

Absolute Return for Kids (ARK)

Trustees' Annual Report and Accounts

For the Year Ended 31 August 2012

The trustees are pleased to present their report together with the audited financial statements of the charity for the year ended 31st August 2012

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 Stanley Fink
Kevin Gundle
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. One additional trustee, Nick Jenkins, was appointed in September 2012. 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

Ernst & Young LLP
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Bankers

Lloyds TSB Commercial
Sedgemoor House, Dean Gate Avenue
Taunton, Somerset TA1 2UF
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Trustees' report for the year ended 31 August 2012

Objectives and principal activities

ARK is an international charity whose purpose is to transform children's lives. It was founded in 2002 by senior figures in the alternative investment industry. With a shared vision of collective philanthropy, ARK delivers high social returns on philanthropic investment.

We have a highly committed board of trustees who use their skills and experience to support ARK's activities. The trustees and patrons ensure that central administrative costs are met so that 100% of donations go directly to deliver ARK's programmes for children.

ARK identifies, designs and delivers programmes, often in partnership with other organisations, in the areas of **education**, **health** and **child protection** in the UK, sub-Saharan Africa, Romania and India.

ARK's reach and influence goes well beyond the programmes that are consolidated in these accounts. Our incubation and support funding in 2011/12 and previous years has helped a number of programmes to develop to the scale they have achieved today, including ARK Schools programmes in the UK, with operating expenditure of £68m in 2011/12, and the Future Leaders teacher development programme in the UK (£4.6m spend in 2011/12). In South Africa the HIV treatment programme that was set up and run by ARK for more than 5 years has continued to grow under its new independent identity of Kheth'Impilo, treating more than 110,000 people in the last year. In many of these programmes ARK's involvement at a funding and governance level is continuing, although there is no legal control and therefore the results of these 'family' organisations are not included in this report.

EDUCATION

ARK Schools: ensuring children achieve their potential

ARK Schools is a network of 18 inner city non-selective primary and secondary schools that aim for every pupil, regardless of their background or previous educational attainment, to do well enough to go to university or pursue the career of their choice.

In 2012, 57% of ARK's GCSE candidates achieved the key benchmark of at least five A*– C grades including English and mathematics. Across the five academies with year 11 pupils, the average improvement in GCSE attainment since each school opened was 27 percentage points. Our longest-established academy, Burlington Danes in London, had its most successful Sixth Form results to date: 79% of students achieved A*– C at A level with students gaining places at Imperial College, UCL and Bristol, among other universities. In our primary schools, the proportion of Key Stage 1 (age five to six) children reaching the expected level in reading, writing and mathematics was well ahead of national rates.

Over the last 12 months, the number of pupils in our existing schools increased and in September 2012 we welcomed seven new inner-city academies into the ARK network, including a new-build school in Ilford, east London. As well as ARK's 13 academies in London, we now have four schools in Birmingham and one in Portsmouth. Overall we enrolled 3,000 new pupils and trained more than 300 new staff.

Beyond the traditional curriculum, we offer additional programmes that accelerate pupils' learning, develop their social and personal skills, and prepare them for higher education and the working world. This year we launched Mathematics Mastery, our effective approach to teaching maths based on the Singapore curriculum. As of September 2012, 36 schools, including 21 primary schools from outside the ARK Schools' network, have adopted the approach and are using our bespoke curriculum, teacher training and online tool-kit. Our Expanding Horizons

Trustees' report for the year ended 31 August 2012

initiative sent 420 disadvantaged pupils on three-day outdoor school challenges in its first year of operations.

We worked hard to prepare our students for university and future careers. Our longest-standing corporate mentoring programme, with private equity firm Actis, continued in 2012; Actis staff ran student coaching sessions on skills ranging from interviewing and presenting to time management. We also offered over 50 scholarships and bursaries to our most talented pupils to attend summer schools in the UK and abroad as well as support with the costs of starting university.

India: quality primary education and English language

Our pilot school access scheme enables children from disadvantaged families in India to claim their right to free primary education, and our English programme ensures pupils become proficient in the language, one of the surest routes to employment.

Under the Right to Education Act 2009, a quarter of all places in private schools must now be set aside for children from poor families, with the government paying the fees. Most places go unclaimed because parents are unaware of the Act or cannot afford additional costs. Our programme informs parents about the schools available and provides vouchers to cover expenses such as uniforms and text books. In 2012, our pilot cohort of 635 pupils from the poorest areas of Delhi completed their first academic year across 74 primary schools. We retained 97% of the children enrolled, compared to 80% in comparable voucher programmes.

Our approach to phonics-based English teaching is now being used in over 300 schools across nine of India's states. We trained 434 teachers this year and reached over 18,500 children through partnerships with two state governments and the Bharti Foundation, one of India's largest education foundations. The most dramatic improvement to English scores was in government schools where the proportion of phonics-taught children reaching key benchmarks for fluency, reading and writing this year was double that of pupils learning by traditional rote methods. We significantly reduced the cost of teaching and learning materials in 2012, making the programme more accessible for more schools.

Uganda: quality secondary education through public-private partnerships

Our new education programme launched in Uganda, where 72% of secondary school-aged children are currently not in school. Working with PEAS (Promoting Equality in African Schools), and in close collaboration with the Ugandan Ministry of Education and Sports, we will open and run a network of 10 state-funded secondary schools in rural areas over the next five years. We are working within the Ugandan Government's pioneering policy for public-private partnerships, which allows private organisations to run state-funded secondary schools.

In 2012 we opened our first two secondary schools, where over 400 pupils are now enrolled. One in three of our students are the only children in their family to go to school. Our ultimate aim is to provide a scalable model for providing a high quality, cost efficient education.

We secured government funding towards pupils' fees immediately rather than having to wait the usual two years' probation period. This will help to accelerate the ARK-PEAS schools' financial sustainability.

