



Company limited by guarantee registration number: 04589451

Charity registration number: 1095322

Annual Report and Accounts

For the year ended 31 August 2016

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Reference and administrative details

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 04589451, 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 (resigned 16 November 2015)
Paul Dunning
Lord Fink
Kevin Gundle
Nick Jenkins (resigned 5 July 2016)
Sir Paul Marshall
Jennifer Moses
Michael Platt (resigned 16 November 2015)
Blaine Tomlinson (resigned 5 July 2016)
Anthony Williams

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

Auditors

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Strategic Report

Overall approach

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

In the UK, our journey started with one school ten years ago

Ark Schools is one of the country's top-performing academy networks – with 35 schools and around 21,000 pupils. These schools are exemplifying that every school has the potential to succeed – even those in the most challenging circumstances.

Our goal is to effect system change

We want to change the lives of children everywhere, not just in our own schools. So we create and incubate ventures designed not only to help pupils in Ark schools, but also to improve education systems as a whole. These ventures tackle some of the most intractable problems facing children – including poor numeracy, inadequate support for dyslexic pupils, and the lack of quality social workers.

Internationally, we work in partnership to make a difference

Working in partnership has allowed us to extend our impact to other countries – spreading our expertise through initiatives designed to improve education systems across the world. Through Ark's Education Partnerships Group, we're working to bring governments and education organisations closer together to create better schools. In India and Uganda, this involves implementing new ways of tracking and improving school quality and student performance. In Kenya and South Africa, we're developing low-cost school information systems to drive student progress through better use of data.

We have also opened our first school outside the UK: a primary school in India, opened in cooperation with the South Delhi Municipal Corporation.

Ark's reach and influence 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 7.

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 10.

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.

Strategic Report (continued)

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 four sub-committees: three covering thematic programme areas (Health, UK Programmes and International Education) and one dealing with 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.

All new trustees undergo an induction programme that includes meeting with the Executive Team and briefing on their role and responsibilities. The trustees' induction programme includes meetings with existing trustees and our advisors to maximise the benefit the Board of Trustees brings to Ark.

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.

Remuneration Statement

Pay and benefits for the Chief Executive Officer (CEO) are determined by the Chair of the Board in consultation with advisors and other Board members. When deciding pay and benefits for the rest of the organisation, including the Executive team (except the CEO), salary survey information and other relevant data is used as a benchmark to compare against similar organisations in the voluntary sector.

Ark key management salaries are set on appointment and reviewed annually in accordance with pay review procedures as mentioned above. The Chief Executive or Deputy Chief Executive of Ark approves all salaries on appointment and any base salary in excess of £75,000 per annum is also approved by Ark's Advisor to the Board who has delegated authority from the Ark Board.

Related Parties

The charity has established a number of companies to implement its key programmes. Subsidiaries are listed in Note 17.

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

Strategic Report (continued)

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 21 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.

Financial risks

Financial risks are explained in Note 21 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 31 August 2016 no such contract was in place, although the Financial Stewardship Committee had approved the establishment of a forward contract that effectively limits over half of the foreign currency risk and this was concluded in October 2016.

Strategic Report (continued)

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 the UK it is expected that Ark Schools will slowly expand through growth of existing schools and the addition of new schools. Funding from Ark is 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.

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, allowing us to help raise the quality of education in disadvantaged communities and close the educational attainment gap between disadvantaged and other children.

Trustees' Report

Achievement and performance

Ark Schools

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

As of August 2016, there were 34 schools and over 20,000 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. There's been good progress overall with all but two of our schools having a positive Progress 8 figure (ie making more than national average progress for their students).

As a network, Ark Schools has achieved some fantastic results in this past academic year.

Our primary schools:

- **Early years** – 82% of pupils achieved “Good Level of Development” - significantly above last year's national average of 66%
- **Phonics** – Nearly every school in the network showed improvement this year, with our network average rising 5 points to 93%
- **Key Stage 1** – 84% of pupils met expectations in reading, 77% in maths and 84% in writing. A third of our children met expectations in reading and maths, with 20% achieving this 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 secondary schools:

- **Progress 8** – All but two of our secondary schools have positive Progress 8 measures
- **Attainment 8** – our students achieved 4.7 – matching last year's national average
- King Solomon and St Albans will be amongst a handful of the best in the country for **Progress 8**
- Ark, Charter and Kings will be amongst the top 5% for **Progress 8**
- Last year students who started secondary below expected levels were twice as likely to achieve 5 A*-Cs at GCSE in an Ark school

Our sixth forms:

- 80% of Ark Year 13 students gained places at university this year – the national average is 59%
- 20% of Free School Meals students gained a place at Russell Group universities - the national average is 9%

India

In 2015, our first primary school in Delhi opened its doors to 120 students. We have developed a model for running an Ark school in partnership with the South Delhi Municipal Corporation.

Trustees' Report (continued)

UK Programmes

Mathematics Mastery

In 2012, we launched Mathematics Mastery, a professional development programme designed to empower and equip teachers to transform mathematics education with their school. In the last year, the programme has grown to work with 367 partner schools, reaching 97,000 pupils.

Last 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

In April 2015 Ark and the NEON Foundation established a technology joint initiative called Assembly, also supported by Zing. Assembly is creating a platform that helps schools, developers and education programmes to use data more effectively by integrating school systems and enabling analytics. The design of the platform is geared towards school improvement and improved pupil outcomes.

