



Annual Report and Accounts

For the year ended 31 August 2015

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Reference and administrative details

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 4589451, and is a UK registered charity, number 1095322.

Directors

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

The following individuals served as trustees during the year:

Ian Wace (Chairman)
Arpad Busson
Paul Dunning
Lord Fink
Kevin Gundle
Nick Jenkins
Paul Marshall
Jennifer Moses
Michael Platt
Blaine Tomlinson
Anthony Williams

All trustees served for the full year and no trustees have resigned since the year end. None had any beneficial interest in the charity and remuneration of directors is neither paid by the charity nor permitted under its Articles of Association.

Auditors

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Bankers

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Strategic Report

Overall approach

Ark is an international charity whose purpose is to transform children's lives.

All children deserve a great education. By running schools and supporting education programmes across the UK, India and Africa, we help to ensure that children around the world, whatever their background, have access to high-quality education.

In the UK, we operate one of the country's top performing academy networks, educating 17,500 young people. This July, we launched our first primary school outside of the UK, in Delhi, India.

We use the knowledge and expertise we have developed to incubate scalable education programmes. We also support programmes that address significant issues that face our students and their communities outside of the classroom.

Once sustainable, these programmes often become independent organisations. Our Ark family is all driven by a mission of ensuring meaningful life outcomes for our most at-risk children.

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

Review of activities

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

Results and performance

The financial performance of Ark and its subsidiaries is set out in the Trustees' Report in the Financial Review section commencing on page 9.

Governance

Governing Document

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

Organisation

The board of trustees, which can have up to twelve members, oversees the charity. The board meets at least three times a year. There are also six sub-committees: four covering thematic programme areas (Health, UK Schools, UK Programmes and International Education) and two dealing with fundraising and finance and audit. The sub-committees each report back to the board and make recommendations on policy and practice in their respective areas of jurisdiction.

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

Related Parties

The charity has established a number of companies to implement its key programmes. Subsidiaries are listed in Note 15.

Strategic Report (continued)

Ark Schools is responsible for Ark's work in inner city and coastal town schools in the UK. Ark Schools is registered in England as a company limited by guarantee (company number 5112090) and an exempt charity. Ark Schools receives the majority of its income from the UK Government and, due to the requirement for ultimate government control of these funds, does not form part of the Group in these accounts.

Ark UK Programmes is responsible for Ark's work in UK education beyond the Academies programme and is also developing the new Frontline child social worker leadership programme. Ark UK Programmes is registered in England as a company limited by guarantee (company number 5932797; charity number 1137932). It is wholly owned by Ark and consolidated in these accounts.

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

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

Ark Uganda, a company limited by guarantee, was registered in May 2012 as a subsidiary of Ark (South Africa) Limited and owns the share of land and buildings relating to schools in Uganda that are financed by Ark as part of its education programme in conjunction with its local partner, Promoting Equality in African Schools (PEAS). During the year the remaining assets in this Ark Uganda were donated to PEAS and the Ark Uganda is expected to remain dormant.

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

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

Principal risks and uncertainties

Risk management

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to manage those risks. Sub-committees of the Board of Trustees meet regularly and consider risks in relation to individual programmes as part of the annual review of business plans. In addition, the Financial Stewardship Committee (FSC) is charged with the responsibility to formally review the Risk Register, to monitor and manage risks and to report to the Board. The FSC meets on a regular basis and has at least three meetings per annum. The main risks are described in Note 19 to the accounts, together with explanations relating to risk-mitigation.

Operational risks

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

Strategic Report (continued)

Financial risks

Financial risks are explained in Note 19 to the accounts.

Financial instrument risks

Ark invests the majority of liquid funds in a portfolio that is mostly comprised of hedge fund investments. The majority of these investments are denominated in US Dollars and hence there is both a currency risk and a market risk in relation to the performance of these investments. The risk is limited through diversification of the portfolio across investment strategies and across investment funds, with the average value of each holding being less than 10% of the total invested funds. Further, the investment objective is to outperform cash without significantly increasing risk and historically this portfolio has proved to be significantly less volatile than global equity markets, with positive returns in each of the last 10 calendar years except 2008. Currency risk is managed by monitoring the net imbalance of foreign currency assets and liabilities and the Board has approved the use of forward foreign currency contracts to limit currency gains and losses where the imbalance is regarded as excessive. At August 2015 no such contract was deemed to be necessary.

Law and regulation risks

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

Future developments

In UK it is expected that Ark Schools will slowly expand through growth of existing schools and the addition of new schools. Funding from Ark is expected to decline. Ark UK Programmes will continue to host new programmes and, as they become relatively mature and self-sustaining, they will continue to move to legal independence. The Frontline programme has become independent from 1 September 2015, as explained in Note 21 to the accounts.

Internationally, the focus on education programmes will continue and existing health programmes will either reach their planned conclusion or will move to become independent charities if they can become self-sustaining. Further schools are planned to open in India and there will be further advocacy work focusing on public-private partnerships, on raising the quality of education in disadvantaged communities and on closing the educational attainment gap between disadvantaged and other children.

Trustees' Report

Our work with schools

Ark Schools

Ark Schools is an Ark family member and 4 of the directors of Ark Schools are trustees of Ark.

As of August 2015, there were 31 schools and 17,500 students in the Ark Schools network in the UK. Our schools remain committed to our ultimate goal of ensuring every Ark pupil has the opportunity when they leave school to attend university or to pursue the career of their choice.

