

Absolute Return for Kids (ARK)

Trustees' Annual Report and Accounts

For the Year Ended 31 August 2011

Trustees' report for the year ended 31 August 2011

Company Number: 4589451

Charity Number: 1095322

The trustees are pleased to present their report together with the audited financial statements of the charity for the year ended 31 August 2011.

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:

Lord Fink (Chairman to 28 September 2010)

Ian Wace (Chairman from 28 September 2010)

Arpad Busson

Paul Dunning

Kevin Gundle

Paul Marshall

Jennifer Moses

Lord Myners (appointed 30 November 2010, resigned 6 July 2011)

Michael Platt

Blaine Tomlinson

Anthony Williams (appointed 28 September 2010)

Except where noted above, all trustees served for the full year and no trustees have resigned or been appointed since the year end. None had any beneficial interest in the charity. 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

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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.

ARK has 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 covered so that 100% of donations go directly to deliver ARK's programmes for children.

ARK identifies, creates and delivers innovative and effective programmes in the areas of **Health** (Mozambique, Zambia, Zimbabwe, South Africa), **Education** (UK, India, Uganda, United States) and **Child Protection** (Eastern Europe) that are transformative, scalable and sustainable. ARK applies the same principles and disciplines to managing the charity as it would to running a business, focusing on the transformation of children's lives through a combination of rigorous research, active programmes and monitoring and evaluation.

Education

ARK Schools

Our aim is to build a network of high-achieving, non-selective inner-city schools where every child will make the most of their abilities, regardless of their background. Our approach sets high expectations for everyone. We strive to provide excellent teaching and build confidence and competence in English and maths as a foundation for all other learning. We insist on exemplary behaviour from students and provide more time for learning through a longer school day.

As of September 2011, our 11 academies in London, Birmingham and Portsmouth were teaching 6,400 pupils and admitting around 1,500 new students each year. 61% of ARK's GCSE pupils achieved five A*-C grades (including English and maths) in 2011, up 11 percentage points since 2010 which is more than twice the national rate of improvement.

Teaching leadership programmes

We are working with three leadership programmes. In the UK, Future Leaders nurtures outstanding talent to take up headships and other senior positions in challenging schools.

Teaching Leaders meanwhile targets middle leaders such as Heads of Department and Heads of Year who are already working in difficult schools. Leading Educators, our first programme in the United States, draws on our UK experience of Teaching Leaders and targets mid-level teachers in poor-performing urban schools.

Provisional results show that schools with a Future Leader head teacher in post for at least a year saw an average increase of over 7 percentage points in the proportion of pupils achieving five good GCSEs in 2011. In August 2011 9,750 children were benefiting from Teaching Leaders' initiatives and its significance in improving education was rewarded when the Department of Education confirmed additional funding of £8.9 million for the programme. This will enable us to train and develop over 1,000 participants over the next three years.

Education programmes in India: improving access and quality

Our two programmes in India aim to have an immediate and profound impact on children's life prospects by offering them an affordable, quality primary education.

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Firstly, our English language project gives children from deprived backgrounds the opportunity to transform their prospects by becoming proficient in the language. We use a phonics-based interactive teaching method which achieves rapid results but has not been widely accessible to children in government and low-cost private schools. An early evaluation in 2011 found that average scores for English writing and conversation among pupils on our phonics-based interactive course were at least double those of pupils taught by traditional methods. So far, 558 teachers have undergone intensive training in teaching English using this method. By 2016, we aim to reach over 60,000 children.

Secondly, we have piloted a school access programme in one of the poorest parts of Delhi in April 2011. As a result, 667 children are now attending affordable, quality private schools. Half of these children had never been in school before. In 2011 we formed strong partnerships with government agencies and other philanthropic bodies in India, which will be key to scaling up this pilot.