International Programmes

Education Partnerships Group (EPG)

Education Partnerships Group (EPG) is one of Ark's international ventures. EPG provide services and support to government and private sector partners in developing countries in order to make sure all children receive a high quality education.

EPG believes that there is an opportunity to significantly increase student outcomes in the developing world by better aligning the interests, skills, and expertise of the public and private sectors in the provision of education.

To achieve this, EPG works to help governments create the systems required to deliver high quality education through developing public-private partnerships. They also work with non-state school operators who serve disadvantaged communities.

EPG's main projects are in South Africa, Liberia, Uganda and India, listed below.

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 quality assurance work to Delhi and launched a tailored framework in 589 schools.

School information systems

Ark is currently piloting the use of two school information systems, SchoolTool and Knowledge K12, both designed with low income countries in mind. Our vision is to help schools in less developed countries drive school improvement by using data more effectively. We are conducting pilots in rural Uganda, Delhi, India, and the Western Cape in South Africa. The findings from these pilot programmes will inform Ark's strategy to promote and support the use of SIS for school improvement purposes in developing countries.

Trustees' Report (continued)

Uganda

We have continued to support PEAS, Promoting Equality in African Schools, a network of 28 non-profit schools in Uganda. Our support has consisted of technical assistance and funding of the external evaluation currently being undertaken. Last year, according to the value-added measurement developed by Ark, students in PEAS schools on average achieved 2.2 points better in their UCE (O-level) examinations than would have been expected given their primary school leaving exam scores; and three PEAS schools were in the top 100 secondary schools in Uganda, according to value-added measurements. Furthermore, in the midline external evaluation, PEAS schools outperformed equivalent private and government schools in English and Maths, with PEAS students making more progress over their time in school.

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. The introduction of value added measures will strengthen the school accountability system in Uganda and will provide additional evidence on school quality to policy makers. Our value added measure is one of the first ever attempts at developing such a metric for a developing country's education system.

We supported the government in publishing the results for the schools with the highest value added performance based on 2015 results and we are now looking to roll out value added for all schools based on 2016 results.

Liberia

EPG has been providing advice and technical assistance to the Liberian Ministry of Education in order to help with the Partnership Schools for Liberia programme. This programme, which Launched in September 2016, sees 94 schools being run by eight non-state operators on a three-year pilot to test the efficacy of the public private model. The programme aims to improve the quality of teaching, remove school fees and increase attendance at public schools.

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, providing essential equipment and supplies and enhancing the quality of maternity services.

This year, 31 clinical officers completed their training and 30 new trainees have enrolled in the next cohort. 57 nurse anaesthetists have been trained through the programme and are currently in post, an additional 26 are in training. 823 frontline healthcare workers have been upskilled to provide lifesaving care at the first point of contact in primary health facilities.

Zambia

We completed our work with the Centre for Infectious Disease Research in Zambia (CIDRZ) to reduce diarrhoea-related mortality in children under five. The programme successfully achieved a 34% reduction in all-cause mortality rates for under 5's and vaccinated nearly 250,000 children. The programme serves as a model for the successful integration of policies, education, and medical treatment.

Trustees' Report (continued)

The Ark Family

Future Leaders

The Future Leaders Trust recruits and develops school leaders to become exceptional head teachers in challenging schools. Over 1,700 Future Leaders have trained in 1,500 schools across the country. Their leaders have impacted the lives of over 1.2million 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 1,958 middle leaders reaching 314,900 pupils in eligible primary and secondary schools nationally.

Frontline

Frontline was set up in 2012 to provide a route for high achieving graduates and career changers to become social workers. Their third cohort has recently started, and the programme has trained or is currently training 380 participants. The programme was rolled out in Newcastle this year, its third location, and in June 2016 it was announced that the programme will be expanding to Birmingham and the West Midlands, the country's biggest local authority.

All the programmes as mentioned above are helping to achieve Ark's objective, to make sure that all children have access to a great education and real choice in life.

Financial review

Ark recorded a net deficit of £2.2m for the year, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £1.3m deficit in the previous year. As a result, group reserves decreased to £17.1m at August 2016 (2015 £19.3m).

Ark's consolidated income in the year to 31 August 2016 totalled £15.2m (2015 £21.9m). The donations in the charity are similar to the prior year. The decline of £6.7m in group income is largely due to Frontline becoming a separate charitable entity from 1 September 2015.

The cost of generating funds is similar, at £0.8m, to last year (2015 £0.9m). The cost of generating funds includes a proportion of the cost of the Development team incurred by the charity based upon the percentage of staff time spent on fundraising.

Group expenditure during the year was £6.8m lower at £18.8m (2015 £25.6m). As with group income, the decline is largely due to Frontline becoming a separate entity from 1 September, 2015. The largest component of group expenditure was direct charitable expenditure on grants and project operating costs, representing 96% (2015 96%) of total expenditure excluding reserves transfers. Schools grant expenditure in International Education decreased by £2.1m, largely reflecting the one-off donation of schools to Ark's partner charity in Uganda, PEAS, in 2014/15.

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 £14.4m (2015 £14.0m). This includes support costs of £1.7m (2015 £1.5m).