Our highlights in our primary schools this past year include:

- 72% of pupils met the national expectations in reading, writing and maths at the end of primary school, a five point rise over last year, improving faster than the national average
- 87% of year one students passed the phonics screening check – compared to a national average of 77%
- 81% of early years students earned a 'Good Level of Development', up from 69% last year and compared to a national average of 66%
- Ark Conway Primary Academy had the best reading, writing and maths results in England at Key Stage 1; every pupil achieved the top grade in maths.

Our highlights in our secondary schools this past year include:

- Ark King Solomon Academy is now the best non-selective school in the country; 95% of students achieved at least five A*-C grades and 72% of students achieved at least five A*-B
- Ark Kings Academy is the most improved sponsored academy in the country for GCSE results over the past two years
- Across the Ark network, 55% of students achieved at least 5 A*-C grades, including English and maths – above the national average of 53% for all schools
- Ark students who begin secondary school behind are twice as likely to achieve five good GCSEs, including English and Maths, if they attend an Ark secondary school
- Three Ark pupils were admitted to Oxbridge and we sent our first pupil to Harvard

India

In July 2015 our first primary school in Delhi opened its doors to 120 students. The school is being run in partnership with the South Delhi Municipal Corporation.

We have developed a model for running an Ark school within the government system and are delivering our curriculum during a longer school day.

Uganda

We have continued to support PEAS, Promoting Equality in African Schools, a network of 24 non-profit schools in Uganda. Last year, the proportion of PEAS students achieving good grades on their national exams improved by 10 per cent and they are now performing 3.6 per cent above the national average.

UK Programmes

Mathematics Mastery

In 2012 we launched Mathematics Mastery, a curriculum programme designed to address educational disadvantage and under-attainment in maths. The programme has now grown to work with over 260 partner schools, reaching 34,800 pupils.

Trustees' Report (continued)

Earlier this year, our impact was demonstrated by independent research from the Education Endowment Foundation (EEF) which showed that the Mathematics Mastery programme has a positive impact on learning in the first year of support.

Assembly

Assembly, which launched this year, aims to improve the quality of education information management. The Assembly platform will run in parallel with a school's existing School Information System and will host apps offering innovative functionality and high quality, visual data analysis. The platform will be geared towards school improvement and enhanced student outcomes. Assembly is a joint initiative with the NEON Foundation and supported by Zing.

Frontline

Frontline was set up in 2012 to provide a route for high achieving graduates and career changers to become social workers. The programme now has 220 participants and has been ranked 40th in the prestigious Times Top 100 graduate employers list. Frontline will be an independent organisation from September 2015.

International Programmes

Education Partnerships Group (EPG)

We provide support to governments across the world in creating and navigating successful public-private partnerships in the education sector. This support includes designing and passing relevant policies, setting up an effective regulatory framework, and helping to develop a pipeline of qualified school operators. The EPG is currently working on projects with governments in South Africa and Kenya.

Quality assurance in Schools

We continued our work in developing a quality assurance framework with the Madhya Pradesh state government. The project is being scaled up to cover 20,000 schools across 46 districts. The state aims to have rolled out the assessment framework for the remaining 100,000 schools by 2019.

This year, we expanded our QA work to Delhi. As a largely urban constituency, the schools in Delhi differ from those in Madhya Pradesh and so we worked closely with the South Delhi Municipal Corporation to develop a QA framework tailored to their needs. We launched the framework in 589 schools in 2015.

School information systems

Ark is currently piloting the use of SchoolTool, a free, open source SIS, designed with low income countries in mind. Our vision is to help schools in less developed countries improve student learning outcomes by using data more effectively. We are conducting pilots in rural Uganda, and Delhi India. The findings from these pilot programmes will inform a business plan to establish a sustainable international data venture promoting and supporting the use of SIS for school improvement purposes in developing countries.

Trustees' Report (continued)

Value added

Ark is developing a value added performance measures for the Ugandan government. Value added performance measures assess the progress a student has made during their time at school, allowing for a fair comparison between schools in different contexts. Our value added measure is one of the first ever attempts at developing such a metric for a developing country's education system.

We collected examination data from over 31,000 students across a nationally representative sample of 334 schools. Our initial analysis shows value-added metrics offer interesting insights to policy makers and will recommend scaling up this approach to strengthen the school accountability system in Uganda.

Maternal and neo-natal health care in Zimbabwe

We continue our work to improve Zimbabwe's poor maternal and neonatal health outcomes by training new health workers, improving the skills of existing workers and providing essential equipment and supplies.

This year, 35 clinical officers completed their training and 39 new trainees have enrolled in the next cohort. There are 17 nurse anaesthetists who have been trained through the programme and are currently in post, an additional 13 are preparing for examinations and 10 are halfway through the course.

Zambia

We continue to work with the Centre for Infectious Disease Research in Zambia (CIDRZ) on reducing diarrhoea-related mortality in children under five. The programme serves as a model for the successful integration of policies, education, and medical treatment. By July 2015, almost 300,000 infants received the first dose of the rotavirus vaccine. Preliminary analysis of the impact of the programme is showing a 34% decline in all-cause under-five mortality in Lusaka Province.

The Ark Family

Future Leaders

The Future Leaders Trust recruits and develops school leaders to become exceptional head teachers in challenging schools. Over 400 Future Leaders are currently working in more than 270 schools across the country. The programme has supported 149 people to headship who are impacting the lives of at least 50,000 children.

Teaching Leaders

Teaching Leaders addresses educational disadvantage by growing a movement of outstanding middle leaders in schools in challenging contexts. Teaching Leaders has now worked with middle leaders in over 900 eligible primary and secondary schools nationally.

Trustees' Report (continued)

Financial review

Ark recorded a net deficit of £1.3m for the year, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £4.1m deficit in the previous year. As a result, group reserves decreased to £19.4m at August 2015 (2014 £20.7m).