Trustees' report for the year ended 31 August 2012

Teaching programmes: nurturing school leadership

We continued to fund a range of initiatives to equip teachers with leadership and classroom skills: Future Leaders and Teaching Leaders in England, and Leading Educators in the US. In 2012, ARK became a founding partner of STIR (Schools and Teachers Innovating for Results), a global venture to promote innovation in education for the world's most disadvantaged children.

HEALTH

Mozambique: a legacy of effective HIV treatment

In 2008 ARK launched a four-year programme in five public health clinics in Maputo province, aiming to put in place a sustainable model of care to keep HIV positive parents, carers and children alive. In line with our exit strategy, we handed over the management and funding of our clinics to Mozambique's Ministry of Health in August 2012.

Over the programme lifespan, we enrolled more than 17,500 new patients on life-saving Anti-Retroviral Therapy (ART) – benefiting over 36,000 children – and reduced the country's dependence on doctors by training 132 nurses and other health workers to deliver HIV care. We introduced point-of-care blood count (CD4) test technology into local clinics to speed up enrolment on ART treatment, shortening the test results waiting times from the national average of three months to just 20 minutes.

To keep patients on treatment we set up networks of community counsellors to encourage patients to continue with their treatment. The proportion of our clinics' patients who remained on treatment after 12 months was 85%, compared to the national average of 72%.

In 2012, the last year of the programme, ARK focused on ensuring its sustainability and national wider adoption of its most successful elements. Our training of nurses influenced a shift in national policy to allow nurses, mentored by doctors, to prescribe ART and look after HIV positive patients – a first for Mozambique. The programme's use of point-of-care test technology led the Ministry of Health to introduce the technology in 100 key health centres throughout Mozambique, with a further 100 being planned by 2015.

The Elizabeth Glaser Paediatric AIDS Foundation, the leading global non-profit organisation dedicated to preventing paediatric HIV, has agreed to continue to fund and manage our 54 community counsellors in Maputo province after our exit.

Zambia: preventing diarrhoea and saving children's lives

Our Zambia diarrhoea programme is the first in sub-Saharan Africa to combine prevention with treatment. We are piloting a public private partnership model in Lusaka province, working within the national health care system in partnership with local NGO, the Centre for Infectious Disease Research in Zambia (CIDRZ). By 2015 we aim to halve deaths from diarrhoea and reduce child mortality by 15%.

In February 2012, we began immunising children against rotavirus, a strain of diarrhoea that causes one third of childhood diarrhoea deaths in Africa; so far we have vaccinated just under 33,000 infants in Lusaka province.

Before introducing the new vaccine, we established two new cold storage facilities (out of five nationally) to hold all types of vaccines. Our technical assistance to the Ministry of Health helped secure full approval for Zambia from the Global Alliance for Vaccine and Immunisation (GAVI), allowing the national rotavirus vaccine programme to roll out one year ahead of schedule. We also secured free rotavirus vaccines for two years from GlaxoSmithKline.

Trustees' report for the year ended 31 August 2012

We built a treatment and training centre in Lusaka province where to date 199 health workers completed a new curriculum that covers the treatment of all childhood illnesses. This is the first centre of its kind in Zambia. In local clinics, we are working with health workers to promote the use of oral rehydration salts and zinc to treat all children with diarrhoea, as these effective and affordable treatments improve children's recovery rates from severe diarrhoea by up to 25%.

Our health promotion work covers the basic knowledge and skills parents need to prevent and treat diarrhoea at home; so far we have reached over 96 out of the 105 communities we plan to contact by 2015, with additional funding from Comic Relief.

Zimbabwe: life-saving health care for pregnant women and newborns

More pregnant women and newborn babies die in Zimbabwe today than 10 years ago because of ill-equipped hospitals and a shortage of doctors and health workers. Cost-effective medical supplies and trained health workers would save the majority of the 3,000 mothers and 10,500 newborns who lose their lives every year. AKR's goal is to reduce this death rate by training a new cadre of health workers in maternal and neo-natal health.

Our Zimbabwe programme started operations in May 2012 with a workshop bringing together health system officials from all parts of the country. We have built a dedicated new health worker training facility and recruited the first 40 trainees. Within three years, we aim for all 62 district hospitals nationwide to be staffed by clinical officers who can carry out emergency obstetric care.

In partnership with UNICEF, we also started to train health workers in 20 hospitals where we are piloting "newborn care corners" – dedicated areas with cost-effective, life-saving equipment to prevent lack of oxygen at birth and other causes of neonatal death in Zimbabwe.

Child protection

Romania: ending the institutionalisation of children

Since 2002 we have been working, in partnership with Hope and Homes for Children (HHC), to prevent the institutionalisation of children and support the Romanian government in the wholesale reform of its child care system. We resettle children in institutions back with parents or relatives, with foster or adoption families, or in small group homes. Our goal is wholesale reform of the Romanian child care system, including the closure of all institutions by 2020.

In 2012, working with county child protection teams, we helped 2,035 children remain with their families and avoid entering state care by offering practical and psychological assistance to families, often at a time of temporary crisis.

We removed 184 children from harmful large-scale institutions and closed the last remaining institution in Maramures county. This is the first county in Romania to have documented how it closed all institutions, providing a blue-print for others to follow. We also trained 424 child care staff in family-based care. These newly-trained carers will be at the forefront of reform as it spreads nationally.

In April 2012 we produced Romania's first comprehensive national audit of child care services, covering all remaining institutions, the children living in them, the support services in place and identifying gaps. We found that lack of funds for alternative care meant at least 37 out of 45 child protection services surveyed had no plans to shut remaining institutions. The audit is providing the facts and evidence needed by the Romanian government to draw up a detailed national closure plan by 2015. We advocated to ensure that existing European Union funding can be directed towards Romania's child care reform and in 2012 the European Parliament ratified the use by member states of EU cohesion policy funding to finance the transition to family-based child care.

Trustees' report for the year ended 31 August 2012

Financial review

ARK ensures funding is fully in place for the full duration of the programme prior to commencement. Furthermore, the policy of maintaining at least 40% of liquid investments in interest earning cash deposits has proved to be secure, and the balance of investments held in the ARK Masters Fund recorded a net increase of over 2%.