New Uganda programme approved - making secondary education a reality for disadvantaged children

A new education programme in Uganda was approved by the Trustees in July 2011. Only one in five secondary school-aged children in Uganda is enrolled at school, which means the majority lose out on key years of education that could help lift them out of poverty. ARK's new public-private partnership initiative will help establish and manage up to 10 new secondary schools. Our aim is to demonstrate how publicly funded, privately delivered education can help Sub-Saharan Africa meet its huge education challenges in the longer term. We will launch the programme in 2012 in conjunction with the Foundation of Prince William and Prince Harry and the programme will be delivered in Uganda by PEAS (Promoting Equality in African Schools) in partnership with the local ARK team.

Partnership with The Foundation of Prince William and Prince Harry

In September 2011 ARK signed a Memorandum of Understanding with The Foundation of Prince William and Prince Harry in which the parties pledged to work together on programmes in UK and internationally. ARK plans to commit £5m over a 4-year period and in 2010/11 the first grant of £1m to the Foundation was approved and recorded as UK Education grant expenditure for programmes to be run in the UK that will be selected by the Foundation over the next 4 years. The remaining £4m will be recorded as grant expenditure when programmes have been approved by the joint steering team and the respective Boards.

Health

Mozambique HIV programme: keeping children and their caregivers alive

Our programme supports the Ministry of Health in providing treatment that keeps HIV-positive parents and caregivers alive for longer, preventing children from becoming prematurely orphaned. Working directly with five government health clinics in Maputo Province, our programme delivers antiretroviral therapy (ART), better monitoring of patients' treatment, and counselling for people living with HIV.

By August 2011, over 23,500 children were benefiting, either because their caregivers had been enrolled on life-saving treatment, or the children themselves were being treated.

Together with the Clinton Health Access Initiative, ARK piloted 'point-of-care' testing in 2010 which allows key blood tests for HIV-positive patients to be carried out directly at the local clinic. This radically shortens the time between HIV diagnosis and treatment and therefore encourages patients to start and continue with their medication. As a result in 2011 the Ministry of Health rolled out 'point-of-care' testing to an additional 20 health centres and a further roll-out to 100 health centres is planned in 2012.

We planned from the outset to ensure that the services we provide would continue without our support from 2013 onwards. We are now gradually handing over to the government and local health and support workers.

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Zambia diarrhoea programme: tackling one of the largest killers of children

Working with our local partner, the Centre for Infectious Disease Research in Zambia (CIDRZ) and the Ministry of Health, our programme aims to play an influential role by supporting the development of an integrated anti-diarrhoea approach for Sub-Saharan Africa that includes three elements: infant vaccination, better medical treatment and prevention.

In the first instance we will be working with CIDRZ to reduce by 15 per cent deaths among children under five in Lusaka Province by 2014. Up to one in three diarrhoea-related deaths is due to rotavirus, an easily transmitted infection for which there is now an effective vaccine. We plan to vaccinate the first children from January 2012. We have also invested in a new paediatric training clinic, which will open in January 2012 and will train 560 health workers in how to better diagnose and treat children dehydrated with diarrhoea, using a new curriculum developed in 2011 by CIDRZ and the Ministry of Health.

We also succeeded in partnering with other stakeholders to support this programme. For example, ARK was the first organisation to receive match funding from the UK's Department for International Development (DFID) at the Global Alliance for Vaccines and Immunisation (GAVI) pledging conference in June 2011. Together with a vaccine donation provided by GSK in October 2011, these partnerships more than double the impact of our £2 million investment in vaccines, allowing us to immunise more than 700,000 - nearly 500,000 more children than we had originally planned.

Zimbabwe maternal health programme: keeping mothers alive

A pregnant woman in Zimbabwe today is almost 100 times more likely to die in childbirth than a woman in the UK. Newborns are 10 times more likely to die than babies delivered in the UK. Yet 75 per cent of maternal deaths are preventable.

To tackle this crisis, we designed a programme of interventions and identified partner organisations throughout 2011 which will become operational in early 2012. The programme will tackle Zimbabwe's severe shortage of skilled nurses and health workers by training clinical officers in critical midwifery skills such as caesarean sections and other emergency obstetric surgeries. By 2015, we aim for all district hospitals to be staffed by clinical officers. We chose to focus on training clinical officers because 90 per cent remain working in rural areas where they are most needed, whereas all but five per cent of doctors move to urban areas or abroad. This intervention alone aims to save 4,500 mothers and 12,600 newborns over ten years.