Ark's consolidated income in the year to 31 August 2015 totalled £21.9m (2014 £13.8m). The growth of voluntary income in the charity of £3.5m was further enhanced by growth of £4.1m in grant income in a UK subsidiary, largely due to growth of the Frontline programme.

The charity had one small fundraising event in the year and hence the cost of generating funds rose slightly to £0.9m (2014 £0.6m). The cost of generating funds includes a proportion of the cost of the Development team based upon the percentage of staff time spent on fundraising.

Group expenditure during the year was £7.0m higher at £25.6m (2014 £18.6m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 96% (2014 96%) of total expenditure excluding reserves transfers. The Frontline programme, classified in UK Education, incurred expenditure more than double the prior year level, rising from £2.6m to £5.9m. Schools grant expenditure in International Education increased by £2.1m, largely reflecting the donation of schools to Ark's partner charity in Uganda, PEAS.

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

During the period expenditure at the charity level on grants and project operating costs was £13.8m (2014 £13.2m). This includes support costs of £1.5m (2014 £1.3m).

Core Costs Fund income and expenditure

	2015 £'000	2014 £'000
Contributions arranged by trustees and patrons	678	1,004
Gift in kind	6	16
Investment fee rebates	143	218
Return on investments	1,598	1,077
Other income	28	-
Total income raised for core costs	2,453	2,315
Less: Expenditure on core costs	(2,485)	(2,121)
Surplus / (deficit) on core costs for the year	(32)	194
Balance at 1 September	2,990	2,796
Balance at 31 August	2,958	2,990

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

Trustees' Report (continued)

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

As the above table shows, at 31 August 2015 a reserve of £3.0m has been established to cover core costs, equivalent to 14 months expenditure at the 2015 level (2014 £3.0m – 17 months).

Investment fee rebates, included within Core income, arise from funds that rebate their fees as a donation to Ark. Where capital is invested in a fund controlled by the trustees of Ark, 100% of fees are donated in this way. Furthermore, the advisory and management companies related to the Ark Masters Fund donated fees to Ark and these are included as part of the return on investments in the Core income. During the period the combined rebates and donations totalled £0.289m (2014 £0.415m). This additional return was equivalent to a further return of 1.8% (2014 2.7%) on Ark's average investment value during the period.

Balance Sheet

The typical lifecycle of non-UK programmes is 3 to 5 years and Ark may underwrite part or all of the cost and set aside reserves at the outset. In the group balance sheet these programme commitments are shown as grant creditors. UK-based programmes typically have a longer life and Ark funding is often focused in the early years of incubation and development. For these programmes grants are awarded mainly on an annual basis and therefore there is little or no grant creditor relating to future period funding. The total value of grant creditors in the group balance sheet at 31 August was £8.5m (2014 £7.9m).

The group also holds an additional amount of £16.4m to invest in current and new programmes (2014 £17.7m), £11.2m as restricted funds (2014 £12.7m) and £5.2m as unrestricted funds held in its General Programme Fund (2014 £5.0m).

This funding model is considered by the trustees to be reasonably prudent and results in a significant balance of cash and investments due to the receipt of funds in advance of application in programmes. The total of cash and investments in the group balance sheet is virtually unchanged at £28.1m (2014 £28.7m).

The FSC oversees the charity's cash management. During the year the charity's main banking accounts were held with Lloyds Banking Group. At 31 August 2015 100% of the charity's cash was invested in the Lloyds accounts (2014 100%). The profile of the cash holdings is dependent on the working capital needs of Ark's programmes.

The trustees have set a non-cash investments target range of 40-75% of total cash and investments. At 31 August 2015 the investments represented 82% of total invested funds (2014 80%) and was therefore outside these guidelines which has been approved by the FSC. On 31 December 2014 the Ark Masters Fund (AMF) closed and all individual investments in the Fund were transferred to Ark's beneficial ownership to form a portfolio that is now managed by Aurum Funds Limited. Northern Trust now acts as Custodian for these investments. At the point of closure Ark was the sole investor in the Fund. This portfolio represents 76% of the total investments and generated a return of 8.2% in the year compared with an average interest rate of 0.2% on 1-month US LIBOR during the year. The trustees consider this to be a good performance.

The objective for Ark's investments is to outperform cash without significantly increasing risk. The investment portfolio managed by Aurum includes a range of investment strategies aiming to ensure an absolute return on investment that is not correlated to the UK equity market. Having taken independent advice on this investment strategy, the trustees believe this is an appropriate investment of the charity's funds.

Trustees' Report (continued)

The trustees consider that the investments, which are largely US\$ denominated, provide a foreign currency match for programme grant liabilities denominated in foreign currency and uncommitted reserves that are expected to be committed to foreign currency denominated programmes. Provided that foreign currency assets and liabilities match to within £5m no currency hedge contract is required to mitigate currency risk and at 31st August 2015 the £5m limit was not exceeded so no contract was in place. A net foreign currency loss of £0.3m (2014 net gain £0.4m) is reported in relation to the revaluation of cash and grant creditor balances; investment foreign exchange gains of £0.9m (2014 loss £0.8m) are included in the realised/unrealised investment gains in the SoFA.

Funds and Reserves

Restricted funds

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

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

Where the programmes are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. The group balance sheet also includes within restricted funds £5.7m (2014 £5.7m) of endowment funds held for the benefit of individual academies within Ark Schools. The value of restricted funds held by the group at 31st August 2015 was £11.2m (2014 £12.7m).

Note 12 shows how these reserves are split across Ark's various programmes.

