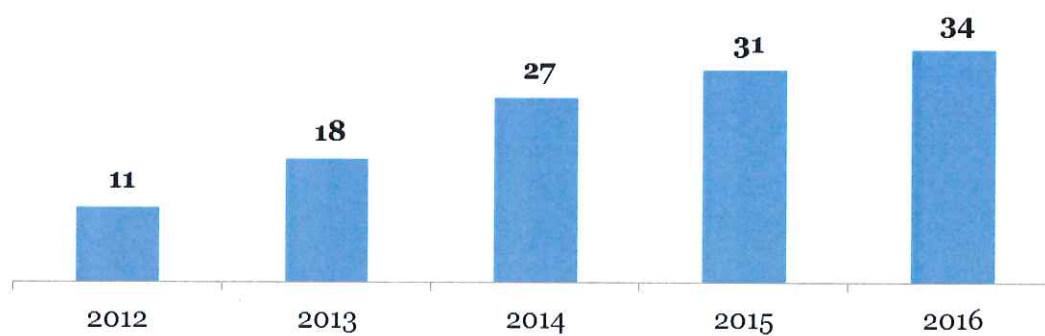
Operating income ⁽¹⁾



Net assets



Schools in the network



Notes

(1) Operating income excludes voluntary income, capital grants, transfer from local authorities and transfers from other academy trusts

Directors' Report Year to 31 August 2016

Five-year financial summary

Income and expenditure

Years ended 31 August	2012	2013	2014	2015	2016
	£m	£m	£m	£m	£m
DfE revenue grants	53.7	76.1	104.4	124.0	138.2
Other grants and income (ex. capital)	3.4	4.5	7.7	10.5	10.1
Other trading activities	0.4	0.4	1.4	1.7	1.7
Voluntary income (ex. capital)	4.6	6.4	6.0	9.3	6.2
Total operating income	62.1	87.4	119.5	145.5	156.2
Academy Educational Operations					
- Direct costs excl depreciation	31.7	54.5	76.7	90.3	102.6
- Educational support costs excl capital	24.7	26.8	36.4	46.1	50.6
- Development costs	2.2	3.1	3.1	3.0	2.8
- Governance costs	0.2	0.2	0.1	0.1	0.1
Costs of raising funds	-	-	1.0	1.0	0.9
Total operating expenditure	58.8	84.6	117.3	140.5	157.0
Net operating income/(expenditure)	3.3	2.8	2.2	5.0	(0.8)

Summary of assets and liabilities

As at 31 August	2012	2013	2014	2015	2016
	£m	£m	£m	£m	£m
Fixed assets	176.2	251.1	335.6	359.0	372.0
Current assets	36.5	23.4	27.9	39.6	37.8
Current liabilities	(27.9)	(9.7)	(10.7)	(14.2)	(13.9)
Total assets less current liabilities	184.8	264.8	352.8	384.4	395.9
Non-current liabilities	(4.6)	(6.8)	(13.2)	(14.9)	(36.9)
Net assets	180.2	258.0	339.6	369.5	359.0

Directors' Report Year to 31 August 2016

Financial report for the year

Operating income

Total operating income as detailed on page 6 was £156.2m (2015: £145.5m). Approximately 90% of operating 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. For the year ended 31 August 2016, DfE grant revenue was £138.2m (2015: £124.0m). For the year ended 31 August 2016, other grants and income were £10.1m (2015: £10.5m). Lettings income and Alpha nursery generated £1.7m (2015: £1.7m). Additional voluntary grants from the parent charity sponsor and others amounted to £6.2m (2015: £9.3m).

Operating expenditure

Total operating expenditure for the year ended 31 August 2016 was £157.0m (2015: £140.5m). Direct costs excluding depreciation accounted for 65% (2015: 64%) of the total operating expenditure. The network continues to be supported by voluntary income both for specific network programmes and to support the core operations.

Net operating income/(expenditure)

Charitable giving to the trust has delivered modest surpluses in all but 2016 during the last 5 years. The trust is working towards financial sustainability so that over the medium term charitable giving can be redirected to other projects.

Impact of capital items, depreciation and pension scheme adjustments

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation and pension scheme adjustments were included, the outcome for the year to 31 August 2016 was a net decrease in funds of £10.5m (2015: increase of £30.0m). Incoming resources were £180.7m (2015: £179.3m), which included £14.8m of transfers from other academy trusts (2015: £11.4m from Local Authorities), which related to the assignment of the leasehold for the buildings of new schools joining the Ark Schools network together with any carried forward revenue surplus less any pension scheme liabilities assumed.

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 2015), 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.

Directors' Report Year to 31 August 2016

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 assumes 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 section 28 of FRS 102 relating to the pension schemes. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy trust 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.

Net assets

At 31 August 2016, net assets were £359.0m (2015 - £369.5m).

At 31 August 2016, the net book value of tangible fixed assets was £372.0m (2015: £359.0m). The majority of fixed assets related to long term leaseholds of school buildings that have been granted to Ark Schools by the owners of the freehold, typically the Local Authority, Diocese or Charitable Foundation.

At 31 August 2016, investments were £1.0m (2015: £1.0m). Investments related to private donations which have been endowed to Ark Schools and are invested with a fund manager (see note 25).

Reserves policy and financial position

Ark Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2016 were £359.0m (2015: £369.5m), which consisted of £339.8m restricted funds (2015: £349.8m) and £19.2m unrestricted reserves (2015: £19.7m). The level of reserves is kept under review by the directors and is consistent with its policy of maintaining up to 10% of annual GAG income, in addition to designated reserves for unfunded capital projects. During the year we have assessed our future capital requirements and as a result we have earmarked £13.5m as designated reserves (2015: £nil) for capital projects.

Included within restricted general funds is the pension reserve deficit of £36.9m (see note 22) (2015: £14.9m). 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.

Individual school deficits

Four of the academies in the Trust had a deficit in their reserves at the end of 2016. Arrangements are in place to support these academies through this difficult financial period by way of intra - academy loans and careful and strict monitoring of the financial budget and performance. All of the four academies are currently below capacity but are growing their pupil rolls and there is every expectation that over the medium term they will each return to financial stability. The reserves of all academies are detailed in note 17.

Directors' Report Year to 31 August 2016

Investment policy

All surplus funds are invested in order to generate the best possible returns without incurring undue risk. Mostly this is invested with our commercial banking partner through current and deposit accounts or short term investments on the money market which can generate higher levels of return. In addition, Ark Schools has an arrangement with JP Morgan to invest funds on a longer term basis. Funds can be added to this at any time, but only where they are not required for at least 12 months.

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.

Risks and uncertainties

The directors have assessed the major risks and uncertainties to which Ark Schools is exposed. During the financial year, particular attention was dedicated to addressing risks around new schools joining the network and due diligence information available in the time leading up to transition, long-term financial planning around building condition and capital spend, the quality of IT provision in schools, and the challenging recruitment environment.