Trustees' Report (continued)

Core Costs Fund income and expenditure

	2016 £'000	2015 £'000
Contributions arranged by trustees and patrons	552	678
Gift in kind	-	6
Investment fee rebates	301	143
Return on investments	131	1,598
Other income	16	28
Total income raised for core costs	999	2,453
Less: Expenditure on core costs	(2,510)	(2,477)
Deficit on core costs for the year	(1,511)	(24)
Balance at 1 September	2,946	2,970
Balance at 31 August	1,435	2,946

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.

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 2016 a reserve of £1.4m has been established to cover core costs, equivalent to 7 months' expenditure at the 2016 level (2015 £3.0m – 14 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 trustees of Ark, 100% of fees are donated in this way. During the period the combined rebates and donations totalled £0.195m (2015 £0.143m). This additional return was equivalent to a further return of 1.1% (2015 0.9%) 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 £9.9m (2015 £8.5m).

The group also holds an additional amount of £15.7m to invest in current and new programmes (2015 £16.4m): £5.9 as endowment funds (2015 £5.7), £3.2m as restricted funds (2015 £5.5m) and £6.6m as unrestricted funds held in its General Programme Fund (2015 £5.2m).

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 similar to the prior year at £29.4m (2015 £28.1m).

Trustees' Report (continued)

Balance Sheet (continued)

The FSC oversees the charity's cash management. During the year the charity's main banking accounts were held with Lloyds Banking Group. At 31 August 2016 100% of the charity's cash was invested in the Lloyds accounts (2015 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 2016 the investments represented 80% of total invested funds (2015 82%) and was therefore slightly outside these guidelines but has been approved by the FSC.

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

The trustees consider that the investments, which are largely US\$ denominated, provide a foreign currency match for programme grant liabilities denominated in foreign currency and uncommitted reserves that are expected to be committed to foreign currency denominated programmes. In the event that foreign currency assets and liabilities do not match to within £5m a currency hedge contract is considered to mitigate currency risk. At 31st August 2016 the FSC had approved the creation of such a hedge contract and this was contracted in October 2016.

Funds and Reserves

Total Reserves at the year end amounted to £17.1m (2015 £19.3m) for the group and £8.1m (2015 £9.0m) for the charity. Ark's policy on reserves is to maintain an unrestricted fund (General Programme Fund and Core Costs Fund) at a level that ensures Ark is able to meet its financial commitments and obligations as they fall due, fund unexpected expenditure when unplanned events or programmes occur, and safeguard the charity from uncertainty over future income. The appropriate level of reserves is set at an amount sufficient to cover unfunded expenditure from unrestricted funds for a period of six months in the event of a significant fall in income. The narrative below confirms that unrestricted funds at the year end are consistent with the reserves policy.

Restricted funds

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

At the launch of a new programme Ark may underwrite a portion of the cost with a transfer of unrestricted funds from the General Programme Fund (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 £5.9m (2015 £5.7m) of endowment funds held for the benefit of individual academies within Ark Schools. The value of other restricted funds held by the group at 31st August 2016 was £3.2m (2015 £5.5m).

Note 14 shows how these reserves are split across Ark's various programmes.

Trustees' Report (continued)

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 £6.6m at 31st August 2016 (2015 £5.2m). 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 £1.4m at 31st August 2016 (2015 - £2.9m) which is equivalent to 7 months' expenditure on core costs at 2016 levels (2015 - 14 months). The trustees consider this to be in line with the organisation's policy.

Statement of public benefit

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

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.

This report was approved by the trustees on 28th November 2016.

Ian Wace
Chairman, Ark



Statement of Trustees' Responsibilities

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;
- observe the methods and principles in accounting and reporting by charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS102)
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Disclosure of information to the Auditors

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

Independent 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 2016 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 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 Statement of Trustees' Responsibilities set out on page 14, 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 company'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 [describe the annual 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.



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

30 November 2016

The notes on pages 22 to 42 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2016

		Year ended 31-Aug-16			Year ended 31-Aug-15		
	Unrestricted Note	Restricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
Income from:							
Donations and legacies	2						
Donations		907	10,495	11,402	3,698	9,137	12,835
Donated services		-	1,446	1,446	6	-	6
Other trading activities							
Fundraising events	3	-	-	-	-	110	110
Investment income	4	74	-	74	27	-	27
Other		16	-	16	28	-	28
Total		997	11,941	12,938	3,759	9,247	13,006
Expenditure on :							
Raising funds	5	821	-	821	862	-	862
Charitable activities	5 & 6	1,689	12,711	14,400	1,615	12,336	13,951
Total		2,510	12,711	15,221	2,477	12,336	14,813
Net gains on investments	7	1,572	-	1,572	2,354	-	2,354
Gains/(losses) on foreign currency transactions		(38)	-	(38)	(297)	-	(297)
Net income/ (expenditure)		21	(770)	(749)	3,339	(3,089)	250
Fund Transfers	14	(180)	180	-	(3,119)	3,119	-
Net movement in funds	8	(159)	(590)	(749)	220	30	250
Reconciliation of funds							
Total funds brought forward		8,164	696	8,860	7,944	666	8,610
Total funds carried forward		8,005	106	8,111	8,164	696	8,860