ARK's consolidated income in the year to 31 August 2012 totalled £21.0m, an increase of 30% compared to £16.1m in 2011. The charity continues to raise the majority of its funds through its annual Gala Dinner. Thanks to the generosity of ARK's supporters, £13.2m was raised through the Dinner (see note 3) (2011 £15.6m).

Group expenditure during the year was 19% lower at £18.4m (2011 £22.8m). The largest component of this, at 68%, was direct charitable expenditure on grants and project operating costs which decreased 20% to £12.6m (2011 £15.8m). The cost of generating funds represents the cost of the Gala Dinner plus a proportion of the cost of the Donor Relations team based upon the percentage of staff time spent on the event. In 2012 this totalled £5.5m (2011 £6.8m).

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 £8.0m (2011 £18.9m). This excludes support costs of £1.3m (2011 £1.0m).

Theme	New Commitments	Summary of commitments
Health	£0.4m	Various programme expenditure including small grants.
Child Protection	£0.3m	Various programme expenditure including small grants.
International Education	£0.6m	Includes £0.3m granted to Schools and Teachers Innovating for Results (STIR) programme in India.
UK Education	£6.7m	£5.5m towards the sponsorship of academies and investment in the central team supporting the 11 ARK schools; £1.2m to ARK's charitable subsidiary, ARK UK Programmes, includes £0.6m for the Extended Schools and Music programmes, and £0.6m for ARK Mathematics Mastery.

The Teaching Leaders programme, which is the major element of UK Programmes and fully consolidated in these group accounts, became a separate legal entity from 1 September 2012 and will no longer be consolidated within ARK group accounts in future years. This transition to independence is consistent with ARK's principles of nurturing new and innovative programmes and relinquishing control when the programmes become financially self-sustaining. The income and expenditure included in the group accounts relating to Teaching Leaders in 2012 was £2.7m

Trustees' report for the year ended 31 August 2012

and £3.6m respectively and the fund balance of £1.1m will be shown as a transfer out of the group in the 2013 accounts.

Central administrative costs

The trustees and patrons continue to ensure that the central administrative costs of the charity (referred to as core costs throughout these accounts) are met through funds specifically set aside for that purpose. The income and expenditure relating to core costs in the period are shown in the following table.

	2012	2011
	£'000	£'000
Contributions arranged by trustees and patrons	730	503
Gift in kind	286	
ARK Masters fee rebates	310	313
Return on investments	609	1,111
Total income raised for core costs	1,935	1,927
Less: Expenditure on core costs	(2,323)	(1,880)
(Deficit)/surplus on core costs for the year	(388)	47
Less: Transfer to fund new programme development costs	-	(87)
Deficit after transfer	(388)	(40)
Balance 1 September	3,029	3,069
Balance 31 August	2,641	3,029

As the above table shows, at 31 August 2012 a reserve has been established to cover core costs of £2.6m, equivalent to 14 months expenditure at the 2012 level (2011 £3.0m – 19 months). The trustees are confident that these funds together with ARK's existing sources of core income will cover core cost expenditure in the period ahead.

This undertaking is central to ARK's operating philosophy as it gives other donors the assurance that every penny of every donation to programme funds goes directly to specific programmes.

Balance Sheet

The typical project lifecycle is 3 to 5 years and ARK underwrites the full cost and sets aside reserves at the outset. In the charity balance sheet these programme commitments are shown as grant creditors, and the total value at 31 August was £24.5m (2011 £30.2m).

The charity also holds an additional amount of £13.2m to invest in new programmes (2011 £10.1m), £4.4m as restricted funds (2011 £6.8m) and £8.8m as unrestricted funds held in its General Programme Fund (2011 £3.3m).

These programme commitments will in part be covered from match funding pledges - a mechanism whereby significant individual donors agree to provide multi-year funding in line with the working capital needs of specific projects. At 31 August 2012 the total value of outstanding match funding pledges was £4.1m (2011 £5.4m) - see note 10. These pledges are drawn down against agreed schedules, and all pledges due for payment by 31 August 2012 have been received by the charity.

Trustees' report for the year ended 31 August 2012

This funding model results in an apparently high level of outstanding pledges relative to income as well as significant balances of cash and funds under investment as shown in the following table.

Summary of Charity Balance Sheet position relating to programme funds:

	£'000	
Grant creditors	24,509	
Other Creditors	548	
Unrestricted funds - General programme fund	8,813	
Restricted funds	4,376	
Total programme funds	38,246	
Match funding pledges	4,149	11%
Other programme related debtors	7,556	20%
Cash	11,752	30%
Investments	14,789	39%
Assets matching programme funds	38,246	100%

The level of outstanding donor pledges is considered to be one of the charity's key risks, and is regularly reviewed by the Financial Stewardship Committee (FSC) on behalf of the trustees. Based on the fact that, to date, all match funding pledges due for payment have been received and on their knowledge of the individual donors who have pledged, the FSC feels it is unlikely that any material portion of these funds will not be received.

The FSC also oversees the charity's cash management. During the year the charity's main banking accounts were held with Lloyds TSB Commercial. Deposit accounts are also maintained with Barclays Corporate and HSBC Private Bank (UK) Limited to provide some diversity for the charity's cash. The FSC believes that this is an appropriate low risk approach and at 31 August 2012 88% of the charity's cash was invested in the Lloyds accounts (2011 70%) with the balance in the Barclays account. 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 40-60% of total cash and investments. At 31 August 2012 the investments in ARK Masters Fund (AMF) and Eureka represented 56% of total invested funds (2011 53%) and was therefore in line with the approved policy. The US Dollar denominated AMF, which represents 50% of the total investments, is relatively a low risk fund. The objective for ARK's investment in the AMF is to outperform cash without significantly increasing risk.

The AMF was set up by supporters of ARK in 2005. It is a fund of funds that invests in 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, especially given the fact that ARK's donor base is almost exclusively drawn from the hedge fund industry and its supporters would expect to see the funds they have given to the charity invested in this way.