Ark Schools takes on new and transition schools in challenging and disadvantaged communities in the UK. Key risks and uncertainties identified continue to include changes in funding for capital projects, uncertainties in funding due to plans for new funding formulae and uncertainty in the funding support for schools joining the network. 2015/16 also presented another year of rapid change in curriculum and qualifications, to which teachers in schools are adapting.

Risk management

The directors are responsible for identifying risks faced by the charitable 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 receive regular reports on key risks including educational outcomes, school operations and financial health. Operating procedures and internal controls are regularly reviewed and updated by the Executive leadership with oversight from directors in response to ongoing delivery and in line with all relevant guidance. Particular attention is being given to financial risks through a rigorous focus on long-term financial planning addressing funding scenarios facing the organisation. IT provision has been subject to audits by external organisations to identify key improvements, and attention has been given to recruiting and supporting high-quality teachers within the competitive recruitment market who are trained and equipped for success in our schools.

Where significant risks still remain, the board has ensured that where possible Ark Schools maintains adequate insurance cover. Ark Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement.

Directors' Report Year to 31 August 2016

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 charitable company manages its cash resources, including sufficient working capital, so that all its operating needs will be met notwithstanding it is unable to access short-term borrowing. Surplus cash is invested in accordance with the investment policy.

Interest rate risk

In the absence of borrowings and with low prevailing interest rates, the charitable 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 its expenditure accordingly. Nearly all funding comes from Government so credit risk is considered to be negligible.

Directors' Report Year to 31 August 2016

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.

Member's liability

The member of the charitable company is the principal sponsor, Absolute Return for Kids ("ARK"). The member of the charitable 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 charitable company's debts and liabilities.

Directors' indemnities

The articles of association require at least three directors to hold office at any given time. The directors who served throughout the year are shown on page 1.

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.

Organisational structure

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

The directors delegate the day to day management responsibility to the senior management team, who are listed on page 1, led by Managing Director, Lucy Heller. The running of each individual academy is delegated to its principal / headteacher.

Directors' Report Year to 31 August 2016

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.

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 programme 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.

Arrangements for setting pay and remuneration of key management personnel

The directors consider that they and the senior management team comprise the key management personnel of Ark Schools in charge of directing, controlling, running and operating the charitable company on a day to day basis. Other than Lucy Heller, as disclosed in note 11, none of the directors receives any remuneration for their services as directors.

Ark Schools' senior management team salaries are set on appointment and reviewed annually in accordance with pay review procedures operated by the parent sponsor charity, ARK. The Chief Executive of Ark Schools approves all senior management team salaries on appointment and any other base salary in excess of £75,000 per annum. Annual reviews are subject to the same approval.

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 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.

Related parties and other connected charities and 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 25)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 25)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 14 and over)

Directors' Report Year to 31 August 2016

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.

Public benefit

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

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 15 December 2016 and signed on its behalf by:



Sir Paul Marshall
Director

Governance statement Year to 31 August 2016

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 6 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
Lord Fink	3	6
Gerard Griffin	6	6
Lucy Heller	6	6
Sir Paul Marshall	6	6
Anthony Williams	6	6
Neil Wood	4	5

The Audit and Risk Committee is a sub-committee of the main board. It supports the Board oversee financial and other controls and risk management, within the network. The committee exists to secure 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 review compliance with the EFA Academies Financial Handbook. The Committee is Chaired by Neil Wood. 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*	4	4
Micky Sandall*	4	4
Amanda Spielman*	3	4
Neil Wood	4	4

**Denotes Non-Executive Co-Opted Committee Member*

Amanda Spielman stepped down from the Committee on 9th June 2016 upon announcement of her nomination to serve as Her Majesty's Chief Inspector at Ofsted.

Governance statement Year to 31 August 2016

Governance review

The Risk & Audit Committee undertook a self-evaluation exercise in summer 2016 to review the skills of the Committee, the results of which will be acted upon, in the current academic year, with the aim of bringing two additional members on board with expertise in IT and estates planning.

We continue to review the skills across our 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.

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

- Ark Schools has delivered good results for both student attainment and progress this year. For full details of the network results please refer to page 3.

2) Cost/budget management

- Newly established regional structures are encouraging effective local procurement and shared teaching and back office services supplementing central procurement.

3) Procurement / financial controls

- The Ark Schools procurement policy requires schools to make purchases from approved suppliers in order to guarantee the best possible value for money.
- Central purchasing has delivered overall cost reductions for IT equipment and support, insurance, recruitment advertising and finance software.

Governance statement Year to 31 August 2016

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 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle 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 2016 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 financial monitoring systems with an annual budget and periodic financial reports showing performance against budgets or 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;
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors have appointed RSM to perform for a selection of Academies a range of checks on the financial control systems and to produce a report of their findings that is made available to the Local Governing Body, and by exception to the directors. These checks were carried out by RSM as planned. While some 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 this review has been informed by:

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

Governance statement Year to 31 August 2016

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 15 December 2016 and signed on their behalf on by:



Sir Paul Marshall
Director



Lucy Heller
Accounting Officer

Statement of regularity, propriety and compliance

31 August 2016

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

15 December 2016

Statement of directors' responsibilities 31 August 2016

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 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) and the Academies Direction 2015 to 2016;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards FRS 102 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 business.

The directors are responsible for keeping adequate 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/DfE 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of directors on 15 December 2016 and signed on its behalf by:



Sir Paul Marshall
Director

Independent auditor's report on the financial statements 31 August 2016

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

We have audited the financial statements of Ark Schools for the year ended 31 August 2016 which comprise the consolidated statement of financial activities, the group and charitable company balance sheets, the consolidated statement of cash flows, 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 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company's member, 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 member 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 member, 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, 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 2016

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 2016 and of the group's 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 2015 to 2016 issued by the EFA.

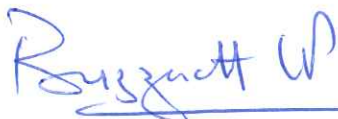
Opinion on other matter prescribed by the Companies Act 2006

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

20 December 2016

Independent reporting accountant's report on regularity 31 August 2016

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 2015 to 2016, 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 2015 to 31 August 2016 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 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 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.

Independent reporting accountant's report on regularity

31 August 2016

Approach (continued)

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.

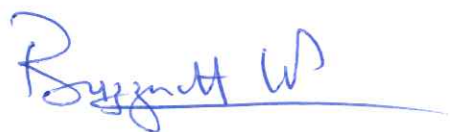
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Ark Schools' income and expenditure.