We will also introduce simple and affordable life-saving equipment that can be adopted at scale. This initiative to upgrade equipment and skills in 20 district hospitals aims to cut newborn deaths from lack of oxygen at birth by up to 50 per cent.

Child protection

Romania: committed to ending large scale institutions

Our vision is to support the Romanian government in the wholesale reform of the entire childcare system and the closure of all remaining harmful large children's institutions by 2020. We have been working in partnership with Hope and Homes for Children in Romania for nearly a decade, taking a holistic, long-term approach towards overhauling the way the state cares for children nationwide.

In 2011, we continued to help shut down large institutions and resettle children: wherever possible, children went back to live with their parents or relatives, or with foster or adoption families. When this was not possible, we placed children in small group homes.

We also tackled wider aspects of the national childcare system. We continued to train local authorities so that they can take the lead in changing the way children are protected. Between 2002 and 2011, in partnership with Hope and Homes for Children, we trained nearly 4,000 carers to work with children in the community.

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We also focused on prevention services to assist families whose children are at risk of being abandoned. During 2010/11, we prevented 1,552 children from being abandoned or placed into state care.

At the end of 2011, Maramures became the first county in Romania to be completely free of large children's institutions. This is an important milestone that demonstrates national reform is possible.

Award for our work in Bulgaria

In 2011 we won the International Aid and Development award at the UK Charity Awards for our child protection programme in Bulgaria, which we formally handed over to local partners in 2009. The judges recognised ARK for achieving the country's first successful closure of a children's institution.

Financial review

In a third year of severe global recession ARK's funding and investment model has proved to be resilient. No committed programmes have been adversely affected because 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 6%.

ARK's consolidated income in the year to 31 August 2011 totalled £16.1m, an increase of 11% compared to £14.5m in 2010. The charity continues to raise the majority of its funds through its annual Gala Dinner. In 2011 this 10th anniversary event was held at Kensington Palace Gardens and ARK was honoured by the attendance of Their Royal Highnesses The Duke and Duchess of Cambridge at their first official engagement since their marriage. The keynote speech was delivered by His Royal Highness The Duke of Cambridge and, thanks to the generosity of ARK's supporters, £15.6m was raised through the Dinner (see note 3) (2010 £12.4m).

Group expenditure during the year was 10% lower at £22.8m (2010 £25.4m). The largest component of this, at 69%, was direct charitable expenditure on grants and project operating costs which decreased 20% to £15.8m (2010 £19.7m). However, this grant expenditure includes a reversal of £5.0m of grants allocated for UK Education in previous years which has now been invested in endowment funds for the benefit of individual ARK schools and consolidated in the group balance sheet. Underlying grant expenditure therefore increased by £1.1m compared to 2010. Note 6 includes details of how this was spent by programme.

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 2011 this totalled £6.8m (2010 £5.4m).

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 £18.9m (2010 £5.6m). This excludes support costs of £1.0m (2010 £0.6m). The allocation of new commitments by theme is inevitably volatile due to the large value of individual commitments that often cover funding for a period of up to four years. The trustees anticipate that grants for new international programmes in 2012 will be lower than in 2011 because a number of programmes are at a relatively early stage and will run for 3-4 years. Trustees are keen to ensure programmes are fully researched, and piloted where appropriate, before committing funds for a number of years.

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Theme	New Commitments	Summary of commitments
Health	£2.3m	The main commitment relates to a £2.2m programme in Zimbabwe to address high levels of maternal and newborn mortality.
Child Protection	£3.0m	£2.9m was granted to the partnership programme with Hope and Homes for Children in Romania.
International Education	£5.0m	£4.0m was granted to a major new secondary school programme in Uganda operated in partnership with PEAS, a Uganda-based school charity. A further £0.9m was granted to the Leading Educators programme in US.
UK Education	£8.5m	£4.5m towards the sponsorship of academies and investment in the central team supporting the 11 ARK schools; £3.0m to ARK's charitable subsidiary, ARK UK Programmes, including £0.7m for the Extended Schools and Music programmes, £0.5m for ARK PLUS and £0.4m for Expanding Horizons; £1.0m was also granted to the Foundation of Prince William and Prince Harry as part of a new 4-year programme between ARK and the Foundation.