Unrestricted funds – General Programme Fund

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

In the charity balance sheet these funds are shown as unrestricted funds – General Programme Fund. The balance held in this fund was £5.2m at 31st August 2015 (2014 £5.0m). Ark anticipates that all these funds will be committed to specific programmes within the next 24 months. The trustees consider this to be in line with the organisation's policy.

Unrestricted funds – core costs

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

In the balance sheet these funds are shown under unrestricted funds - core costs. The balance held on this fund was £3.0m at 31st August 2015 (2014 - £3.0m) which is equivalent to 14 months' expenditure on core costs at 2015 levels (2014 17 months). The trustees consider this to be in line with the organisation's policy.

Trustees' Report (continued)

Statement of public benefit

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

Trustees' assessment of going concern status

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

Trustees' Report (continued)

Statement of trustees' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and ensuring that the assets are properly applied in accordance with charity law; hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the Auditors

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

This report was approved by the trustees on 25th November 2015.



Ian Wace
Chairman, Ark

Independent auditors' report to the members of Ark

We have audited the financial statements of Absolute Return for Kids (Ark) for the year ended 31 August 2015 which comprise which comprise Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 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 Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 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.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the charitable Group's affairs as at 31 August 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Ark

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustees' Annual 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 branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of trustees' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit. [or
- ▶ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime



Michael John-Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25th November

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Consolidated Statement of Financial Activities

For the year ended 31 August 2015

				<i>Year ended</i>	<i>Year ended</i>
				<i>31-Aug-15</i>	<i>31-Aug-14</i>
		<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Total</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Incoming resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	3,698	10,380	14,078	9,958
Gifts in Kind		6	2	8	40
Activities for generating funds:					
Fundraising events	3	-	110	110	43
Investment income	4	27	39	66	104
Incoming Resources from charitable activities		-	912	912	467
Rental Income		28	-	28	-
Continued Operations		3,759	11,443	15,202	10,612
Discontinued Operation		-	6,726	6,726	3,149
<i>Total incoming resources</i>		3,759	18,169	21,928	13,761
<i>Resources expended</i>					
Cost of generating funds	6	862	-	862	627
Charitable Activities:					
Grants and project operating costs	5 & 6	1,470	15,133	16,603	15,319
Governance costs	5 & 6	153	-	153	139
Transfer of Reserve		-	409	409	-
Gift of Asset		-	993	993	-
Continued Operations		2,485	16,535	19,020	16,085
Discontinued Operation		-	6,603	6,603	2,551
<i>Total resources expended</i>		2,485	23,138	25,623	18,636
<i>Net (outgoing)/incoming resources before other recognised gains and</i>		1,274	(4,969)	(3,695)	(4,875)
Realised/unrealised gains on investment assets	7	2,354	192	2,546	443
Realised/unrealised gains/ (losses) on foreign currency transactions		(297)	131	(166)	329
<i>Net (outgoing)/incoming resources before transfers</i>		3,331	(4,646)	(1,315)	(4,103)
<i>Gross transfers between funds</i>	12	(3,119)	3,119	-	-
<i>Net movement in funds</i>	8	212	(1,527)	(1,315)	(4,103)
<i>Funds at 1 September</i>		7,964	12,740	20,704	24,807
<i>Funds at 31 August</i>		8,176	11,213	19,389	20,704

The notes on pages 21 to 36 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2015

				<i>Year ended</i> <i>31-Aug-15</i>	<i>Year ended</i> <i>31-Aug-14</i>
	<i>Unrestricted</i>	<i>Restricted</i>		<i>Total</i>	<i>Total</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Incoming resources					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	3,698	9,137	12,835	9,362
Gifts in Kind		6	-	6	16
Activities for generating funds:					
Fundraising events	3	-	110	110	43
Investment income	4	27	-	27	82
Other income		28	-	28	
Total incoming resources		3,759	9,247	13,006	9,503
Resources expended					
Cost of generating funds:	6	862	-	862	627
Charitable Activities					
Grants and project operating costs	5 & 6	1,470	12,336	13,806	13,213
Governance costs	5 & 6	153	-	153	139
Total resources expended		2,485	12,336	14,821	13,979
Net (outgoing)/incoming resources before other recognised gains and losses		1,274	(3,089)	(1,815)	(4,476)
Realised/unrealised gains on investment assets	7	2,354	-	2,354	(39)
Realised/unrealised gains/ (losses) on foreign currency transactions		(297)	-	(297)	425
Net incoming/(outgoing) resources before transfers		3,331	(3,089)	242	(4,090)
Gross transfers between funds	12	(3,119)	3,119	-	-
Net movement in funds	8	212	30	242	(4,090)
Funds at 1 September		7,964	666	8,630	12,720
Funds at 31 August		8,176	696	8,872	8,630

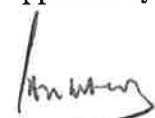
The notes on pages 21 to 36 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible fixed assets	9	686	1,842
		<u>686</u>	<u>1,842</u>
Current assets			
Debtors	10	3,202	1,660
Investments	7	22,758	22,523
Cash at bank and in hand		5,336	6,194
		<u>31,296</u>	<u>30,377</u>
Creditors: amounts falling due within one year	11	(11,511)	(10,408)
Net current assets		<u>19,785</u>	<u>19,969</u>
Total assets less current liabilities		20,471	21,811
Creditors: amounts falling due after one year	11	(1,082)	(1,107)
Net assets		<u>19,389</u>	<u>20,704</u>
Funds			
Unrestricted funds:			
General Programme Fund		5,218	4,974
Core costs		2,958	2,990
Restricted funds		11,213	12,740
Total funds	12	<u>19,389</u>	<u>20,704</u>