The trustees consider that the US\$ denominated AMF provides 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 next 12 months.

Trustees' report for the year ended 31 August 2012

Provided that foreign currency assets and liabilities match to within £5m no currency swap contract is required to mitigate currency risk and at 31st August 2012 the £5m limit was not exceeded so no contract was in place. Some modest foreign currency gains and losses arise due to the mis-match within the £5m limit and also because reserves are not subject to revaluation.

The US\$ denominated AMF produced an investment return for the year of 2.1% (2011 6.4%). This compares with an average interest rate of 0.3% on 1-month US LIBOR during the year. The reported return on investment in GBP terms (which consists of the unrealised exchange gain on the investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was 2.3% (2011 1.5%).

ARK also benefits from the AMF in that some of the management companies, in whose funds AMF invests voluntarily, rebate their fees either directly to the AMF or as a donation to ARK. Where the capital is invested in a fund controlled by the trustees of ARK, 100% of fees are donated in this way. During the period this resulted in donations of £0.310m (2011 £0.313m). This additional return was equivalent to 2.2% (2011 2.6%) of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on investment in AMF was 4.5% during the 12 month period (2011 4.1%). The trustees consider this to be a satisfactory performance in an extremely difficult economic climate.

The trustees believe that the value of this funding model has been well demonstrated in recent years. ARK has the resources to cover existing programme commitments and has £13.2m of uncommitted funds available to finance future programmes.

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 FSC is charged with the responsibility to formally review the Risk Register and to monitor and manage financial risks. The FSC meets on a regular quarterly basis. The main financial risks are described in the preceding section of this report, together with explanations relating to risk-mitigation.

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.

The typical project lifecycle is 3 to 5 years. At launch ARK underwrites the full cost of a programme 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 full funding in place, 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 projects are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. For this reason at any point in time ARK expects to be holding in restricted funds an amount equivalent to more than one year's expenditure.

Trustees' report for the year ended 31 August 2012

The value of restricted funds held by the group at 31st August 2012 was £21.5m (2011 £23.3m) which is equivalent to 23 months' expenditure on charitable activities from restricted funds at 2012 levels (2011 19 months). The trustees consider this to be in line with the organisation's policy.

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 balance sheet these funds are shown as unrestricted funds – General Programme Fund. The balance held in this fund was £8.8m at 31st August 2012 (2011 £3.3m). 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 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 £2.6m at 31st August 2012 (2011 - £3.0m) which is equivalent to 14 months' expenditure on core costs at 2011 levels (2011 19 months). The trustees consider this to be in line with the organisation's policy.

Structure, Governance and Management

Governing Document

Absolute Return for Kids (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 four times a year. There are also five sub-committees: four covering thematic programme areas (Health, UK Education, International Education, and Child Protection) 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.

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.

Trustees' report for the year ended 31 August 2012

Related Parties

The charity has established a number of companies to implement its key programmes.

ARK Schools (previously ARK Academies) is responsible for ARK's work in inner city schools in the UK. ARK Schools is registered in England as a charitable company limited by guarantee (company number 5112090; charity number 1111608). 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 (previously ARK Schools) is responsible for ARK's work in UK Education beyond the Academies programme. ARK UK Programmes is registered in England as a company limited by guarantee (company number 5932797; charity number 1137932).

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 South Africa.

ARK Mozambique (an NGO registered in Mozambique as a branch of the central charity) runs the charity's programmes in Mozambique.

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).

ARK India, which runs the charity's programmes in India, is registered as a Society in India.

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.

ARK holds 40-60% of its funds in the ARK Masters Fund (AMF), an investment unit trust (see note 7). The AMF was set up by supporters of ARK in 2005. It is managed by ARK Masters Management Limited (AMML), a company registered in the Cayman Islands in which the charity owns the only beneficial share but none of the voting shares, and receives investment advice from ARK Masters Advisers Limited (AMAL), a company registered in England and Wales (number 5443569) which is a wholly owned subsidiary of AMML. In these accounts AMML and AMAL do not form part of the group.

Note 16 to the financial statements includes a summary of transactions with each of these organisations.

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' report for the year ended 31 August 2012

Statement of trustees' responsibilities in respect of the financial statements

The trustees are responsible for preparing the Annual Report and the financial statements 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 4th December 2012.



Ian Wace
Chairman, Absolute Return for Kids (ARK)

Independent auditors' report

to the members of Absolute Return for Kids (ARK)

We have audited the financial statements of Absolute Return for Kids for the year ended 31 August 2012 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 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 Trustees' Responsibilities Statement set out on page 12, 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 Trustees' Annual Report and Accounts to identify material inconsistencies with the audited financial statements. 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 and the group's affairs as at 31 August 2012 and of their incoming resources and application of resources, including their 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 Absolute Return for Kids (ARK)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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.



Michael-John Albert (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

7 June 2013

Consolidated Statement of Financial Activities

For the year ended 31 August 2012

			Year ended 31-Aug-12	Year ended 31-Aug-11
	Notes	Unrestricted £'000	Restricted £'000	Total £'000
Incoming resources				
Incoming Resources from generated funds				
Voluntary income:				
Grants and donations	2	8,370	7,532	15,902
Activities for generating funds:				
Fundraising events	3	3,811	385	4,196
Investment income	4	207	36	243
Incoming Resources from charitable activities		-	626	626
Total incoming resources		12,388	8,579	20,967
Resources expended				
Cost of generating funds	6	5,518	-	5,518
Charitable Activities:				
Grants and project operating costs	5 & 6	1,282	11,336	12,618
Governance costs	5 & 6	311	-	311
Total resources expended		7,111	11,336	18,447
Net incoming/(outgoing) resources before other recognised gains and losses		5,277	(2,757)	2,520
Realised/unrealised gains on investment assets	7	820	183	1,003
Realised/unrealised (losses)/gains on foreign currency transactions		(299)	94	(205)
Net incoming/(outgoing) resources before transfers		5,798	(2,480)	3,318
Gross transfers between funds	12	(711)	711	-
Net movement in funds	8	5,087	(1,769)	3,318
Funds at 1 September		6,367	23,279	29,646
Funds at 31 August		11,454	21,510	29,646