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 2015 to 31 August 2016 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

21 December 2016

Consolidated statement of financial activities

Year to 31 August 2016

			Restricted funds		2016	Restated
		Unrestricted	General	Fixed	Total	Total
	Notes	funds	funds	assets	funds	funds
		£'000	£'000	£'000	£'000	£'000
Income from:						
Donations and capital grants	2	3,654	2,604	9,683	15,941	31,648
Transfer from other Academy Trusts	2 20	1,439	(716)	14,040	14,763	-
Transfer from Local Authority	2	-	-	-	-	11,428
Other trading activities	3	1,718	-	-	1,718	1,688
Investments		101	-	-	101	188
Income from charitable activities						
- Funding for Ark Schools' educational operations	4	3,014	144,387	-	147,401	133,655
- Project management grants	5	-	37	-	37	265
Other sources	6	729	-	-	729	388
Total income		10,655	146,312	23,723	180,690	179,260
Expenditure on:						
Raising funds	8	907	-	-	907	973
Charitable activities						
- Ark Schools' educational operations	9a	1,859	150,948	15,300	168,107	146,405
- Development costs	9c	472	2,301	-	2,773	3,046
Total expenditure	7	3,238	153,249	15,300	171,787	150,424
Net gain on investments		-	-	-	-	222
Net income/(expenditure) before transfers		7,417	(6,937)	8,423	8,903	29,058
Gross transfers between funds	17	(7,930)	1,870	6,060	-	-
Net income/(expenditure)		(513)	(5,067)	14,483	8,903	29,058
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	22	-	(19,444)	-	(19,444)	937
Net movement in funds		(513)	(24,511)	14,483	(10,541)	29,995
Fund balances brought forward at 1 September 2015		19,697	(8,172)	358,014	369,539	339,544
Fund balances carried forward at 31 August 2016		19,184	(32,683)	372,497	358,998	369,539

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. All recognised gains and losses are included in the above statement of financial activities.

Balance sheets 31 August 2016

		2016		2015	
	Notes	Group £'000	Schools £'000	Group £'000	Schools £'000
Fixed Assets					
Tangible Assets	13	371,000	371,000	357,969	357,969
Investments	24	1,032	1,032	1,032	1,032
		<u>372,032</u>	<u>372,032</u>	<u>359,001</u>	<u>359,001</u>
Current Assets					
Debtors	15	14,650	15,386	11,730	12,361
Short term deposits		6,756	6,756	5,690	5,690
Cash at bank and in hand		16,425	16,425	22,231	22,231
		<u>37,831</u>	<u>38,567</u>	<u>39,651</u>	<u>40,282</u>
Creditors: amounts falling due within one year	16	(13,919)	(14,655)	(14,173)	(14,804)
Net current assets		<u>23,912</u>	<u>23,912</u>	<u>25,478</u>	<u>25,478</u>
Net assets excluding pension liability		395,944	395,944	384,479	384,479
Pension scheme liability	22	<u>(36,946)</u>	<u>(36,946)</u>	<u>(14,940)</u>	<u>(14,940)</u>
Net assets including pension liability		<u>358,998</u>	<u>358,998</u>	<u>369,539</u>	<u>369,539</u>
The funds of the group and charitable company					
Income funds					
Restricted funds	17				
- Fixed assets fund		372,497	372,497	358,014	358,014
- General restricted fund		4,263	4,263	6,768	6,768
- Pension reserve		(36,946)	(36,946)	(14,940)	(14,940)
		<u>339,814</u>	<u>339,814</u>	<u>349,842</u>	<u>349,842</u>
Unrestricted funds	17				
- General funds		5,684	5,684	19,697	19,697
- Designated funds		13,500	13,500	-	-
		<u>358,998</u>	<u>358,998</u>	<u>369,539</u>	<u>369,539</u>

Approved by the board of directors on 15 December 2016 and signed on their behalf by:

Sir Paul Marshall
Director

Company registration number: 05112090 (England and Wales)

Consolidated statement of cash flows Year to 31 August 2016

	Notes	2016 £'000	2015 £'000
Net cash flows from operating activities			
Net cash (used in) provided by operating activities	A	(4,509)	5,720
Cash flows from investing activities	B	(231)	1,823
Change in cash and cash equivalents in the reporting period		(4,740)	7,543
Cash and cash equivalents at the start of the period	C	27,921	20,378
Cash and cash equivalents at the end of the period	C	23,181	27,921

Reconciliation of net income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net incoming (outgoing) resources	8,903	29,058
Capital funding grants	(9,683)	(4,740)
Buildings brought in at valuation	(13,967)	(29,382)
Defined benefit pension scheme costs less contributions payable (note 21)	1,269	1,273
Defined benefit pension scheme finance cost (note 21)	577	538
Opening defined benefit pension liability acquired on transfer from other academy trusts (note 20)	716	900
Unrealised gains on investments	-	(222)
Depreciation (note 13)	10,936	9,204
loss on disposal of tangible fixed assets	15	-
Interest receivable	(101)	(118)
(Increase) in debtors	(2,920)	(4,229)
(Decrease) increase in creditors	(253)	3,438
Net cash (used in) provided by operating activities	(4,509)	5,720

Cash flow from investing activities

	2016 £'000	2015 £'000
Purchase of tangible fixed assets	(10,015)	(2,975)
Capital grants treceived	9,683	4,740
Purchase of investments	-	(60)
Investment Income	101	118
	(231)	1,823

Analysis of cash and cash equivalents

	At 31 August 2016 £'000	Cash flows £'000	At 31 August 2015 £'000
Cash at bank and in hand	16,425	(5,806)	22,231
Short term deposits	6,756	1,066	5,690
	23,181	(4,740)	27,921

Principal accounting policies

Statement of accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise stated in the relevant accounting policies below or the notes to the financial statements) in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP 2015), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Ark Schools meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling to the nearest thousand pound.

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.

Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of Ark Schools, prepared in accordance with FRS 102 and the Charities SORP 2015. The financial statements of Ark Schools for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Explanation of transition to FRS 102

It is the first year that the Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Principal accounting policies

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on net income for the comparative period reported under previous UK GAAP and SORP 2005 are given below. There were no changes to the fund balances as at 1 September 2014 or 31 August 2015 as a result of the transition to FRS 102 and SORP 2015.

Reconciliation of reported net income:	2015 £'000
Net income as reported under previous UK GAAP	29,559
Change in recognition of LGPS interest cost (A)	(722)
Reclassification of investment gains (B)	222
2015 net income as reported under FRS 102	29,059

A – Change in recognition of LGPS interest cost

Under previous UK GAAP Ark Schools recognised an expected return on defined benefit plan assets in income. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expenditure by £722,000 and increase the credit to other recognised gains and losses in the statement of financial activities by an equivalent amount.

B – Reclassification of investment gains

Under previous UK GAAP, net gains on the revaluation and disposal of investment assets were included as 'other recognised gains and losses' (after net income). Such gains are now reported as a component of net income.

Assessment of 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 Ark Schools to continue as a going concern. The directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that Ark Schools has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Ark Schools' ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All income is recognised when Ark Schools has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Principal accounting policies

Grants

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 period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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 asset fund.