The notes on pages 22 to 42 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	522	686
Investment property	10	713	-
Investments	7	24,458	22,758
		<u>25,693</u>	<u>23,444</u>
Current assets			
Debtors	11	1,234	3,202
Cash at bank and in hand		4,963	5,336
		<u>6,197</u>	<u>8,538</u>
Liabilities			
Creditors: amounts falling due within one year	12	(14,185)	(11,561)
Creditors: amounts falling due after one year	12	(498)	(1,082)
Provisions for liabilities		(91)	(37)
		<u>17,116</u>	<u>19,302</u>
Total net assets			
Total Funds of the Group			
Endowment funds		5,900	5,683
Restricted income funds		3,211	5,455
Unrestricted funds:			
General Programme Fund		6,570	5,218
Core costs		1,435	2,946
		<u>17,116</u>	<u>19,302</u>
Total Group funds	14	<u>17,116</u>	<u>19,302</u>

The notes on pages 22 to 42 form an integral part of these financial statements.

Approved by the Board of Directors on 28th November 2016 and signed on its behalf by:




Ian Wace
Chairman, Ark

Charity Balance Sheet

As at 31 August 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	515	675
Investments	7	17,997	16,425
		<u>18,512</u>	<u>17,100</u>
Current assets			
Debtors	11	944	736
Cash at bank and in hand		4,588	3,493
		<u>5,532</u>	<u>4,229</u>
Liabilities			
Creditors: amounts falling due within one year	12	(15,260)	(10,669)
Creditors: amounts falling due after one year	12	(582)	(1,763)
Provisions for liabilities		(91)	(37)
		<u>8,111</u>	<u>8,860</u>
Total net assets			
Total Funds of the Charity			
Restricted income funds		106	696
Unrestricted funds:			
General Programme Fund		6,570	5,218
Core costs		1,435	2,946
		<u>8,111</u>	<u>8,860</u>
Total charity funds	14		

The notes on pages 22 to 42 form an integral part of these financial statements.
 Approved by the Board of Directors on 28th November 2016 and signed on its behalf by:


 Ian Wace
 Chairman, Ark

Consolidated Statement of Cash Flows

For the year ended 31 August 2016

		Year ended 31-Aug-16 Total £'000	Year ended 31-Aug-15 Total £'000
	Notes		
Net cash provided by (used in) operating activities	20	91	(3,230)
Cash flow from investing activities			
Dividends, interest and rent from investments		131	69
Purchase of property, plant and equipment		-	(8)
Proceeds from sale of investments		1,440	6,244
Purchase of investment		(1,321)	(3,933)
Purchase of investment property		(713)	-
Net cash provided by (used in) investing activities		(373)	(858)

Reconciliation of net funds

	Year ended 31-Aug-16 Total £'000	Year ended 31-Aug-15 Total £'000
Cash and cash equivalents at 1 September	5,336	6,194
Change in Cash and cash equivalents	(373)	(858)
Cash and cash equivalents at 31 August	4,963	5,336

The notes on pages 22 to 42 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2016

1. Accounting policies

Basis of preparation

These financial statements have been prepared for the year to 31 August 2016.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Charities Act 2011 and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

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

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. The transition date was 1st September 2015.

In accordance with the requirements of FRS 102 a reconciliation of the opening balances and net income (expenditure) for the year is provided with the net income (expenditure) under previous GAAP adjusted for the presentation of investment gains (losses) as a component of reported income and to include holiday pay accrual:

Reconciliation of reported income:

Group	31-Aug-15 £'000
Net expenditure as previously stated	(3,695)
Net gains on investments	2,380
Adjustment for holiday pay accrual	
Ark (charity)	8
Ark UK Programmes	1
Ark Zimbabwe	(4)
Net expenditure as restated	(1,310)

Reconciliation of reported funds:

	31-Aug-15	01-Sep-14
Total funds as previously stated	19,389	20,704
Adjustment for Holiday pay accrual	(87)	(92)
Total funds as restated	19,302	20,612

Notes to the Accounts

For the year ended 31 August 2016

1 Accounting policies (continued)

Charity	31-Aug-15	
	£'000	
Net expenditure as previously stated	(1,815)	
Net gains on investments	2,057	
Adjustment for holiday pay accrual	8	
Net income/(expenditure) as restated	250	
Reconciliation of reported funds:	31-Aug-15	01-Sep-14
Total funds as previously stated	8,872	8,630
Adjustment for holiday pay accrual	(12)	(20)
Total funds as restated	8,860	8,610

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed below. With regard to the next accounting period, the year ending 31 August 2017, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information).

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- ◆ Allocating support costs across charitable activities;
- ◆ Timing of income recognition for programme fees;
- ◆ Classification of leases as finance or operating;
- ◆ Determining the discount rate for future cash flows;
- ◆ Measurement of fair values of the investment property.

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.

Notes to the Accounts

For the year ended 31 August 2016

1. Accounting policies (continued)

Fund accounting (continued)

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.

The endowment fund represents monies invested on behalf of individual Ark academies. Any returns generated on these funds can be used without restriction, but only by the academy in question, and are therefore recognised as restricted income. The initial capital can only be used with agreement of the Secretary of State for Education, unless it is spent on 'equipment, facilities, accommodation, landscaping and signage' at the relevant academy. The Ark All Saints Academy endowment is a permanent endowment for which Ark UK Programmes has been appointed as the trustee.