The notes on pages 20 to 35 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2012

				Year ended 31-Aug-12	Year ended 31-Aug-11
	Notes	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Incoming resources					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	8,370	4,679	13,049	8,085
Activities for generating funds:					
Fundraising events	3	3,811	180	3,991	6,076
Investment income	4	207	-	207	232
Total incoming resources		12,388	4,859	17,247	14,393
Resources expended					
Cost of generating funds:	6	5,518	-	5,518	6,759
Charitable Activities					
Grants and project operating costs	5 & 6	1,282	7,998	9,280	19,862
Governance costs	5 & 6	311	-	311	188
Total resources expended		7,111	7,998	15,109	26,809
Net incoming/(outgoing) resources before other recognised gains and losses		5,277	(3,139)	2,138	(12,416)
Realised/unrealised gains on investment assets	7	820	-	820	186
Realised/unrealised losses on foreign currency transactions		(299)	-	(299)	515
Net incoming/(outgoing) resources before transfers		5,798	(3,139)	2,659	(11,715)
Gross transfers between funds	12	(711)	711	-	-
Net movement in funds	8	5,087	(2,428)	2,659	(11,715)
Funds at 1 September		6,367	6,803	13,170	24,885
Funds at 31 August		11,454	4,375	15,829	13,170

The notes on pages 20 to 35 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	9	1,250	872
		<u>1,250</u>	<u>872</u>
Current assets			
Debtors	10	13,258	14,223
Cash at bank and in hand		13,846	14,497
Investments	7	21,041	21,975
		<u>48,145</u>	<u>50,695</u>
Creditors: amounts falling due within one year	11	(9,253)	(13,914)
Net current assets		<u>38,892</u>	<u>36,781</u>
Total assets less current liabilities		40,142	37,653
Creditors: amounts falling due after one year	11	(7,178)	(8,007)
Net assets		<u>32,964</u>	<u>29,646</u>
Funds			
Unrestricted funds:			
General Programme Fund		8,813	3,338
Core costs		2,641	3,029
Restricted funds		21,510	23,279
Total funds	12	<u>32,964</u>	<u>29,646</u>

The notes on pages 20 to 35 form an integral part of these financial statements.
Approved by the Board of Directors on 4th December 2012 and signed on its behalf by:




Ian Wace
Chairman
Absolute Return for Kids (ARK)

Charity Balance Sheet

As at 31 August 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	9	652	856
		<u>652</u>	<u>856</u>
Current assets			
Debtors	10	12,949	13,867
Cash at bank and in hand		12,081	13,194
Investment	7	15,204	16,257
		<u>40,234</u>	<u>43,318</u>
Creditors: amounts falling due within one year	11	(15,837)	(17,494)
Net current assets		<u>24,397</u>	<u>25,824</u>
Total assets less current liabilities		25,049	26,680
Creditors: amounts falling due after one year	11	(9,220)	(13,510)
Net assets		<u>15,829</u>	<u>13,170</u>
Funds			
Unrestricted funds:			
General Programme Fund		8,813	3,338
Core costs		2,641	3,029
Restricted funds		4,375	6,803
Total funds	12	<u>15,829</u>	<u>13,170</u>

The notes on pages 20 to 35 form an integral part of these financial statements.
 Approved by the Board of Directors on 4th December 2012 and signed on its behalf by:


 Ian Wace
 Chairman
 Absolute Return for Kids (ARK)

Consolidated Statement of Cash Flows

For the year ended 31 August 2012

	<i>Notes</i>	<i>Year ended 31-Aug-12 Total £'000</i>	<i>Year ended 31-Aug-11 Total £'000</i>
Net cash outflow from operating activities	18	(2,150)	(972)
Returns on investments and servicing of finance			
Interest received		243	233
Capital expenditure			
Purchase of fixed assets		(681)	(513)
Sale of investments		1,901	-
Investment made during the year		(28)	(1,500)
Endowment investment during the year		64	(5,767)
Decrease in cash		<u>(651)</u>	<u>(8,519)</u>

Reconciliation to net funds:

	<i>Year ended 31-Aug-12 Total £'000</i>	<i>Year ended 31-Aug-11 Total £'000</i>
Decrease in cash	(651)	(8,519)
Cash at beginning of year	14,497	23,016
Cash at end of year	<u>13,846</u>	<u>14,497</u>

The notes on pages 20 to 35 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2012

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 Absolute Return for Kids (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

Income is accounted for on an accruals basis, and is recognised once the charity has entitlement to the income, is certain that it will be received, and is able to measure its monetary value with sufficient reliability. The Charity is typically able to do this when it receives credible written notification of a pledge or donation from a donor and there is objective evidence that the donor will honour the pledge.

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.

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.

Notes to the Accounts

For the year ended 31 August 2012

1. Accounting policies (continued)

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 and executive members of staff 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), except terminals and software used for bidding and pledges at fundraising events: 50% p.a.
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

Investments are stated at market value bid price, as quoted by the investment manager as at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

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. Where the charity makes a grant to a subsidiary the value of funds actually spent by the subsidiary is shown rather than the value of the grant.

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.

Notes to the Accounts

For the year ended 31 August 2012

2. Grants and donations

	Group	Charity	Group	Charity
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Contributions to core costs	1,326	1,326	816	816
General donations	7,045	7,045	6,726	6,726
Grants and restricted donations	7,532	4,679	1,858	543
	<u>15,902</u>	<u>13,049</u>	<u>9,400</u>	<u>8,085</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £1.326m (2011 £0.816m) raised for this purpose.

3. Fundraising events

The charity held its annual Gala Dinner in May 2012. Out of the £3.991m (2011 - £6.076m) income stated in the statement of financial activities (SOFA) under incoming resources from fundraising events £3.921 relates to the Gala Dinner.