Sponsorship Income

Sponsorship income provided to the Ark Schools which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other Income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Ark Schools has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Ark Schools' accounting policies.

Principal accounting policies

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on Raising Funds

This includes all expenditure incurred by the Ark Schools to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading

Charitable Activities

These are costs incurred on the Ark Schools' educational operations, including support costs and costs relating to the governance of Ark Schools are apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost or at an appropriate value and are depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed assets fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

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

Principal accounting policies

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Investments

The charitable 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.

Debtors

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

Cash at bank and in hand

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

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that Ark Schools anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions

Provisions are recognised when Ark Schools has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Principal accounting policies

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.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors of Ark Schools make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- ◆ The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- ◆ The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.

Leased assets

Rentals under operating leases are charged 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.

Principal accounting policies

Pensions Benefits

Retirement benefits to employees of the Ark Schools are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with Ark Schools in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of Ark Schools in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

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 2016

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 2016 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 2016.

2. Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Donation towards core costs by ARK (note 25)	3,654	-	3,654	3,583
Donations - Other	-	2,494	2,494	5,291
Grant from Ark UK Programmes	-	110	110	434
Donations - capital Grant EFA	-	4,098	4,098	17,600
Devolved formula capital allocations	-	519	519	314
Academy main building grants	-	4,312	4,312	3,821
Local authority ICT Capital grants	-	754	754	605
	<u>3,654</u>	<u>12,287</u>	<u>15,941</u>	<u>31,648</u>
Donations from other Academy Trusts (note 20)	1,439	13,324	14,763	-
Donations from Local Authorities	-	-	-	11,428
	<u>5,093</u>	<u>25,611</u>	<u>30,704</u>	<u>43,076</u>

Ark continues to provide a core grant to Ark Schools in line with its business plan whilst the Trust reaches operational capacity. Grants from UK Programmes support specific network wide activities undertaken by Ark Schools.

3. Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Nursery fees	668	-	668	681
Hire of facilities	1,050	-	1,050	1,007
	<u>1,718</u>	<u>-</u>	<u>1,718</u>	<u>1,688</u>

Notes to the financial statements 31 August 2016

4. Funding for Ark Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
DfE revenue grants				
General annual grant (GAG)	-	124,628	124,628	110,100
Start up A	-	442	442	735
Start up B	-	1,935	1,935	2,018
DfE lead in and implemetation income	-	1,098	1,098	1,708
Other DfE grants	-	10,099	10,099	9,472
	<u>-</u>	<u>138,202</u>	<u>138,202</u>	<u>124,033</u>
Other grants				
Local authority funding	-	4,818	4,818	4,315
Extended schools programme	310	-	310	267
Miscellaneous grants	-	1,367	1,367	2,721
	<u>310</u>	<u>6,185</u>	<u>6,495</u>	<u>7,303</u>
Other income				
School meals income	1,859	-	1,859	1,561
Individual school support	-	-	-	-
School uniform sales	135	-	135	131
Parent contributions to school trips costs	710	-	710	627
	<u>2,704</u>	<u>-</u>	<u>2,704</u>	<u>2,319</u>
	<u>3,014</u>	<u>144,387</u>	<u>147,401</u>	<u>133,655</u>

5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Academies programme	<u>-</u>	<u>37</u>	<u>37</u>	<u>265</u>

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 2016

6. Other income

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Miscellaneous Income	729	-	729	388
	<u>729</u>	<u>-</u>	<u>729</u>	<u>388</u>

7. Expenditure

	Staff costs £'000	Premises £'000	Other costs £'000	2016 Total funds £'000	2015 Total funds £'000
Raising funds (note 8)	808	-	99	907	973
Charitable activities (note 9a)					
- Direct costs	93,602	10,936	9,015	113,553	99,506
- Educational support costs	23,424	15,155	15,825	54,404	46,773
Governance costs (note 9b)	-	-	150	150	126
Development costs (note 9c)	472	727	1,574	2,773	3,046
	<u>118,306</u>	<u>26,818</u>	<u>26,663</u>	<u>171,787</u>	<u>150,424</u>

Incoming/outgoing resources for the year include:

	2016 Total funds £'000	2015 Total funds £'000
Operating leases:		
- Plant and machinery	535	422
Depreciation	10,936	9,204
Loss on disposal of fixed assets	15	-
Fees payable to external auditor for:		
- audit services	101	90
- other services	12	11
Compensation payments (one personal injury)	15	-

8. Cost of raising funds

	2016 Total funds £'000	2015 Total funds £'000
Lettings & Nursery	<u>907</u>	<u>973</u>

Notes to the financial statements 31 August 2016

9a. Ark Schools' charitable educational operations

	2016 Total funds £'000	2015 Total funds £'000
Direct costs		
Direct Costs - Staff costs	93,602	81,917
Depreciation (note 13)	10,936	9,204
Educational supplies	3,736	3,220
Examination fees	1,128	900
Transport costs	148	104
Other pupil support costs	3,094	2,959
Extended schools programme (expenditure)	909	1,202
	113,553	99,506
Educational support costs		
Educational support costs - staff costs	23,424	21,839
Recruitment and other staff costs	2,546	2,094
Catering contract	4,271	4,039
Printing and stationery	1,512	1,324
Office overhead	399	327
Heat and light	2,379	2,165
Premises (including buildings insurance)	8,371	7,255
Technology costs	4,496	4,221
Other insurance costs	42	57
Finance costs and interest/charges payable	591	618
Other expenses including release of provision	2,010	1,418
Capital expended	4,363	1,416
	54,404	46,773
Governance costs (note 9b)	150	126
	168,107	146,405

9b. Governance costs

	2016 Total funds £'000	2015 Total funds £'000
Audit of group financial statements*		
-Current year	101	90
-Other compliance costs	12	11
Other expenses inc. internal audit services	37	25
	150	126

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

Notes to the financial statements 31 August 2016

9c. Other development costs

	2016 Total funds £'000	2015 Total funds £'000
Project implementation		
Staff costs (note 10)	472	649
Building costs	727	530
Project implementation	11	195
Set up and launch costs	42	317
Research and marketing	296	343
Miscellaneous costs	44	-
	1,592	2,034
Continuing professional development		
Education development	194	201
Staff training and induction	987	811
	1,181	1,012
Total other development costs	2,773	3,046

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

Notes to the financial statements 31 August 2016

10. Staff

a) Staff costs

	2016 Total funds £'000	2015 Total funds £'000
Staff costs during the period were as follows:		
Wages and salaries	90,134	80,241
Social security costs	7,817	6,394
Pension contributions	14,061	11,636
	112,012	98,271
Supply staff costs	5,626	5,142
Reorganisation costs	668	987
	118,306	104,400

b). Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £291,618 (2015 - £82,037). Individually the payments were:

£1,000, £1,132, £2,132, £2,683, £3,100, £3,600, £3,762, £4,455, £6,000, £7,000, £7,376, £10,000, £15,000, £15,402, £20,617, £28,611, £30,000, £30,872, £31,800, £32,076, £35,000

c). Staff numbers

The average full time equivalent number of persons employed by the group during the year ended 31 August 2016, analysed by function, was as follows:

	2016 Total Numbers	2015 Total Numbers
Charitable activities		
Teachers	1,341	1,138
Education support and administration staff	1,297	1,203
Projects and management staff	52	52
	2,690	2,393

The average gross number of persons employed by the group during the year ended 31 August 2016, analysed by function, was as follows:

	2016 Total Numbers	2015 Total Numbers
Charitable activities		
Teachers	1,459	1,446
Education support and administration staff	1,823	1,775
Projects and management staff	53	52
	3,335	3,273

Notes to the financial statements 31 August 2016

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:

	2016 Total Numbers	2015 Total Numbers
£60,001 - £70,000	72	67
£70,001 - £80,000	35	28
£80,001 - £90,000	17	15
£90,001 - £100,000	5	8
£100,001 - £110,000	5	1
£110,001 - £120,000	3	-
£120,001 - £130,000	1	5
£130,001 - £140,000	-	1
£140,001 - £150,000	2	3
£150,001 - £160,000	1	-
£160,001 - £170,000	2	-
£170,001 - £180,000	-	1
£180,001 - £190,000	1	1
£190,001 - £200,000	1	1
	145	131

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £1,541,175 (2015: £1,244,549).

11. Key management personnel

The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £507,740 (2015: £477,654).

The total amount of employee benefits (including employer pension contributions) paid by Ark Schools received by the Managing Director, Lucy Heller, was £102,815. (2015: £107,400). The total paid to the Managing Director, including payments made by the sponsor organisation, Absolute Return for Kids ("Ark"), by way of employment as the CEO of Ark, was £205,630 (2015: £214,880)

12. Central services

The central team at Ark Schools fulfils a number of functions. These include education support, training/CPD co-ordination, HR, financial and management accounting, IT co-ordination, legal support and governance services. In addition:

- 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.

Notes to the financial statements 31 August 2016

The academy funding model allocates all funding directly to schools, including the elements that are intended to cover costs incurred at the central office. The central holdback is computed at 4.5% of school budget share and the amounts charged to each school are detailed below. The centre also negotiates contracts on behalf of schools and charge these costs on to each school.

	2016 Total £'000	2015 Total £'000
All through Schools		
Ark	374	332
Burlington Danes	391	365
Globe	411	430
Isaac Newton	220	160
John Keats	98	80
King Solomon	229	226
Secondary Schools		
All Saints	137	94
Bolingbroke	139	99
Boulton	260	-
Charter	203	194
Elvin	255	275
Evelyn Grace	312	304
Helenswood	235	260
Kings	91	75
Putney	147	108
St Alban's	206	198
Walworth	361	375
William Parker	171	226
Primary Schools		
Atwood	65	55
Ayrton	79	91
Bentworth	53	53
Brunel	77	81
Blacklands	67	74
Byron	17	-
Chamberlain	121	-
Conway	37	30
Dickens	94	97
Franklin	133	125
Little Ridge	62	65
Oval	100	101
Priory	37	28
Rose	52	63
Swift	84	106
Tindal	93	97
Total Central services income	5,411	4,863

Notes to the financial statements 31 August 2016

13. Tangible fixed assets

	Long Leasehold Building	Equipment	IT Equipment	Furniture, fittings & Equipment	Motor Vehicles	Assets Under Construction	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 01 September 2015	368,855	14,852	10,494	63	14,837		409,101
Additions	20,713	1,886	1,286	22	75		23,982
Transfers	14,462	0	375	0	(14,837)		0
Disposals	0	0	(38)	0	0		(38)
At 31 August 2016	404,030	16,738	12,117	85	75		433,045
Depreciation							
At 01 September 2015	27,711	14,258	9,099	64	0		51,132
Charged in year	8,119	1,676	1,134	7	0		10,936
Disposals	0	0	(23)	0	0		(23)
At 31 August 2016	35,830	15,934	10,210	71	0		62,045
Net book values							
At 31 August 2016	368,200	804	1,907	14	75		371,000
At 01 September 2015	341,144	593	1,395	0	14,837		357,969

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.

During the year ended 31 August 2016, two academies, Ark Boulton and Ark Chamberlain joined the network and Ark Byron opened with its first cohort of two reception classes. The predecessor schools to Boulton and Chamberlain had previously converted to academy status. The value of assets and liabilities at the point of transfer has been determined by reference to audited and management accounts of the former Trusts. Full details of these transfers are disclosed in note 20. Ark Byron is currently operating from Ark Priory pending the construction of new school buildings on its own independent site.

The initial building works commenced last year at Ark John Keats Academy are substantially complete. Some additional works to the dining hall have been commissioned. The building works at Ark Academy and Ark Walworth academy to provide new and upgraded facilities for the 6th Form students have both been completed. The value of assets under construction for these three projects have been moved to land and buildings and the costs incurred in the year have been shown in land and building additions. Work on new nursery facilities at King Solomon Academy comprised the remaining balance of assets under construction.

Notes to the financial statements 31 August 2016

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 2016, which has been included in the consolidated financial statements.

	2016 £'000	2015 £'000
Turnover	1,644	1,612
Cost of sales	(904)	(973)
Gross Profit	740	639
Administrative expenses	(4)	(4)
Other income	-	-
Retained profit before charitable donation under Gift Aid at 31 August	736	635
Charitable donation under Gift Aid	(736)	(631)
Retained profit after charitable donation under Gift Aid at 31 August	-	4
Loss brought forward	-	(4)
Net assets at 31 August 2016	-	-

The £1 issued share capital equalled the net assets of Ark Academies Projects Limited at 31 August 2016.

15. Debtors

	Group 2016 £'000	Ark Schools 2016 £'000	Group 2015 £'000	Ark Schools 2015 £'000
Trade Debtors	786	786	988	988
Amounts due from DfE/EFA	1,863	1,863	1,470	1,470
Sponsorship due from Ark	8,191	8,191	4,362	4,362
Other debtors	51	51	73	73
Prepayments and accrued income	2,057	2,057	2,906	2,906
Amounts due from subsidiary	-	736	-	631
VAT recoverable	1,702	1,702	1,931	1,931
	14,650	15,386	11,730	12,361

Notes to the financial statements 31 August 2016

16. Creditors: amounts falling due within one year

	Group 2016 £'000	Schools 2016 £'000	Group 2015 £'000	Schools 2015 £'000
Trade creditors	2,957	2,957	3,400	3,400
Taxations and social security	2,377	2,377	1,920	1,920
Accruals	5,578	5,578	4,979	4,979
Deferred Income	1,784	1,784	1,752	1,752
EFA creditor - abatement of GAG	848	848	1,882	1,882
Other creditors	375	375	240	240
Amounts owed to subsidiary	-	736	-	631
	13,919	14,655	14,173	14,804

	2016 £'000
Deferred income	
Deferred income at 1 September 2015	1,752
Resources deferred in the year	1,784
Amounts released from previous years	(1,752)
Deferred income at 31 August 2016	1,784

At 31 August 2016, the trust received funds in advance for income with respect to universal infant free school meals Sep 16-Mar 17 and Local Authority income paid in advance (SEN, EYFS and Other LA income).