The notes on pages 21 to 36 form an integral part of these financial statements.
Approved by the Board of Directors on 25th November 2015 and signed on its behalf by:



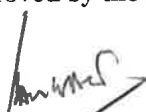
Ian Wace
Chairman, Ark

Charity Balance Sheet

As at 31 August 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible fixed assets	9	675	825
		<u>675</u>	<u>825</u>
Current assets			
Debtors	10	736	564
Investment	7	16,425	15,796
Cash at bank and in hand		3,493	3,915
		<u>20,654</u>	<u>20,275</u>
Creditors: amounts falling due within one year	11	(10,694)	(9,710)
Net current assets		<u>9,960</u>	<u>10,565</u>
Total assets less current liabilities		10,635	11,390
Creditors: amounts falling due after one year	11	(1,763)	(2,760)
Net assets		<u>8,872</u>	<u>8,630</u>
Funds			
Unrestricted funds:			
General Programme Fund		5,218	4,974
Core costs		2,958	2,990
Restricted funds		696	666
Total funds	12	<u>8,872</u>	<u>8,630</u>

The notes on pages 21 to 36 form an integral part of these financial statements.
Approved by the Board of Directors on 25th November 2015 and signed on its behalf by:


Ian Wace
Chairman, Ark

Consolidated Statement of Cash Flows

For the year ended 31 August 2015

		<i>Year ended 31-Aug-15 Total £'000</i>	<i>Year ended 31-Aug-14 Total £'000</i>
	<i>Notes</i>		
Net cash outflow from operating activities	18	(1,941)	(5,919)
Returns on investments and servicing of finance			
Interest received		69	104
Capital expenditure			
Purchase of fixed assets		(8)	(345)
Investment redeemed during the year		4,955	-
Investment made during the year		-	(1,400)
Endowment Investment during the year		(3,933)	(44)
Decrease in cash		<u>(858)</u>	<u>(7,604)</u>

Reconciliation to net funds:

	<i>Year ended 31-Aug-15 Total £'000</i>	<i>Year ended 31-Aug-14 Total £'000</i>
Decrease in cash	(858)	(7,604)
Cash at beginning of year	6,194	13,798
Cash at end of year	<u>5,336</u>	<u>6,194</u>

The notes on pages 21 to 36 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2015

1. Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention with the exception that investments are stated at fair value. The accounts are in accordance with applicable accounting standards, the Charities SORP 2005 (Accounting and Reporting by Charities), and comply with the Charities (Accounts and Reports) Regulations 2008 issued under the Charities Act 2006.

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

Fund accounting

Restricted funds are those which are to be used for a specified purpose as stipulated by the donor and agreed by the charity.

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

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

Incoming resources

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

Resources expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure. Expenditure is accounted for on an accruals basis, and has been classified under headings that aggregate all costs related to the category.

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

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

Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

Notes to the Accounts

For the year ended 31 August 2015

1. Accounting policies (continued)

Allocation of overhead and support costs

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

Volunteers and donated services

With the exception of trustees, patrons and a small number of advisors who all provide their services on a voluntary basis, the charity and its subsidiaries do not rely upon volunteers or donated services in delivering services. The financial value of services donated by advisors is included as expenditure at an estimated fair value and a corresponding value of income is included as an in-kind donation.

Tangible fixed assets and depreciation

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

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

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

Investments

Changes in fair value are taken through the Statement of Financial Activities and valued on the balance sheet date as follows:

- Listed securities are valued at the bid market price;
- Hedge funds are valued at Net Asset Value (“NAV”) from a fund manager

Foreign currencies

Charity

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

The charity has adopted FRS23 “The effects of Changes in Foreign Exchange Rates”.

Group

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

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

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

Operating lease

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

Notes to the Accounts

For the year ended 31 August 2015

2. Grants and donations

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Contributions to core costs	967	967	1,419	1,419
General Donations	2,731	2,731	561	561
Grants & restricted donations	16,595	9,137	10,701	7,382
	<u>20,293</u>	<u>12,835</u>	<u>12,681</u>	<u>9,362</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and Gifts in Kind includes £0.973m (2014 £1.435m) raised for this purpose. At 31 August 2015 a total of £15.2m (2014 £8.7m) had been pledged to support Ark programme and core cost funding in future years, none of which has been reported as income.

3. Fundraising events

The charity did not hold a major fundraising event in 2014/15. Income stated in the SoFA under incoming resources from fundraising events related to an art auction held in February 2015.

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

4. Investment income

Investment income arises from interest receivable on funds held in interest bearing bank accounts and on fixed term deposit. During the year investment income was £0.069m (2014 £0.104m) for the group and £0.027m (2014 £0.082m) for the charity.

5. Allocation of support costs

Group and Charity

	Charitable activity	Cost of generating funds	Governance costs	Total
	£'000	£'000	£'000	£'000
Head office costs	1,470	862	153	2,485
Total	<u>1,470</u>	<u>862</u>	<u>153</u>	<u>2,485</u>

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

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

Notes to the Accounts

For the year ended 31 August 2015

5. Allocation of support costs (cont.)

The table above shows how the resources covered by the core budget are allocated using the three broad categories required under the Charities SORP 2005, and is based upon an allocation of the time spent by individual members of staff. Note 6 further apportions the charitable activities element between individual programmes undertaken directly by the Ark group.