In addition to this, the 2012 dinner generated donations of £9.231m (2011 £9.491m) which is included in the SOFA under voluntary income of £13.049m. Voluntary income also includes net increase in income adjustments of £0.211m relating to the previous year Gala Dinner income. The total income generated by the event was therefore £13.152m (2011 £15.567m). Of this £7.695m had been received by 31 August 2012 and £5.457m was outstanding. The outstanding amount for the 2012 Gala dinner is included in note 10 as follows:

Due in less than one year

Charity evening pledges	£5.457m
-------------------------	---------

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 £0.243m (2011 £0.233m) for the group and £0.207m (2011 £0.232m) for the charity.

Notes to the Accounts

For the year ended 31 August 2012

5. Allocation of support cost

	<i>Charitable activity £'000</i>	<i>Cost of generating funds £'000</i>	<i>Governance costs £'000</i>	<i>Total £'000</i>
Head office costs	1,282	730	311	2,323
Total	<u>1,282</u>	<u>730</u>	<u>311</u>	<u>2,323</u>

Support costs relate entirely to ARK's core staff team and the London office. As well as finance, fundraising, and administrative staff, this includes programme management and monitoring and evaluation costs some or all of which should be considered as programme cost rather than administrative cost and charged to programme budgets.

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 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.

Notes to the Accounts

For the year ended 31 August 2012

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 2012 £'000</i>	<i>Total 2011 £'000</i>
Charitable expenditure					
Health - Africa HIV/AIDS	1,241	(9)	204	1,436	1,032
DDC - Zambia	99	-	103	202	97
MNC - Zimbabwe	257	(2,183)	154	(1,772)	2,280
Health - Africa Other	97	-	64	161	224
Child Protection - Romania	129	-	128	257	3,020
Child Protection - Other	68	63	64	195	169
Intl Education - India	471	-	103	574	452
Intl Education - Uganda -PEAS	185	-	128	313	1,986
Intl Education - USA	-	-	-	-	876
Intl Education - Other	257	-	64	321	224
UK Education	4,764	5,897	270	10,931	5,467
	7,568	3,768	1,282	12,618	15,827
Cost of generating funds	4,788	-	730	5,518	6,759
Governance costs	-	-	311	311	188
Total resources expended	12,356	3,768	2,323	18,447	22,774

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.

The negative group grant funding of £2.183m relating to Maternity and Newborn Care - Zimbabwe represents the reclassification of third party grant committed in 2012 as intercompany grant.

Notes to the Accounts

For the year ended 31 August 2012

6. 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 2012 £'000</i>	<i>Total 2011 £'000</i>
Charitable expenditure					
Health - Africa HIV/AIDS	36	45	204	285	155
DDC - Zambia	58	41	103	202	97
MNC - Zimbabwe	57	41	154	252	2,280
Health - Africa Other	106	14	64	184	201
Child Protection - Romania	130	-	128	258	3,020
Child Protection - Other	63	77	64	204	160
Intl Education - India	43	24	103	170	58
Intl Education - Uganda -PEAS	148	27	128	303	4,073
Intl Education - USA	-	-	-	-	876
Intl Education - Other	93	287	64	444	199
UK Education	-	6,708	270	6,978	8,743
	734	7,264	1,282	9,280	19,862
Cost of generating funds	4,788	-	730	5,518	6,759
Governance costs	-	-	311	311	188
Total resources expended	5,522	7,264	2,323	15,109	26,809

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.

Notes to the Accounts

For the year ended 31 August 2012

7. Investments

	Group 2012 £'000	Charity 2012 £'000	Group 2011 £'000	Charity 2011 £'000
Investments b/fwd	19,334	13,567	12,067	12,067
Additional investment in the year	28	28	1,500	1,500
Sale of investments	(1,486)	(1,486)		
Endowment investment in the year	(64)		5,767	
Investments c/fwd	<u>17,812</u>	<u>12,109</u>	<u>19,334</u>	<u>13,567</u>
Unrealised gains b/fwd	2,641	2,690	2,504	2,504
Unrealised gains in the year	588	405	137	186
Market value at 31 August	<u>21,041</u>	<u>15,204</u>	<u>21,975</u>	<u>16,257</u>

Investment Income

	Group 2012 £'000	Charity 2012 £'000	Group 2011 £'000	Charity 2011 £'000
Unrealised gains in the year	588	405	137	186
Realised gains in the year	<u>415</u>	<u>415</u>		
	<u>1,003</u>	<u>820</u>	<u>137</u>	<u>186</u>

8. Net movement in funds

This is stated after charging:

	Group 2012 £'000	Charity 2012 £'000	Group 2011 £'000	Charity 2011 £'000
Operating lease charges	<u>411</u>	<u>390</u>	<u>418</u>	<u>390</u>
Depreciation	<u>303</u>	<u>290</u>	<u>267</u>	<u>262</u>
Auditors' remuneration - current year audit	<u>28</u>	<u>18</u>	<u>30</u>	<u>18</u>

Notes to the Accounts

For the year ended 31 August 2012

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 2011	715	-	581	19	1,315
Additions	86	548	16	31	681
Disposals	-	-	-	-	-
At 31 August 2012	<u>801</u>	<u>548</u>	<u>597</u>	<u>50</u>	<u>1,996</u>
Depreciation:					
At 1 September 2011	89	-	350	4	443
Disposals	-	-	-	-	-
Charge for the year	82	8	208	5	303
At 31 August 2012	<u>171</u>	<u>8</u>	<u>558</u>	<u>9</u>	<u>746</u>
Net Book Value:					
At 31 August 2012	<u>630</u>	<u>540</u>	<u>39</u>	<u>41</u>	<u>1,250</u>
At 31 August 2011	<u>626</u>	<u>-</u>	<u>231</u>	<u>15</u>	<u>872</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 2011	715	-	571	-	1,286
Additions	86	-	-	-	86
Disposals	-	-	-	-	-
At 31 August 2012	<u>801</u>	<u>-</u>	<u>571</u>	<u>-</u>	<u>1,372</u>
Depreciation:					
At 1 September 2011	89	-	341	-	430
Disposals	-	-	-	-	-
Charge for the year	82	-	208	-	290
At 31 August 2012	<u>171</u>	<u>-</u>	<u>549</u>	<u>-</u>	<u>720</u>
Net Book Value:					
At 31 August 2012	<u>630</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>652</u>
At 31 August 2011	<u>626</u>	<u>-</u>	<u>230</u>	<u>-</u>	<u>856</u>