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

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

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

Donated services and facilities provided to the charity are recognised in the period when it is probable that the economic benefits will flow to the charity, provided they can be measured reliably. This is normally when the service is provided. An equivalent amount is included as expenditure.

Donated services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have to pay to obtain facilities or services of equivalent economic benefit on the open market.

Expenditure

Liabilities are recognised as expenditure once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis, and has been classified under headings that aggregate all costs related to the category.

Ark UK Programmes is registered for VAT and reclaims VAT in its business-related expenditure. Irrecoverable VAT is included in expenditure when incurred.

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

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

Notes to the Accounts

For the year ended 31 August 2016

1. Accounting policies (continued)

Allocation of overhead and support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, payroll and Governance costs which support the charity's programmes and activities. Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

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

Tangible fixed assets and depreciation

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

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

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

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

A fair value hierarchy that prioritises the inputs to valuation techniques is used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The levels of fair value hierarchy are described below:

- ◆ Level 1 (listed investments) – Unadjusted quoted process in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- ◆ Level 2 (unlisted investments) – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable either directly or indirectly; and
- ◆ Level 3 (unlisted investments) – Prices or valuation that requires inputs that are both significant to the fair value measurement and unobservable.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices for an identical instrument, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub-sectors.

Notes to the Accounts

For the year ended 31 August 2016

1. Accounting policies (continued)

Investment Property

Investment property is held by Ark UK Programmes since May 2016 to earn rentals and for capital appreciation, rather than for use in the ordinary course of business. Investment properties are measured at cost and subsequently at fair value at the reporting date. Professional advice is sought as appropriate to determine the valuation of investment property. Changes in fair values are recognised in the statement of financial activities. As a property was purchased within 4 months of the balance sheet date, fair value is equal to the market value at the time of purchase. A valuation of the property at the reporting date was not performed.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is recognised in the statement of financial activities when occurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the statement of financial activities.

Foreign currencies

Charity

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

Group

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

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

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

Operating lease

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

Finance lease

A finance lease is recognised when it is determined that the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee.

At the commencement of the lease term, Ark recognises its rights of use and obligations under the finance lease as an asset and a liability in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Where the implicit rate cannot be determined the charity's incremental borrowing rate is used.

Any initial direct costs are added to the amount recognised as an asset. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method, to produce a constant rate of change on the balance of the capital repayments outstanding.

Debtors and prepayments

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

Notes to the Accounts

For the year ended 31 August 2016

1. Accounting policies (continued)

Accrued Income

Accrued income is income which has been earned but not yet received. It must be recognised in the accounting period in which it arises rather than in the subsequent period in which it will be received.

Cash at bank and in hand

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

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

2. Donations and legacies

During the year the Group and Charity received the following donations and legacies.

	Group	Charity	Group	Charity
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Contributions to core costs	865	865	967	967
General Donations	42	42	2,731	2,731
Grants & restricted donations	11,050	10,495	17,085	9,137
	11,957	11,402	20,783	12,835

The trustees ensure that the core costs of the charity are covered. Grants and donations include £0.865m (2015 £0.967m) raised for this purpose. At 31 August 2016 a total of £13.7m (2015 £15.2m) had been pledged to support Ark programmes and core cost funding in future years, none of which has been reported as income.

During the year, the Group received donated services in the amount of £1.449m (2015 £0.008m) out of which £1.446m related to pro bono services provided by Bain & Co in the form of UK education consultancy services.

3. Fundraising events

The charity has not held a major fundraising event since 2011/12.

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

4. Investment income

Investment income arises from dividend income from investments and interest receivable on funds held in interest bearing bank accounts and on fixed term deposits. During the year investment income was £0.131m (2015 £0.066m) for the group and £0.074m (2015 £0.027m) for the charity.

Notes to the Accounts

For the year ended 31 August 2016

5. 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 2016 £'000</i>	<i>Total 2015 £'000</i>
Charitable activities					
UK Education	3,304	7,895	675	11,874	9,943
Intl Education					
Education Partnership Group	974	1,250	541	2,765	4,378
Intl Education - Other	-	498	68	566	1,123
Health					
Mozambique HIV (GPAF IMPO80)*	14	364	84	462	246
Zambia- Awareness & Elimination of Diarrhoea*	14	59	84	157	294
Uganda-Scale-Up of Diarrhoea Treatment*	14	31	34	79	48
Zimbabwe- Safe Arrivals	616	-	169	785	767
Mozambique HIV/AIDS	-	168	-	168	-
Child Protection					
Romania	13	7	34	54	96
Reserve transfer to Schools (UK)	-	-	-	-	409
Sub-total continued operations	4,950	10,272	1,689	16,911	17,304
Intl Education - Other	1,041	-	-	1,041	-
UK Education	-	-	-	-	6,603
Discontinued operations	1,041	-	-	1,041	6,603
	5,991	10,272	1,689	17,952	23,907
Endowment Funds	32	-	-	32	849
Cost of generating funds	-	-	821	821	862
Total expenditure	6,023	10,272	2,510	18,805	25,618

*Programmes delivered by other organisations than Ark Family.

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. Grant funding of activities includes donated services in the amount of £1.446m provided by Bain & Co which have been restricted to UK Education.