6. Analysis of resources expended

Group

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2015 £'000</i>	<i>Total 2014 £'000</i>
Charitable expenditure					
HIV/AIDS - MOZ SMS(GPAF IMPo8o)	16	149	73	238	461
DDC - Zambia	16	197	73	286	485
DDC - Uganda	16	-	29	45	54
MNC - Zimbabwe	601	-	148	749	538
Child Protection - Romania	15	-	73	88	80
Intl Education - Public Partnership	105	509	73	687	311
Intl Education - Incubator	526	146	102	774	478
Intl Education - Ark Schools	437	2,059	340	2,836	749
Intl Education - Other	1,004	20	119	1,143	707
UK Education	2,417	7,893	440	10,750	11,456
Reserve transfer to Schools (UK)		409	-	409	-
Sub-total continued operations	5,153	11,382	1,470	18,005	15,319
UK Education	6,603	-	-	6,603	2,551
Sub-total discontinued operation	6,603	-	-	6,603	2,551
	11,756	11,382	1,470	24,608	17,870
Cost of generating funds	-	-	862	862	627
Governance costs	-	-	153	153	139
Total resources expended	11,756	11,382	2,485	25,623	18,636

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

Grant funding of activities represents programmatic work carried out by non-group entities (including Ark Schools) and funded by grants from the charity.

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

Notes to the Accounts

For the year ended 31 August 2015

6. Analysis of resources expended (cont.)

Ark Plus, Extended Schools and University and Careers Success programmes have been transferred from Ark UK Programmes to Ark Schools with the accumulated reserves of those programmes totalling £409k. Ark Schools is an Ark family member.

Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2015 £'000</i>	<i>Total 2014 £'000</i>
Charitable expenditure					
HIV/AIDS-MOZ SMS (GPAF IMPo8o)	16	149	-	165	463
DDC - Zambia	16	197	73	286	487
DDC - Uganda	16	-	29	45	56
MNC - Zimbabwe	15	223	148	386	326
Child Protection - Romania	15	-	73	88	80
Intl Education - Public Partnership	105	509	73	687	311
Intl Education - Incubator	134	603	102	839	267
Intl Education - Ark Schools	265	363	340	968	710
Intl Education - Other	-	930	119	1,049	651
UK Education	138	8,642	440	9,220	9,862
	720	11,616	1,397	13,733	13,213
Cost of generating funds	-	-	862	862	627
Governance costs	-	-	153	153	139
Total resources expended	720	11,616	2,412	14,748	13,979

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

Grant funding of activities represents programmatic work carried out by group and non-group companies and funded by grants from the central charity.

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

Notes to the Accounts

For the year ended 31 August 2015

7. Investments

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Investments b/fwd	17,567	12,096	16,123	10,696
Additional investment in the year	-	-	1,400	1,400
Investment redeemed in the year	(4,954)	(1,198)	-	-
Endowment investment in the year	<u>3,933</u>	<u>-</u>	<u>44</u>	<u>-</u>
Investments c/fwd	<u>16,546</u>	<u>10,898</u>	<u>17,567</u>	<u>12,096</u>
Unrealised gains b/fwd	4,956	3,700	4,513	3,739
Unrealised gain/(loss) in the year	<u>1,257</u>	<u>1,827</u>	<u>443</u>	<u>(39)</u>
Market value at 31 August	<u>22,758</u>	<u>16,425</u>	<u>22,523</u>	<u>15,796</u>

Investment Income

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Unrealised gain/(loss) in the year	1,257	1,827	443	(39)
Realised gains in the year	<u>1,289</u>	<u>527</u>	<u>-</u>	<u>-</u>
	<u>2,546</u>	<u>2,354</u>	<u>443</u>	<u>(39)</u>

8. Net movement in funds

This is stated after charging:	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Operating lease charges	<u>1,273</u>	<u>1,241</u>	<u>502</u>	<u>486</u>
Depreciation	<u>166</u>	<u>159</u>	<u>155</u>	<u>107</u>
Auditors' remuneration				
- current year audit	<u>35</u>	<u>22</u>	<u>33</u>	<u>21</u>

Notes to the Accounts

For the year ended 31 August 2015

9. Fixed assets

Group	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2014	1,073	1,062	706	32	2,873
Additions	-	-	8	-	8
Disposals	-	(1,062)	(14)	-	(1,076)
Reclassification	(12)	-	12	-	-
At 31 August 2015	<u>1,061</u>	<u>-</u>	<u>712</u>	<u>32</u>	<u>1,805</u>
Depreciation:					
At 1 September 2014	268	69	680	14	1,031
Disposals	-	(69)	(9)	-	(78)
Charge for the year	125	-	33	8	166
At 31 August 2015	<u>393</u>	<u>-</u>	<u>704</u>	<u>22</u>	<u>1,119</u>
Net Book Value:					
At 31 August 2015	<u>668</u>	<u>-</u>	<u>8</u>	<u>10</u>	<u>686</u>
At 31 August 2014	<u>805</u>	<u>993</u>	<u>26</u>	<u>18</u>	<u>1,842</u>
Charity					
	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2014	1,073	-	684	-	1,757
Additions	-	-	9	-	9
Reclassification	(12)	-	12	-	-
At 31 August 2015	<u>1,061</u>	<u>-</u>	<u>705</u>	<u>-</u>	<u>1,766</u>
Depreciation:					
At 1 September 2014	268	-	664	-	932
Charge for the year	125	-	34	-	159
At 31 August 2015	<u>393</u>	<u>-</u>	<u>698</u>	<u>-</u>	<u>1,091</u>
Net Book Value:					
At 31 August 2015	<u>668</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>675</u>
At 31 August 2014	<u>805</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>825</u>

Land and building - Disposals relate entirely to the transfer to PEAS of all assets funded by Ark as part of the Ark-PEAS education programme in Uganda. This is consistent with the original programme plan and has been approved by the Board.