Notes to the Accounts

For the year ended 31 August 2012

10. Debtors

	Group	Charity	Group	Charity
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Receivable within 1 year				
Charity evening pledges	7,268	7,268	7,663	7,663
Match funding pledges	280	280	2,000	2,000
HMRC - Gift Aid	288	288	398	398
Related company debtors	157	157	119	119
Prepayments and other debtors	1,396	1,087	631	275
	9,389	9,080	10,811	10,455
Receivable after 1 year				
Match funding pledges	3,869	3,869	3,412	3,412
Total	13,258	12,949	14,223	13,867

11. Creditors

	Group	Charity	Group	Charity
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year				
Trade Creditors	761	26	541	157
Related company creditors	837	-	1,080	-
Grant creditors	7,087	15,289	11,523	16,695
Tax and social security creditors	-	-	56	56
Other creditors	568	522	714	586
	9,253	15,837	13,914	17,494
Amounts falling due after 1 year				
Grant creditors	7,178	9,220	8,007	13,510

Notes to the Accounts

For the year ended 31 August 2012

12. Analysis of charitable funds

Group

	31 Aug 2011 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2012 £'000
Restricted funds					
Health - Africa HIV/AIDS	2,619	(182)	(269)	(1,232)	936
DDC - Zambia	-	352	(253)	(99)	-
DDC - Gen	-	640	-	-	640
MNC - Zimbabwe	-	44	83	1,926	2,053
Health - Africa Other	(23)	-	120	(97)	-
Child Protection - Romania	(1)	488	(358)	(129)	-
Child Protection - Other	(9)	10	130	(131)	-
Intl Education - India	1,795	154	(86)	(471)	1,392
Intl Education - Uganda -PEAS	2,087	3,840	(3,665)	(185)	2,077
Intl Education - USA	-	-	-	-	-
Intl Education - Other	(25)	73	307	(257)	98
UK Education	13,703	5,703	4,701	(10,661)	13,446
Other	3,133	(2,267)	2	-	867
	23,279	8,855	712	(11,336)	21,509
Unrestricted funds					
Core funds	3,029	1,937	(2)	(2,323)	2,641
General programme funds	3,338	10,974	(710)	(4,788)	8,814
	6,367	12,911	(712)	(7,111)	11,455
Total	29,646	21,766	-	(18,447)	32,964

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange. The negative income amounts represent reallocation of funds received in the previous years.

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

Outgoing is the amount spent by the group or granted to partner entities outside the group.

Notes to the Accounts

For the year ended 31 August 2012

12. Analysis of charitable funds (cont.)

Charity

	31 Aug 2011 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2012 £'000
Restricted funds					
Health - Africa HIV/AIDS	600	(250)	(269)	(81)	-
DDC - Zambia	-	352	(253)	(99)	-
DDC - Gen	-	640	-	-	640
MNC - Zimbabwe	-	15	83	(98)	-
Health - Africa Other	-	-	120	(120)	-
Child Protection - Romania	-	488	(358)	(130)	-
Child Protection - Other	-	10	130	(140)	-
Intl Education - India	-	153	(86)	(67)	-
Intl Education - Uganda -PEAS	-	3,840	(3,665)	(175)	-
Intl Education - USA	-	-	-	-	-
Intl Education - Other	-	73	307	(380)	-
UK Education	3,070	1,802	4,701	(6,708)	2,865
Other	3,133	(2,265)	2	-	870
	6,803	4,858	712	(7,998)	4,375
Unrestricted funds					
Core funds	3,029	1,937	(2)	(2,323)	2,641
General programme funds	3,338	10,973	(710)	(4,788)	8,813
	6,367	12,910	(712)	(7,111)	11,454
Total	13,170	17,768	-	(15,109)	15,829

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange. The negative income amounts represent reallocation of funds received in the previous years.

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.

Notes to the Accounts

For the year ended 31 August 2012

13. Staff costs and numbers

	Group	Charity	Group	Charity
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Salaries and wages	4,317	1,717	3,336	1,528
Social security costs	529	356	288	161
Pension costs	149	67	61	41
	<u>4,995</u>	<u>2,140</u>	<u>3,685</u>	<u>1,730</u>

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

	Group	Charity	Group	Charity
	2012	2012	2011	2011
	No.	No.	No.	No.
Programmes	78	-	66	-
Support services	42	23	32	19
Fundraising	9	9	7	7
	<u>129</u>	<u>32</u>	<u>105</u>	<u>26</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
	2012	2012	2011	2011
	No.	No.	No.	No.
£180,001 - £190,000	-	-	1	1
£160,001 - £170,000	-	-	1	-
£150,001 - £160,000	-	-	1	1
£140,001 - £150,000	1	1	-	-
£130,001 - £140,000	3	2	2	1
£90,001 - £100,000	-	-	-	-
£80,001 - £90,000	7	3	4	2
£70,001 - £80,000	5	1	1	1
£60,001 - £70,000	5	4	4	-

Payments to voluntary defined contribution pension schemes in the year in respect of employees included in the bandings above £60,000 were nil (2011 nil).

14. Directors' remuneration and expenses

The charity did not pay to its trustees any remuneration or reimbursement of expenses during the year.

Notes to the Accounts

For the year ended 31 August 2012

15. Investments in subsidiaries

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

16. Related party transactions

Group

ARK (South Africa) Limited continues to manage ARK's programmes in the Sub Saharan Africa region. During the year ARK made £0.251m (2011 £0.395m) grant to ARK South Africa.