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

Notes to the Accounts

For the year ended 31 August 2016

5. Analysis of resources expended (cont.)

Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2016 £'000</i>	<i>Total 2015 £'000</i>
Charitable activities					
UK Education	264	8,196	675	9,135	9,264
Intl Education					
Education Partnership Group	390	1,582	541	2,514	2,544
Intl Education - Other	-	1,520	68	1,588	1,060
Health					
Mozambique HIV (GPAF IMPO80)*	14	364	84	462	245
Zambia - Awareness & Elimination of Diarrhoea*	14	59	84	157	294
Uganda-Scale-Up of Diarrhoea Treatment*	14	31	34	79	48
Zimbabwe-Safe Arrivals	14	228	169	411	400
Child Protection					
Romania*	13	7	34	54	96
	724	11,987	1,689	14,400	13,951
Cost of generating funds	-	-	821	821	862
Total expenditure	724	11,987	2,510	15,221	14,813

*Programmes delivered by other organisations than Ark Family.

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. Grant funding of activities includes donated services in the amount of £1.446m provided by Bain & Co which have been restricted to UK Education.

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

Notes to the Accounts

For the year ended 31 August 2016

6. Allocation of support costs

Group and Charity

	<i>Management costs £'000</i>	<i>Finance £'000</i>	<i>Governance costs £'000</i>	<i>Other overheads & support staff £'000</i>	<i>Total 2016 £'000</i>	<i>Total 2015 £'000</i>
Charitable activities						
UK Education	98	110	54	413	675	485
Intl Education						
Education Partnership Group	79	86	44	332	541	564
Intl Education - Other	10	11	5	42	68	129
Health						
Mozambique HIV (GPAF IMPO80)	12	14	7	51	84	81
Zambia- Awareness & Elimination of Diarrhoea	12	14	7	51	84	81
Uganda-Scale-Up of Diarrhoea Treatment	5	5	3	21	34	32
Zimbabwe-Safe Arrivals	25	27	14	103	169	162
Child Protection						
Romania	5	5	3	21	34	81
	246	272	137	1,034	1,689	1,615
Cost of generating funds	82	36	-	703	821	862
Total expenditure	328	308	137	1,737	2,510	2,477

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

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

The table above shows how the resources covered by the core budget are allocated using the two broad categories required under the Charities SORP FRS102, and is based upon an allocation of the time spent by individual members of staff. Note 6 further apportions the charitable activities element between individual programmes undertaken directly by the Ark group.

Notes to the Accounts

For the year ended 31 August 2016

7. Investments

	Group 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Investments b/fwd	16,546	10,898	17,567	12,096
Investment redeemed in the year	(2,090)	-	(4,954)	(1,198)
Endowment investment in the year	1,321	-	3,933	-
Investments c/fwd	<u>15,777</u>	<u>10,898</u>	<u>16,546</u>	<u>10,898</u>
Unrealised gains b/fwd	6,212	5,527	4,956	3,700
Unrealised gain/(loss) in the year	2,469	1,572	1,256	1,827
Market value at 31 August	<u>24,458</u>	<u>17,997</u>	<u>22,758</u>	<u>16,425</u>

Net gains on investments

	Group 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Unrealised gain/(loss) in the year	2,469	1,572	1,256	1,827
Realised (loss)/gain in the year	(650)	-	1,289	527
	<u>1,819</u>	<u>1,572</u>	<u>2,545</u>	<u>2,354</u>

8. Net movement in funds

This is stated after charging:

	Group 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Operating lease charges	<u>2,667</u>	<u>2,633</u>	<u>1,273</u>	<u>1,241</u>
Depreciation	<u>164</u>	<u>160</u>	<u>166</u>	<u>159</u>
Auditors' remuneration				
- audit of consolidated accounts	22	22	22	22
- audit of subsidiaries	10	-	13	-
Total	<u>32</u>	<u>22</u>	<u>35</u>	<u>22</u>

Notes to the Accounts

For the year ended 31 August 2016

9. Fixed assets

Group	<i>Leasehold Improvements</i>	<i>Equipment, F&F</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 September 2015	1,061	712	32	1,805
Additions	-	-	-	-
At 31 August 2016	1,061	712	32	1,805
Depreciation:				
At 1 September 2015	480	617	22	1,119
Charge for the year	124	36	4	164
At 31 August 2016	604	653	26	1,283
Net Book Value:				
At 31 August 2016	457	59	6	522
At 31 August 2015	581	95	10	686
Charity				
	<i>Leasehold Improvements</i>	<i>Equipment, F&F</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 September 2015	1,061	705	-	1,766
At 31 August 2016	1,061	705	-	1,766
Depreciation:				
At 1 September 2015	480	611	-	1,091
Charge for the year	124	36	-	160
At 31 August 2016	604	647	-	1,251
Net Book Value:				
At 31 August 2016	457	58	-	515
At 31 August 2015	581	94	-	675

Notes to the Accounts

For the year ended 31 August 2016

10. Investment property

Group	£'000
Cost or valuation:	
At 1 September 2015	-
Additions	713
At 31 August 2016	<u>713</u>

In the group, long leasehold investment property included in Land and Buildings is held at fair value. As the property was purchased within 4 months of the balance sheet date, fair value is equal to the market value at the time of purchase. A valuation of the property at the reporting date was not performed.

The critical assumption made relating to the valuation is a yield of 1.43%.

Included in the amount for investment property is £91,125 relating to assets held under a finance lease (Note 13).