Notes to the financial statements 31 August 2016

17. Funds

Group and Ark Schools	At 1 September 2015 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2016 £'000
Restricted funds					
Dfe revenue grant funds					
General Annual Grant (GAG) (note 4)	2,974	124,628	(134,070)	6,468	-
Start up and lead in (note 4)	488	3,475	(3,131)	-	832
Other DfE/EFA (note 4)	205	10,099	(10,304)	-	-
DfE project management grants (note 5)	-	37	(37)	-	-
	<u>3,667</u>	<u>138,239</u>	<u>(147,542)</u>	<u>6,468</u>	<u>832</u>
Pension reserve	<u>(14,940)</u>	<u>(716)</u>	<u>(1,846)</u>	<u>(19,444)</u>	<u>(36,946)</u>
	<u>(11,273)</u>	<u>137,523</u>	<u>(149,388)</u>	<u>(12,976)</u>	<u>(36,114)</u>
Other					
Local authority grants	-	4,818	-	(4,598)	220
Other donations	2,667	3,860	(3,860)	(383)	2,284
UK Programmes	434	110	-	383	927
	<u>3,101</u>	<u>8,788</u>	<u>(3,860)</u>	<u>(4,598)</u>	<u>3,431</u>
Fixed assets fund					
DfE fixed assets fund	161,210	4,852	(6,100)	4,818	164,780
Ark sponsorship fixed assets fund	2,806	-	(702)	1,557	3,661
Other sponsorship fixed assets fund	192,654	14,040	(4,134)	-	202,560
Fixed asset fund - other	1,299	-	-	(1,299)	-
DfC and School condition allocation	45	4,831	(4,364)	984	1,496
	<u>358,014</u>	<u>23,723</u>	<u>(15,300)</u>	<u>6,060</u>	<u>372,497</u>
Total restricted funds	<u>349,842</u>	<u>170,035</u>	<u>(168,549)</u>	<u>(11,514)</u>	<u>339,814</u>
Unrestricted funds					
Sponsorship of core costs by Ark	13,742	3,654	(472)	(11,240)	5,684
Other unrestricted funds	7,254	7,001	(2,766)	(11,489)	-
Fixed asset fund - other	<u>(1,299)</u>	<u>-</u>	<u>-</u>	<u>1,299</u>	<u>-</u>
	<u>19,697</u>	<u>10,655</u>	<u>(3,238)</u>	<u>(21,430)</u>	<u>5,684</u>
Designated fund	-	-	-	13,500	13,500
Total unrestricted funds	<u>19,697</u>	<u>10,655</u>	<u>(3,238)</u>	<u>(7,930)</u>	<u>19,184</u>
Total funds	<u>369,539</u>	<u>180,690</u>	<u>(171,787)</u>	<u>(19,444)</u>	<u>358,998</u>

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 2016. 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.

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.

Notes to the financial statements 31 August 2016

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.

Designated fund

The trust has designated £13.5m (2015: £nil) of unrestricted reserves for the upgrade of capital assets and building works that have been identified to be required to be spent over the next 3 – 5 years.

Notes to the financial statements 31 August 2016

17. Funds (continued)

Analysis of fund balance by academy

	2016 Total £'000 Revenue	2016 Total £'000 Capital	2016 Total £'000 Combined
All through Schools			
Ark	281	1	282
Burlington Danes	2,491	(1)	2,490
Globe	1,400	-	1,400
Isaac Newton	461	5	466
John Keats	(130)	19	(110)
King Solomon	3,096	24	3,120
Secondary Schools			
All Saints	711	16	727
Bolingbroke	(227)	(6)	(233)
Boulton	1,137	19	1,156
Charter	143	-	143
Elvin	736	34	770
Evelyn Grace	741	(9)	732
Helenswood	119	30	149
Kings	249	13	262
Putney	(700)	41	(659)
St Alban's	278	0	278
Walworth	842	0	842
William Parker	(724)	23	(701)
Primary Schools			
Atwood	353	23	376
Ayrton	583	9	592
Bentworth	82	5	87
Brunel	552	20	572
Blacklands	217	14	231
Byron	42	-	42
Chamberlain	704	84	788
Conway	137	-	137
Dickens	808	4	812
Franklin	838	15	853
Little Ridge	-	5	5
Oval	559	14	573
Priory	54	10	64
Rose	40	93	133
Swift	310	56	366
Tindal	1,035	16	1,051
Ark Schools Central	6,232	918	7,150
Total fund balances before fixed assets and pension reserve	23,447	1,497	24,944

	2016 £'000
Total income fund	23,447
Total capital and fixed asset fund	372,497
Pension reserve	(36,946)
Total	358,998

Notes to the financial statements 31 August 2016

17. Funds (continued)

Both John Keats and Bolingbroke Academy are growing schools and currently not all year groups are open for admissions. Over the medium term, 3 – 5 years, they will both reach capacity and we fully expect that each will return to financial stability. In the interim they are being supported by the trust.

Putney Academy and William Parker Academy are currently under capacity and have active pupil recruitment plans. All year groups are open to admission and in each case can accommodate increased pupil numbers. In the interim, until pupil growth is achieved, each school is being actively supported by the trust.

Notes to the financial statements 31 August 2016

18. Expenditure Analysis

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 expensed) £'000	2016 Total £'000
All through Schools					
Ark	7,280	850	164	2,126	10,420
Burlington Danes	6,244	1,073	302	2,565	10,184
Globe	6,848	842	317	2,747	10,754
Isaac Newton	3,987	712	155	1,419	6,273
John Keats	2,168	422	142	888	3,620
King Solomon	4,412	432	154	1,866	6,864
Secondary Schools					
All Saints	2,236	548	56	1,015	3,855
Bolingbroke	2,510	462	88	975	4,035
Boulton	3,647	655	108	1,797	6,207
Charter	2,977	788	97	1,287	5,149
Elvin	4,434	794	149	1,539	6,916
Evelyn Grace	5,215	607	223	2,213	8,258
Helenswood	3,467	759	218	1,112	5,556
Kings	1,539	286	30	878	2,733
Putney	2,896	365	114	1,113	4,488
St Alban's	3,129	919	105	1,224	5,377
Walworth	5,705	746	210	2,460	9,121
William Parker	3,069	713	113	1,179	5,074
Primary Schools					
Atwood	1,115	298	73	536	2,022
Ayrton	1,552	216	84	544	2,396
Bentworth	978	230	35	213	1,456
Brunel	1,548	164	88	515	2,315
Blacklands	1,347	164	91	424	2,026
Byron	285	72	19	228	604
Chamberlain	1,964	289	101	958	3,312
Conway	566	183	31	250	1,030
Dickens	1,560	280	68	790	2,698
Franklin	2,223	589	79	796	3,687
Little Ridge	1,351	181	61	433	2,026
Oval	2,020	323	78	487	2,908
Priory	744	211	34	234	1,223
Rose	979	147	27	355	1,508
Swift	1,526	449	48	405	2,428
Tindal	1,590	91	83	718	2,482
Ark Schools Central	(0)	7,593	33	4,219	11,845
Ark Schools excluding subsidiaries	93,111	23,453	3,778	40,507	160,850