Notes to the Accounts

For the year ended 31 August 2015

10. Debtors

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Receivable within 1 year				
HMRC - Gift Aid	-	-	33	33
Related company debtors	-	-	54	54
Prepayments and other debtors	3,202	736	1,573	477
	3,202	736	1,660	565

11. Creditors

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts falling due within 1 year				
Trade Creditors	159	120	197	124
Amounts due to Ark Schools	1,147	-	916	-
Grant creditors	7,420	9,135	6,839	8,749
Other creditors	766	650	793	220
Deferred Income	2,019	789	1,663	617
	11,511	10,694	10,408	9,710
Amounts falling due after 1 year				
Grant creditors	1,082	1,763	1,107	2,760

Notes to the Accounts

For the year ended 31 August 2015

12. Analysis of charitable funds

Group

	31 Aug 2014 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2015 £'000
Restricted funds					
HIV/AIDS - MOZ SMS(GPAF IMPo8o)	2	149	16	(165)	2
DDC - Zambia	2	197	16	(213)	2
DDC - Uganda	2	-	16	(16)	2
DDC - Vaccine fund	667	-	-	-	667
MNC - Zimbabwe	1,183	389	(4)	(601)	967
Health - Africa Other	221	(16)	-	-	205
Child Protection - Romania	-	-	15	(15)	-
Intl Education - Public Partnership	-	315	299	(614)	-
Intl Education - Incubator	831	150	589	(672)	898
Intl Education - ARK School	2,012	61	569	(2,496)	146
Intl Education - Other	90	947	5	(1,024)	18
UK Education	6,644	9,624	1,548	(10,310)	7,506
Reserve transfer to School	409	-	-	(409)	-
Sub-total continued operations	12,063	11,816	3,069	(16,535)	10,413
UK Education	677	6,676	50	(6,603)	800
Sub-total discontinued operation	677	6,676	50	(6,603)	800
	12,740	18,492	3,119	(23,138)	11,213
Unrestricted funds					
Core funds	2,990	2,453	-	(2,485)	2,958
General programme funds	4,974	3,363	(3,119)	-	5,218
	7,964	5,816	(3,119)	(2,485)	8,176

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

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

Ark Plus, Extended Schools and University and Careers Success programmes have transferred from - Ark UK Programmes to Ark Schools with the associated programme reserves totalling £409k.

Notes to the Accounts

For the year ended 31 August 2015

12. Analysis of charitable funds (cont.)

Charity

	31 Aug 2014 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2015 £'000
Restricted funds					
HIV/AIDS - MOZ SMS (GPAF IMPo8o)	-	149	16	(165)	-
DDC - Zambia	-	197	16	(213)	-
DDC - Uganda	-	-	16	(16)	-
DDC - Vaccine fund	666	-	-	-	666
MNC - Zimbabwe	-	242	(4)	(238)	-
Child Protection - Romania	-	-	15	(15)	-
Intl Education - Public Partnership	-	315	299	(614)	-
Intl Education - Incubator	-	146	589	(736)	-
Intl Education - ARK School	-	61	569	(629)	-
Intl Education - Other	-	925	5	(930)	-
UK Education	-	7,212	1,598	(8,780)	30
	666	9,247	3,119	(12,336)	696
Unrestricted funds					
Core funds	2,990	2,453	-	(2,485)	2,958
General programme funds	4,974	3,363	(3,119)	-	5,218
	7,964	5,816	(3,119)	(2,485)	8,176
Total	8,630	15,063	-	(14,821)	8,872

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

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

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

Mozambique SMS grant income of £149k includes Department for International Development (DFID) grant funding under Global Poverty Action Fund (GPAF IMPo8o) of £130k; addition £23k of DFID grant is allocated to General Programme Funds to support the cost of the central team for this programme.

DFID contributed £146k to the Madhya Pradesh Quality Assessment programme (MPQA) in India which is included in International Education Incubator; an additional £12k of DFID grant is allocated to General Programme Funds to support the cost of the central team for this programme.

Comic Relief contributed £197k to DDC-Zambia for 2014/15, and excess cash received (£29.9k) has been deferred. Ark received £66.3k in cash from Comic Relief in 2014/15.

Notes to the Accounts

For the year ended 31 August 2015

13. Staff costs and numbers

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Salaries and wages	4,528	1,949	3,925	1,664
Social security costs	411	228	539	330
Pension costs	323	165	307	182
	<u>5,262</u>	<u>2,342</u>	<u>4,771</u>	<u>2,176</u>

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

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	No.	No.	No.	No.
Programmes	101	-	71	-
Support services	39	29	36	26
Fundraising	4	4	4	4
	<u>144</u>	<u>33</u>	<u>111</u>	<u>30</u>

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

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	No.	No.	No.	No.
£140,001 - £150,000	-	-	1	1
£130,001 - £140,000	1	1	-	-
£120,001 - £130,000	1	1	-	-
£110,001 - £120,000	1	1	1	1
£100,001 - £110,000	3	1	-	-
£90,001 - £100,000	-	1	3	-
£80,001 - £90,000	2	1	3	3
£70,001 - £80,000	4	-	4	2
£60,001 - £70,000	5	1	3	-

The pension contributions made on behalf of the above employees were £103,061 (2014:£91,293) in the group and £74,375 (2014:£70,937) in the charity.

Notes to the Accounts

For the year ended 31 August 2015

14. Directors' remuneration and expenses

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

15. Investments in subsidiaries

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

16. Related party transactions

Ark made new grants of £3.051m to its sister charity Ark Schools (2014 £5.067m) to cover the core costs of the charity to 31 August 2015. At the year end the unpaid grant allocated to Ark Schools was £3.981m (2014 £2.779m), all of which is due in less than one year. The charity also shares its office with Ark Schools, with each charity assuming a reasonable proportion of the costs.