11. Debtors

	Group 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Receivable within 1 year				
Prepayments and other debtors	1,234	944	3,202	736
	<u>1,234</u>	<u>944</u>	<u>3,202</u>	<u>736</u>

12. Creditors

	Group 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Amounts falling due within 1 year				
Trade Creditors	159	124	159	120
Related company creditors (Ark Schools)	1,014	-	1,147	-
Grant creditors	9,457	12,466	7,420	9,135
Other creditors	2,254	2,083	816	625
Deferred Income e	1,301	587	2,019	789
	<u>14,185</u>	<u>15,260</u>	<u>11,561</u>	<u>10,669</u>
Amounts falling due after 1 year				
Finance Lease Liability	92	-	-	-
Grant creditors	406	582	1,082	1,763
	<u>498</u>	<u>582</u>	<u>1,082</u>	<u>1,763</u>

Notes to the Accounts

For the year ended 31 August 2016

13. Finance Lease

Group

The future minimum finance lease payments are as follows:

	2016 £'000	2015 £'000
Not later than one year	-	-
Later than one year and not later than five year	2	-
Later than five years	303	-
Total gross payments	305	-
Less: finance charges	(213)	-
Carrying amount of liability	92	-

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

The finance lease relates to the investment property (Note 10). There is no contingent rental, renewal or purchase option clauses.

Notes to the Accounts

For the year ended 31 August 2016

14. Analysis of charitable funds

Group

	31 Aug 2015 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2016 £'000
Restricted funds					
UK Education	1,796	10,553	(164)	(10,432)	1,753
Intl Education					
Education Partnership Group	1,044	1,453	683	(2,723)	457
Health					
Mozambique HIV (GPAF IMPO80)	2	241	137	(378)	2
Zambia- Awareness & Elimination of Diarrhoea	2	35	38	(73)	2
Uganda-Scale-Up of Diarrhoea Treatment	2	-	45	(45)	2
Diarrhoea Gen	667	-	(593)	-	74
Zimbabwe- Safe Arrivals	952	204	14	(616)	554
HIV/AIDS - South Africa ARV's	205	-	-	(168)	37
Child Protection					
Romania	-	-	20	(20)	-
Sub-total continued operations	4,670	12,486	180	(14,455)	2,881
Intl Education - Other	18	1,353	-	(1,041)	330
UK Education	767	-	-	(767)	-
Sub-total discontinued operations	785	1,353	-	(1,808)	330
	5,455	13,839	180	(16,263)	3,211
Endowment Funds	5,683	249	-	(32)	5,900
Unrestricted funds					
Core funds	2,946	999	-	(2,510)	1,435
General programme funds	5,218	1,532	(180)	-	6,570
	8,164	2,531	(180)	(2,510)	8,005
Total Group funds	19,302	16,619	-	(18,805)	17,116

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.

On 1 April 2016, STiR (a subsidiary) became a separate legal entity and will no longer be consolidated within Ark accounts. The income and expenditure consolidated in the accounts relating to STiR was £1.35m and £1.04m respectively (net income £0.31m) and the net balance owing to STiR was £0.33m at 31 March 2016.

Notes to the Accounts

For the year ended 31 August 2016

14. Analysis of charitable funds (cont.)

Charity

	31 Aug 2015	Incoming	Transfers in / (out)	Outgoing	31 Aug 2016
	£'000	£'000	£'000	£'000	£'000
Restricted funds					
UK Education	30	8,627	(164)	(8,460)	33
Intl Education					
Education Partnership Group	-	1,290	683	(1,973)	-
Intl Education - Other	-	1,520	-	(1,520)	-
Health					
Mozambique HIV (GPAF IMPO80)	-	241	137	(378)	-
Zambia - Awareness & Elimination of Diarrhoea	-	35	38	(73)	-
Uganda - Scale-Up of Diarrhoea Treatment	-	-	45	(45)	-
Diarrhoea Gen	666	-	(593)	-	73
Zimbabwe - Safe Arrivals	-	228	14	(242)	-
Child Protection					
Romania	-	-	20	(20)	-
	696	11,941	180	(12,711)	106
Unrestricted funds					
Core funds	2,946	999	-	(2,510)	1,435
General programme funds	5,218	1,532	(180)	-	6,570
	8,164	2,531	(180)	(2,510)	8,005
Total Charity funds	8,860	14,472	-	(15,221)	8,111

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 £241k includes Department for International Development (DFID) grant funding under Global Poverty Action Fund (GPAF IMPO80) of £134k.

DFID contributed £127k to the Madhya Pradesh Quality Assessment programme (MPQA) in India which is included in International Education Incubator.

Comic Relief contributed £34.6k to DDC-Zambia for 2015/16 including the reversal of deferred income of £29.9k. Ark received £4.7k in cash from Comic Relief in 2015/16.