Notes to the financial statements 31 August 2016

19. Analysis of net assets between funds

Group	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	2016 Total funds £'000
Fund balance at 31 August 2016 are represented by:				
Tangible and investment assets	-	1,032	371,000	372,032
Current assets	19,184	18,647	-	37,831
Creditors: amounts falling due within one year	-	(13,919)	-	(13,919)
Pension scheme liability	-	(36,946)	-	(36,946)
Total net assets	19,184	(31,186)	371,000	358,998

Schools	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	2016 Total funds £'000
Fund balance at 31 August 2016 are represented by:				
Tangible and investment assets	-	1,032	371,000	372,032
Current assets	19,184	19,383	-	38,567
Creditors: amounts falling due within one year	-	(14,655)	-	(14,655)
Pension scheme liability	-	(36,946)	-	(36,946)
Total net assets	19,184	(31,186)	371,000	358,998

20. Transfer from other academy trusts

During the year ended 31 August 2016, Ark Boulton and Ark Chamberlain joined the Ark Schools network. In addition, Ark Byron opened its two reception classes.

Ark Boulton and Ark Chamberlain had both previously transferred from Local Authority control and were existing academies. These transfers to Ark 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 in relation to each school and an analysis of their recognition in the statement of financial activities.

Notes to the financial statements 31 August 2016

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	2016 Total £'000	2015 Total £'000
Leasehold land and buildings (note 13)	-	-	13,395	13,395	11,782
Other fixed assets	-	-	572	572	-
Budget surplus on LA funds	1,439	-	73	1,512	546
LGPS pensions deficit (note 22)	-	(716)	-	(716)	(900)
Net assets (liabilities)	1,439	(716)	14,040	14,763	11,428

Transfers by school	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2016 £'000
<u>Ark Boulton Academy</u>				
Leasehold buildings (note 13)	-	-	6,939	6,939
Other fixed assets	-	-	146	146
Budget surplus on transfer	720	-	73	793
LGPS pensions deficit (note 22)	-	(447)	-	(447)
Net assets (liabilities)	720	(447)	7,158	7,431

Ark Chamberlain Academy

Leasehold buildings (note 13)	-	-	6,456	6,456
Other fixed assets	-	-	426	426
Budget surplus on transfer	717	-	-	717
LGPS pensions deficit (note 22)	-	(269)	-	(269)
Net assets (liabilities)	717	(269)	6,882	7,330

Previous Transfers

Ark Dickens Academy				
Budget surplus on LA funds	2	-	-	2
	2	-	-	2

21. Member Liability

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

Notes to the financial statements 31 August 2016

22. 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 16.5% of pensionable pay (including 8bpi employer administration charge)
- 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 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.8%. The assumed nominal rate of return is 5.1%.

Notes to the financial statements 31 August 2016

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 £8,516,744 (2015: £6,609,398).

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 102) 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 2016 was £4,717k, of which employees' contributions totalled £1,233k and employers' contributions totalled £3,484k. The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

Notes to the financial statements 31 August 2016

Local Government Pension Scheme (LGPS)

Pension Fund - Administering Authority

Greater london

City of Westminster

London Borough of Brent

London Borough of Croydon

London Borough of Ealing

London Borough of Enfield

London Borough of Hammersmith and Fulham

London Borough of Lambeth

London Borough of Redbridge

London Borough of Southwark

London Borough of Wandsworth

Royal Borough of Kensington & Chelsea

East Sussex

East Sussex County Council

Hampshire

Hampshire County Council

West Midlands

West Midlands Fund

Academies

Atwood

King Solomon

Ark

Elvin

Franklin

Oval

Priory

Byron

John Keats

Bentworth

Burlington Danes

Conway

Swift

Evelyn Grace

Isaac Newton

All Saints

Globe

Walworth

Bolingbroke

Putney

Brunel

Blacklands

Helenswood

Little Ridge

William Parker

Ayrton

Charter

Dickens

Boulton

Chamberlain

Kings

Rose

St Alban's

Tindal

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

Notes to the financial statements 31 August 2016

Local Government Pension Scheme (LGPS) (continued)

Principal actuarial assumptions – range applied

Assumption	2016	2016	2015	2015
	%	%	%	%
	<u>Lowest</u>	<u>Highest</u>	<u>Lowest</u>	<u>Highest</u>
Rate of increase in salaries	3.1	4.1	3.5	4.6
Rate of increase in pension payments	1.9	2.3	2.0	2.7
Discount rates	2.0	2.2	3.7	4.0
Inflation assumptions	1.9	3.2	2.0	3.1

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

	2016	2016	2015	2015
	<u>Lowest</u>	<u>Highest</u>	<u>Lowest</u>	<u>Highest</u>
Retiring today				
Males	21.7	24.6	21.7	24.5
Females	24.0	27.8	24.0	27.8
Retiring in 20 years				
Males	24.1	26.7	24.0	26.6
Females	26.6	30.1	26.6	28.7

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-Aug 2016 £'000	Value at 31-Aug 2015 £'000
Equities	28,596	22,672
Corporate / Government bonds	9,301	6,518
Property	4,744	3,382
Cash	1,692	826
Other	3,249	1,817
Total market value of assets	47,582	35,215
Present value of scheme liabilities	(84,528)	(50,155)
Net deficit in scheme	(36,946)	(14,940)

Notes to the financial statements 31 August 2016

Local Government Pension Scheme (LGPS) (continued)

Amounts recognised in the statement of financial activities:

	At 31 August 2016 £'000	At 31 August 2015 £'000
Current service cost (net of employee contributions)	4,753	4,493
Past service costs	-	149
Total operating charge	4,753	4,642
Analysis of pension finance costs		
Interest on pension liabilities	2,065	1,742
Expected return on pension scheme assets	(1,488)	(1,204)
Net finance cost (income)	577	538

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 FRS 102 is a deficit of £19,444,000 (2015 – deficit of £3,836,000).