ARK also has an operating subsidiary in Mozambique. During the year ARK made a further £0.042m programme support grant to ARK Mozambique (2011 nil). At the year end the balance of grants due was £0.789m (2011 £1.833m), £0.479m of which is due in less than one year (2011 £1.123m).

In 2010/11 ARK recognised a third party grant commitment to Maternal Newborn Care - Zimbabwe of £2.183m. This has now been re-classified as an intercompany grant to ARK Zimbabwe following the decision to deliver the programme through a subsidiary rather than a third party partner. In addition to this, ARK made a further £0.041m programme support grant to ARK Zimbabwe. At the year end the balance of grants due was £1.161m, £0.822m of which is due in less than one year.

ARK made a further £0.024m programme support grant to its operating subsidiary in India (2011 nil), and at the year end the balance of grant allocated was £1.362m (2011 £1.719m), £0.503m of which is due in less than one year (2011 £0.501m).

Grant expenditure for the Uganda programme was £0.027m (2011 £3.996m); £0.027m (2011 £2.087m) was granted to the subsidiary ARK Uganda and the balance was granted to our partner in Uganda, PEAS.

During the year ARK made new grants totalling £1.218m to ARK UK Programmes (2011 £3.063m); £0.262m to cover the core costs to 31 August 2013, £0.861m for the Schools Maths and Music programmes and £0.395m for the Extended Schools programme. The net grant amount also includes the reversal of £0.300m of underwriting grant to the Teaching Leaders programme.

ARK UK Programmes implements that part of ARK's Education programme not directly related to running Academies. At the year end the cumulative balance of grant allocated to ARK UK Programmes was £3.539m (2011 £4.963m), £1.759m of which is due in less than one year (2011 £3.476m).

Other related parties

ARK made new grants of £5.490m to its sister charity ARK Schools (2011 £4.477m) to cover the core costs of the charity to 31 August 2013. At the year end the cumulative balance of grant allocated to ARK Schools was £6.900m (2011 £5.069m), £5.900m of which is due in less than one year (2011 £4.569m). The charity also shares its office with ARK Schools, with each charity assuming a reasonable proportion of the costs.

Future Leaders Charitable Trust Limited (Future Leaders) is a charitable company in which ARK holds one third of the voting rights on the Board of Directors. During the year ARK made no new grant (2011 nil). At the year end the balance of grant allocated to Future Leaders was £0.824m (2011 £1.000m), £0.270m of which is due in

Notes to the Accounts

For the year ended 31 August 2012

less than one year (2011 £0.180m). ARK also provides office space which Future 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 £2.193m (\$3.426m) from ARK-US (2011 £1.288m (\$2.099m)).

During the year ARK redeemed \$3.000m of its investment in the ARK Masters Fund (AMF). The AMF is managed by ARK Masters Management Limited (AMML). During the year the charity received a dividend of £0.125m from AMML (2011 £0.127m). AMML receives investment advice from ARK Masters Advisers Limited (AMAL). During the year the charity received a donation of £0.125m from AMAL (2011 £0.127m).

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
	2011	2012	2011	2011
	£'000	£'000	£'000	£'000
One year	19	-	19	-
Between two and five years	1,114	1,110	1,532	1,528
	<u>1,133</u>	<u>1,110</u>	<u>1,551</u>	<u>1,528</u>

18. Notes to the consolidated cash flow statement.

(a) Reconciliation of net (outgoing)/incoming resources to net cash (outflow)/inflow from operating activities

	Group	Group
	2012	2011
	£'000	£'000
Net incoming/(outgoing) resources	2,517	(6,706)
Depreciation	303	267
Unrealised gains on foreign currency transactions	(202)	401
Interest received	(243)	(233)
Decrease in debtors	965	2,897
Decrease in creditors	(5,490)	2,402
Net cash outflow from operating activities	<u>(2,150)</u>	<u>(972)</u>

(b) Reconciliation of cash flow to movement in net funds

	At	Cash Flows	At
	31 August		31 August
	2011		2012
	£'000	£'000	£'000
Cash at bank	14,497	(651)	13,846

Notes to the Accounts

For the year ended 31 August 2012

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 investment in the ARK Masters Fund (AMF) and the Eureka Fund. The risk is mitigated by the fact that the AMF is a fund of hedge funds with a range of investment approaches, each of which incorporates a strategy to manage this risk. The trustees further manage the risk by meeting regularly with the managers of the AMF to review the performance of the fund.

(c) Currency risk

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 investment in the AMF, which is a US dollar-denominated fund. 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 put in place to cover any net imbalance in excess of £5m. At 31st August 2012 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 debtors, especially the small number of high value pledges that derive generally from supporters who are well known to the charity and the trustees.

(e) Financial assets

At the period end the Charity's financial assets comprised:

	Group 2012 £'000	Charity 2012 £'000	Group 2011 £'000	Charity 2011 £'000
Investment in ARK Masters	15,204	15,204	16,208	16,257
Investment Endowment	5,837		5,767	
Cash at bank and in hand	13,846	12,081	14,497	13,194
Receivables	13,258	12,949	14,223	13,867
	<u>48,145</u>	<u>40,234</u>	<u>50,695</u>	<u>43,318</u>

Notes to the Accounts

For the year ended 31 August 2012

(f) Fair value

The Charity's assets and liabilities are stated at their fair values at the period-end.

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 in the ARK Masters Fund is the published Net Asset Value of the fund. It is classified as a Level 2 asset.

(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 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 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 2012					
Trade Creditors	761	-	-	-	761
Related company creditors	837	-	-	-	837
Grant creditors	1,251	521	5,315	7,178	14,265
Tax and social security creditors	-	-	-	-	-
Other creditors	-	568	-	-	568
Total	2,849	1,089	5,315	7,178	16,431

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 2012					
Trade Creditors	26	-	-	-	26
Related company creditors	-	-	-	-	-
Grant creditors	151	3,671	11,467	9,220	24,509
Tax and social security creditors	-	-	-	-	-
Other creditors	-	522	-	-	522
Total	177	4,193	11,467	9,220	25,057