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. 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.

The trustees recognise that the charity's growth is likely to require a gradual expansion of core cost expenditure in the years ahead. As the below table shows, at 31 August 2011 they have established a reserve to cover core costs of £3.0m, equivalent to 19 months expenditure at the 2011 level (2010 £3.1m – 24 months). They are confident that these funds together with ARK's existing sources of core income will cover core cost expenditure in the period ahead.

The income and expenditure relating to core costs in the period is shown in the following table.

	2011	2010
	£'000	£'000
Contributions arranged by trustees and patrons	503	766
ARK Masters fee rebates	313	510
Return on investments	1,111	813
Total income raised for core costs	1,927	2,089
Less: Expenditure on core costs	(1,880)	(1,517)
Surplus on core costs for the year	47	572
Less: Transfer to fund new programme development costs	(87)	(447)
	(40)	125
Balance 1 September	3,069	2,944
Balance 31 August	3,029	3,069

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Balance Sheet

The typical project lifecycle is three to five 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 £30.2m (2010 £28.6m).

The charity also holds an additional amount of £10.1m to invest in new programmes (2010 £21.8m), £6.8m as restricted funds (2010 £9.2m) and £3.3m as unrestricted funds held in its General Programme Fund (2010 £12.6m).

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 2011 the total value of outstanding match funding pledges was £5.4m (2010 £10.0m) - see note 10. These pledges are drawn down against agreed schedules, and all pledges due for payment by 31 August 2011 have been received by the charity.

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	30,205	
Other Creditors	799	
Unrestricted funds - General programme fund	3,338	
Restricted funds	6,803	
Total programme funds	41,145	
Match funding pledges	5,412	13%
Other programme related debtors	8,061	20%
Cash	12,397	30%
Investments	15,275	37%
Assets matching programme funds	41,145	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 transferred to Lloyds TSB Commercial following a competitive tender exercise. 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 2011 70% of the charity's cash was invested in the Lloyds accounts (2010 75%) with the balance in Barclays and HSBC accounts. 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 2011 the investment in ARK Masters Fund (AMF) represented 53% of total invested funds (2010 40%) and was therefore in line with the approved policy. The US Dollar denominated AMF is 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

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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. Provided that foreign currency assets and liabilities match to within £5m no currency swap contract is required to mitigate currency risk and at 31 August 2011 the £5m limit was not exceeded so no contract was in place. Some modest foreign currency gains and losses arise due to the mismatch 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 6.4% (2010 2.6%). This compares with an average interest rate of 0.2% on 1-month US LIBOR during the year.

The reported return on investment in GBP terms (which consists of the unrealised exchange loss on the investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was 1.5% (2010 -0.7%).

ARK also benefits from the AMF in that many 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 £0.313m (2010 £0.510m). This additional return was equivalent to 2.6% (2010 3.6%) of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on investment in AMF was 4.1% during the 12 month period (2010 2.9%). 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 £10.1 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 programme 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 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 three to five 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 or the risk of having to scale back the programme due to lack of resources.

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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.

The value of restricted funds held by the group at 31 August 2011 was £23.3m (2010 £20.2m) which is equivalent to 19 months' expenditure on charitable activities from restricted funds at 2011 levels (2010 13 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 (ie 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 £3.3m at 31 August 2011 (2010 £12.6m). 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 £3.0m at 31 August 2011 (2010 - £3.1m) which is equivalent to 19 months' expenditure on core costs at 2011 levels (2010 24 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 six sub-committees: four covering thematic programme areas (Health, UK Education, International Education and Child Protection), one dealing with fundraising 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.