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit at 1 September	(14,940)	(13,166)
Current service cost	(4,753)	(4,493)
Past service loss	-	107
Employer contributions	3,484	3,262
Net return on assets	(577)	(538)
Brought forward pension scheme liability	(716)	(900)
Actuarial (loss)/gain	(19,444)	937
Gain/(loss) on curtailments	-	(149)
Liabilities at 31 August	(36,946)	(14,940)

Notes to the financial statements 31 August 2016

Local Government Pension Scheme (LGPS) (continued)

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

	2016	2015
	£'000	£'000
At 1 September	50,155	41,587
Current service cost	4,744	4,493
Interest cost	2,065	1,742
Loss on curtailments	-	74
Employee contributions	1,233	1,192
Actuarial loss	24,883	(717)
Benefits paid	(275)	(416)
Past service loss	-	(107)
Brought forward pension scheme obligation	1,723	2,307
At 31 August	84,528	50,155

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

	2016	2015
	£'000	£'000
At 1 September	35,215	28,421
Expected return on assets	1,488	1,204
Actuarial gain	5,439	218
Employer contributions	3,475	3,262
Employee contributions	1,233	1,192
Benefits paid	(275)	(489)
Brought forward pension scheme asset	1,007	1,407
At 31 August	47,582	35,215

The brought forward defined benefit pension scheme represents the net liability acquired by the group totalling £716k, comprising £447k for Boulton and £269k for Chamberlain. (2015 - net liability £900k being £306k for Blacklands, £276k for Little Ridge and £318k for Dickens)

The five year history of experience adjustments is as follows:

	Year ended	Year ended	Year ended	Year ended	Year ended
	31-Aug	31-Aug	31-Aug	31-Aug	31-Aug
	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Present value of scheme	(84,528)	(50,155)	(42,099)	(24,412)	(16,421)
Fair value of assets	47,582	35,215	28,933	17,634	11,807
Deficit in scheme	(36,946)	(14,940)	(13,166)	(6,778)	(4,614)
Experience gains on scheme assets	5,439	218	1,082	1,080	246
Experience gains on scheme liability	(24,883)	717	(3,224)	(671)	(1,736)

Notes to the financial statements 31 August 2016

23. Lease commitments

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £'000	2015 £'000
Other		
Amounts due within one year	412	382
Amounts due between one and five years	557	473
Amounts due after 5 years	5	0
	974	855

24. Capital commitments

At 31 August 2016, the group had capital commitments as follows:

	2016 £'000	2015 £'000
Other		
Contracted for, but not provided in the financial statements	3,634	4,170

25. 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 £3.6m (2015 £3.6m) sponsorship from Ark.

Ark Schools' central team shares offices with Ark. Ark has made payments on behalf of Ark Schools including rent, service charges and general office overheads. These are recharged to Ark Schools based on an agreed apportionment. Where costs have been apportioned between Ark and Ark Schools this has been done on the basis of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each company's staff. The total amount remitted to Ark by Ark Schools amounted to £790k (2015: £702k).

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

	2016 £'000	2015 £'000
Staff costs	147	173
Rent and service charges	475	429
Other costs	168	100

Notes to the financial statements 31 August 2016

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 made grants of £110k (2015: £434k) to Ark schools during the course of the year. Ark Schools made payments of £73k to Ark UK Programmes for the provision of Maths Mastery resources and training.

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 2016, £5.8m (2015: £5.8m) had been paid over by Ark into the endowment funds held by Ark UK Programmes. During the year £176k for Ark Academy (2015: £861k) was withdrawn from the endowments. The endowments were valued at year end at £6.5m (2015: £6.3m).

These endowments fund values above also include £810k (2015: £810k) of reserves from two of the open academies, as part of their investment strategy. This amount is owed by ARK UK Programmes to Ark Schools. The market value of those endowment contributions were £1,032k as at 31 August 2016. An unrealised gain of £222k has been recognised in the Statement of Financial Activities in earlier years.

One of the directors of Ark Schools, Lord Fink, is the Chairman of Zenith Hygiene Systems who provided cleaning services to four Ark schools. The total amount paid to Zenith Hygiene Systems during the year was £10,335 (2015: £4,500).

26. Directors' emoluments

The Managing Director is a director of the company. In the year ended 31 August 2016, 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 Schools. Details are disclosed in note 11.

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.

27. 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 with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 22 March 2017, the premium is £7,665 (2016: £2,650). The cost of this insurance is included in the total insurance cost.

Notes to the financial statements 31 August 2016

28. Agency arrangements

The trust receives and distributes bursaries as agent for the EFA and NCTL:

	At 31 August 2016 £'000	At 31 August 2015 £'000
16 - 19 bursaries for EFA	175	157
Teacher training bursaries for NCTL	<u>291</u>	<u>379</u>
	<u>466</u>	<u>536</u>

An amount of £12,000 is held in other creditors at the end of the year repayable to NCTL (2015: £nil).

29. 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.

30. Post balance sheet events

On 1st September 2016, one new academy, Ark Paddington Green joined the trust. The assets and liabilities will be recognised within the financial statements ending 31 August 2017.

On 23rd September 2016 Ark Schools was assigned the lease to the 4th, 6th and 7th floors of 65 Kingsway, London WC2.

Notes to the financial statements 31 August 2016

31. Prior year comparative figures

Comparative figures have been restated to reflect the compliance for the first time with FRS 102 and SORP 2015. The impact of this transition has been identified within the note detailing accounting policies.

	Unrestricted funds £'000	Restricted funds		2015 Total funds £'000
		General funds £'000	Fixed assets £'000	
Income from:				
Donations and capital grants	3,583	5,725	22,340	31,648
Transfer from Local Authority	546	(900)	11,782	11,428
Other trading activities	1,688	-	-	1,688
Investments	118	70	-	188
Income from charitable activities	-	-	-	-
- Funding for ARK Schools' educational operations	2,586	131,069	-	133,655
- Project management grants	-	265	-	265
Other sources	388	-	-	388
Total income	8,909	136,229	34,122	179,260
Expenditure on:				
Raising funds	973	-	-	973
Charitable activities	-	-	-	-
- ARK Schools' educational operations	1,561	135,640	9,204	146,405
- Development costs	650	2,396	-	3,046
Total expenditure	3,184	138,036	9,204	150,424
Net gain on investments	222			222
Net income/(expenditure) before transfers	5,947	(1,807)	24,918	29,058
Gross transfers between funds	1,765	-	(1,765)	-
Net income/(expenditure)	7,712	(1,807)	23,153	29,058
Other comprehensive income				
Actuarial gains on defined benefit pension schemes		937		937
Net movement in funds				
Fund balances brought forward at 1 September 2015	11,985	(7,257)	334,816	339,544
Fund balances carried forward at 31 August 2015	19,697	(8,127)	357,969	369,539