Future Leaders Charitable Trust (Future Leaders) is a charitable company on which Ark is represented on the Board of Directors. During the year Ark made no new grant (2014 nil). At the year end the unpaid grant allocated to Future Leaders was £0.224m (2014 £0.504m), all of which is due in less than one year (2014 £0.261m). Ark also provides office space which Future Leaders pays for in proportion to the resources used.

Teaching Leaders is a charitable company on which Ark is represented on the Board of Directors. During the year Ark made no new grant (2014 nil). At the year end the unpaid grant allocated to Teaching Leaders was £0.507m (2014 £0.791m), £0.264m of which is due in less than one year (2014 £0.260m). Ark also provides office space which Teaching Leaders pays for in proportion to the resources used.

Ark is also affiliated to Absolute Return for Kids, US, Inc. (Ark US), a US philanthropic organisation that shares the charity's objectives. During the year Ark received a grant of £1.119m (\$1.656m) from Ark US (2014 £0.705m (\$1.178m)).

During the year Ark redeemed £1.726m which is \$2.690m (2014 nil) of its investment in the Ark Masters Fund (AMF). The AMF is managed by Ark Masters Management Limited (AMML), a Cayman Islands registered company having no directors in common with Ark. During the year the charity received a dividend of £0.073m from AMML (2014 £0.099m). AMML receives investment advice from Ark Masters Advisers Limited (AMAL), a UK registered company with five directors who are all trustees of Ark. During the year the charity received a donation of £0.073m from AMAL (2014 £0.099m).

Notes to the Accounts

For the year ended 31 August 2015

17. Operating lease commitments

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

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
One year	1,358	1,337	662	635
Between two and five years	1,097	1,097	425	420

18. Notes to the consolidated cash flow statement

Reconciliation of net incoming resources to net cash outflow from operating activities

	Group	Group
	2015	2014
	£'000	£'000
Net outgoing resources	(3,695)	(4,875)
Depreciation	166	155
Write off of book value on disposal of tangible fixed assets	998	2
Unrealised gains on foreign currency transactions	(166)	329
Interest received	(69)	(104)
Realised gains on investments	1,289	-
Increase in debtors	(1,542)	(552)
Increase in creditors	1,078	(874)
Net cash outflow from operating activities	(1,941)	(5,919)

19. Risk factors

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

(a) Interest rate risk

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

(b) Market price risk

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

Notes to the Accounts

For the year ended 31 August 2015

19. Risk factors (cont.)

(c) Currency risk

	2015		2014	
	USD	EUR	USD	EUR
	£'000	£'000	£'000	£'000
Investment at fair value	12,460	-	12,208	-
Cash at bank	1,438	94	855	8
	<u>13,898</u>	<u>94</u>	<u>13,063</u>	<u>8</u>

The value of assets and liabilities in the Group balance sheet is set out in the table above. Currency risk arises over the commitment to fund current and future overseas programme grants which are, or will be, committed in foreign currencies. Currency risk also arises over the future value of the charity's investments, which are mainly US dollar denominated. The Financial Stewardship Committee considers the portfolio of foreign currency assets and liabilities as a whole and has adopted a policy whereby forward currency contracts will be considered to cover any net imbalance in excess of £5m. At 31st August 2015 no such contract was considered necessary. The risk may be further managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency.

(d) Credit risk

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

(e) Financial assets

At the year end financial assets comprised:

	Group	Charity	Group	Charity
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Investments	16,425	16,425	15,796	15,796
Endowment Investments	6,333	-	6,727	-
Cash at bank and in hand	5,336	3,493	6,194	3,915
Debtors	<u>3,202</u>	<u>736</u>	<u>1,660</u>	<u>564</u>
	<u>31,296</u>	<u>20,654</u>	<u>30,377</u>	<u>20,275</u>

Notes to the Accounts

For the year ended 31 August 2015

19. Risk factors (cont.)

(f) Fair value

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Listed equity securities	1,479	-	-	1,479
Unlisted equity securities	-	14,946	-	14,946
	<u>1,479</u>	<u>14,946</u>	<u>-</u>	<u>16,425</u>

(g) Liquidity risk

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

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

Notes to the Accounts

For the year ended 31 August 2015

19. Risk factors (cont.)

Group

	<i>within 1 month £'000</i>	<i>between 1-3 months £'000</i>	<i>between 3-12 months £'000</i>	<i>greater than 12 months £'000</i>	<i>Total £'000</i>
Financial liabilities					
At 31 August 2015					
Trade Creditors	159	-	-	-	159
Related company creditor	-	-	1,147	-	1,147
Grant creditors	45	15	7,360	1,082	8,502
Other creditors	586	180	-	-	766
Total	790	195	8,507	1,082	10,574

Charity

	<i>within 1 month £'000</i>	<i>between 1-3 months £'000</i>	<i>between 3-12 months £'000</i>	<i>greater than 12 months £'000</i>	<i>Total £'000</i>
Financial liabilities					
At 31 August 2015					
Trade Creditors	120	-	-	-	120
Grant creditors	168	115	8,852	1,763	10,898
Other creditors	100	550	-	-	650
Total	388	665	8,852	1,763	11,668

20. Taxation

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

21. Post balance sheet events

On 1 September 2015, Frontline (a programme in Ark UK Programmes) became a separate legal entity and will no longer be included within Ark UK Programmes' accounts in future years. The income and expenditure included in the accounts relating to the Frontline programme in 2014/15 was £6.7m and £6.6m respectively (net income £0.1m) and the fund balance of £0.8m will be shown as a transfer out in the 2015/16 accounts.