Notes to the Accounts

For the year ended 31 August 2016

15. Staff costs and numbers

	Group 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Salaries and wages	3,590	4,528	1,949
Redundancy and termination costs	57	9	9
Social security costs	337	411	228
Pension costs	287	323	165
Total salary costs	4,271	5,271	2,351
Other staff costs	8	(5)	(8)
Total staff cost	4,279	5,266	2,343

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

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

	Group 2016 No.	Group 2015 No.	Charity 2015 No.
Programmes	38	101	-
Support services	16	39	29
Fundraising	8	4	4
	62	144	33

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

	Group 2016 No.	Charity 2016 No.	Group 2015 No.	Charity 2015 No.
£130,001 - £140,000	1	1	1	1
£120,001 - £130,000	2	1	1	1
£110,001 - £120,000	-	-	1	1
£100,001 - £110,000	1	1	3	1
£90,001 - £100,000	1	-	-	1
£80,001 - £90,000	3	1	2	1
£70,001 - £80,000	2	-	4	-
£60,001 - £70,000	2	2	5	1

The pension contributions made on behalf of the above employees were £86.0k (2015: £103.1k) in the group and £58.2k (2015: £67.6k) in the charity. No benefit other than pension has been provided to employees.

Total remuneration paid to charity key management personnel was £383k (2015: £356k).

Notes to the Accounts

For the year ended 31 August 2016

16. 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.

17. Investments in subsidiaries

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

	UK Programmes	S.A. Ltd.	Zimbabwe	India
Income	2,229	-	625	591
Expenditure	(3,071)	(1)	(601)	(584)
Net gains on investments	247	(1)	-	-
Net movement in funds	(595)	(2)	24	7
Total funds brought forward	7,965	4	37	14
Total funds carried forward	7,370	2	61	21
Fixed assets	7,174	-	6	-
Current assets	2,180	3	96	21
Liabilities	(1,984)	(1)	(41)	-
Total Funds	7,370	2	61	21

18. Related party transactions

Ark made new grants of £3.279m to its sister charity Ark Schools (2015 £3.051m) to cover the core costs of the charity to 31 August 2016. At the year end the unpaid grant allocated to Ark Schools was £6.798m (2015 £3.981m), 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 a new grant of £35k (2015 nil). At the year end the unpaid grant allocated to Future Leaders was £0.235m (2015 £0.224m), all of which is due in less than one year. 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 a new grant of £35k (2015 nil). At the year end the unpaid grant allocated to Teaching Leaders was £0.203m (2015 £0.507m), all of which is due in less than one year (2015 £0.264m). 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 £0.822m (\$1.201m) from Ark US (2015 £1.119m (\$1.656m)).

Notes to the Accounts

For the year ended 31 August 2016

19. 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
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Within one year	28	-	1,358	1,337
Later than one year but not later than 5 years	14	-	2,831	2,831
	42	-	4,189	4,168

On 1 September 2016, the operating rental lease of the London office has been re-assigned from Ark to Ark Schools, therefore the group will no longer be a party in the operating lease agreement.

20. Notes to the consolidated cash flow statement

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

	Group	Group
	2016	2015
	£'000	£'000
Net (expenditure) as per the Statement of Financial Activities	(2,186)	(1,315)
Adjustments for:		
Depreciation charges	164	166
(Gains) on investments	(1,819)	(2,546)
Dividends, interest and rents from investments	(131)	(69)
Loss/(profit) on sale of fixed assets	-	998
Decrease/(Increase) in debtors	1,968	(1,542)
Increase in creditors	2,094	1,078
Net cash provided by/(used in) operating activities	91	(3,230)

21. 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

Notes to the Accounts

For the year ended 31 August 2016

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.

21. Risk factors (cont.)

(c) Currency risk

	2016		2015	
	USD '000	EUR '000	USD '000	EUR '000
Investment at fair value	14,255	-	12,460	-
Cash at bank	1,542	14	1,438	94
	<u>15,797</u>	<u>14</u>	<u>13,898</u>	<u>94</u>

The value of assets and liabilities in the Charity balance sheet is set out in the table above. Currency risk arises over the commitment to fund current and future overseas programme grants which are, or will be, committed in foreign currencies. 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 2016 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 2016 £'000	Charity 2016 £'000	Group 2015 £'000	Charity 2015 £'000
Investments	17,997	17,997	16,425	16,425
Endowment Investments	6,461	-	6,333	-
Cash at bank and in hand	4,963	4,588	5,336	3,493
Debtors	1,234	944	3,202	736
	<u>30,655</u>	<u>23,529</u>	<u>31,296</u>	<u>20,654</u>

Notes to the Accounts

For the year ended 31 August 2016

21. Risk factors (cont.)

(f) Fair value

The Group measures investment values using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets 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 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equity securities	4,404	-	-	4,404
Unlisted equity securities	-	20,055	-	20,055
Investment property	-	-	713	713
	<u>4,404</u>	<u>20,055</u>	<u>713</u>	<u>25,171</u>

Notes to the Accounts

For the year ended 31 August 2016

21. Risk factors (cont.)

(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:

Group	<i>within 1 month £'000</i>	<i>between -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 2016					
Trade Creditors	159	-	-	-	159
Related company creditors	-	1,014	-	-	1,014
Grant creditors	500	1,300	7,658	406	9,864
Other creditors	200	819	1,234	92	2,346
Total	859	3,133	8,892	498	13,382
Charity					
Financial liabilities					
At 31 August 2016					
Trade Creditors	124	-	-	-	124
Grant creditors	594	1,600	10,272	582	13,048
Other creditors	92	780	1,211	-	2,084
Total	810	2,380	11,483	582	15,255

22. 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.

23. Post balance sheet events

There are no significant post balance sheet events.