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.

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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 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.

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.

Trustees' report for the year ended 31 August 2011

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 18 January 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 2011 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 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 10, 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 affairs as at 31 August 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Independent auditors' report

To the members of Absolute Return for Kids (ARK)

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

25 Jan 2012

Consolidated Statement of Financial Activities

For the year ended 31 August 2011

				<i>Year ended 31-Aug-11 Total £'000</i>	<i>Year ended 31-Aug-10 Total £'000</i>
	<i>Notes</i>	<i>Unrestricted £'000</i>	<i>Restricted £'000</i>		
Incoming resources					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	7,542	1,858	9,400	11,194
Activities for generating funds:					
Fundraising events	3	6,076	43	6,119	2,755
Investment income	4	232	1	233	362
Incoming Resources from charitable activities		-	316	316	175
Total incoming resources		13,850	2,218	16,068	14,486
Resources expended					
Cost of generating funds	6	6,759	-	6,759	5,438
Charitable Activities:					
Grants and project operating costs	5 & 6	965	14,862	15,827	19,723
Governance costs	5 & 6	188	-	188	240
Total resources expended		7,912	14,862	22,774	25,401
Net incoming/(outgoing) resources before other recognised gains and losses		5,938	(12,644)	(6,706)	(10,915)
Unrealised gains on investment assets	7	186	(49)	137	1,019
Realised/unrealised (losses)/gains on foreign currency transactions		515	(114)	401	(971)
Net incoming/(outgoing) resources before transfers		6,639	(12,807)	(6,168)	(10,867)
Gross transfers between funds	12	(15,909)	15,909	-	-
Net movement in funds	8	(9,270)	3,102	(6,168)	(10,867)
Funds at 1 September		15,637	20,177	35,814	46,682
Funds at 31 August		6,367	23,279	29,646	35,815

The notes on pages 19 to 33 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2011

			<i>Year ended 31-Aug-11</i>	<i>Year ended 31-Aug-10</i>
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Total</i>
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Incoming resources				
Incoming Resources from generated funds				
Voluntary income:				
Grants and donations	2	7,542	543	8,085
Activities for generating funds:				
Fundraising events	3	6,076	-	6,076
Investment income	4	232	-	232
Total incoming resources		13,850	543	14,393
Resources expended				
Cost of generating funds:	6	6,759	-	6,759
Charitable Activities				
Grants and project operating costs	5 & 6	965	18,897	19,862
Governance costs	5 & 6	188	-	188
Total resources expended		7,912	18,897	26,809
Net incoming/(outgoing) resources before other recognised gains and losses		5,938	(18,354)	(12,416)
Unrealised gains on investment assets	7	186	-	186
Realised/unrealised losses on foreign currency transactions		515	-	515
Net incoming/(outgoing) resources before transfers		6,639	(18,354)	(11,715)
Gross transfers between funds	12	(15,909)	15,909	-
Net movement in funds	8	(9,270)	(2,445)	(11,715)
Funds at 1 September		15,637	9,248	24,885
Funds at 31 August		6,367	6,803	13,170


The notes on pages 19 to 33 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible fixed assets	9	872	627
		<u>872</u>	<u>627</u>
Current assets			
Debtors	10	14,223	17,120
Cash at bank and in hand		14,497	23,016
Investments	7	21,975	14,571
		<u>50,695</u>	<u>54,707</u>
Creditors: amounts falling due within one year	11	(13,914)	(14,402)
Net current assets		<u>36,781</u>	<u>40,305</u>
Total assets less current liabilities		37,653	40,932
Creditors: amounts falling due after one year	11	(8,007)	(5,117)
Net assets		<u>29,646</u>	<u>35,815</u>
Funds			
Unrestricted funds:			
General Programme Fund		3,338	12,568
Core costs		3,029	3,069
Restricted funds		23,279	20,178
Total funds	12	<u>29,646</u>	<u>35,815</u>

The notes on pages 19 to 33 form an integral part of these financial statements.
Approved by the Board of Directors on 18 January 2012 and signed on its behalf by:


 Ian Wace
 Chairman
 Absolute Return for Kids (ARK)

Charity Balance Sheet

As at 31 August 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible fixed assets	9	856	616
		<u>856</u>	<u>616</u>
Current assets			
Debtors	10	13,867	17,096
Cash at bank and in hand		13,194	22,132
Investment	7	16,257	14,571
		<u>43,318</u>	<u>53,799</u>
Creditors: amounts falling due within one year	11	(17,494)	(19,847)
Net current assets		<u>25,824</u>	<u>33,952</u>
Total assets less current liabilities		26,680	34,568
Creditors: amounts falling due after one year	11	(13,510)	(9,683)
Net assets		<u>13,170</u>	<u>24,885</u>
Funds			
Unrestricted funds:			
General Programme Fund		3,338	12,568
Core costs		3,029	3,069
Restricted funds		6,803	9,248
Total funds	12	<u>13,170</u>	<u>24,885</u>

The notes on pages 19 to 33 form an integral part of these financial statements.
Approved by the Board of Directors on 18 January 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 2011

		Year ended 31-Aug-11 Total £'000	Year ended 31-Aug-10 Total £'000
	Notes		
Net cash (outflow)/inflow from operating activities	18	(972)	(7,049)
Returns on investments and servicing of finance			
Interest received		233	362
Realised losses on foreign currency transactions		-	(1,122)
Capital expenditure			
Purchase of fixed assets		(513)	(723)
Disposal of Fixed Assets			
Investment made during the year		(1,500)	-
Endowment Investment during the year		(5,767)	-
(Decrease)/increase in cash		<u>(8,519)</u>	<u>(8,532)</u>

Reconciliation to net funds:

	Year ended 31-Aug-11 Total £'000	Year ended 31-Aug-10 Total £'000
(Decrease)/increase in cash	(8,519)	(8,532)
Cash at beginning of year	23,016	31,548
Cash at end of year	<u>14,497</u>	<u>23,016</u>

The notes on pages 19 to 33 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2011

1. Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention with the exception that investments are stated at market 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 (formerly ARK Schools), ARK India 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.

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.

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. Accordingly, no financial value for such services is recognised in these accounts.

Notes to the Accounts

For the year ended 31 August 2011

1. Accounting policies (continued)

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

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.

2. Grants and donations

	Group	Charity	Group	Charity
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Contributions to core costs	816	816	1,276	1,276
General Donations	6,726	6,726	4,053	4,053
Grants & restricted donations	1,858	543	5,865	5,163
	<u>9,400</u>	<u>8,085</u>	<u>11,194</u>	<u>10,492</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £0.816m (2010 £1.276m) raised for this purpose. Restricted donations for 2011 are stated net of a reversal of £2.000m income which was outstanding from two pledges made in previous years. Although the trustees believe that these pledges will be honoured, it is no longer considered prudent to accrue this income due to the timescale of the pledges being extended to a period longer than originally anticipated.

Notes to the Accounts

For the year ended 31 August 2011

3. Fundraising events

The charity held its annual Gala Dinner in June 2011. No other fundraising events were held during the year. The £6.076m (2010 - £2.755m) unrestricted income stated in the SOFA under incoming resources from fundraising events relates solely to the Gala Dinner.

In addition to this, the 2011 dinner generated donations of £9.491m (2010 £9.652m) which is included in the SOFA under voluntary income of £8.085m. Voluntary income also includes net income adjustment of £2.099m relating to previously accrued Gala Dinner income. The total income generated by the event was therefore £15.567m (2010 £12.407m).

Of this £10.474m had been received by 31 August 2011 and £5.093m was outstanding. The outstanding amount for the 2011 Gala dinner is included in note 10 as follows:

Due in less than one year

Charity evening pledges	£5.093m
-------------------------	---------

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 £0.233m (2010 £0.362m) for the group, and £0.232m (2010 £0.346m) for the charity.

5. Allocation of support

	Charitable activity £'000	Cost of generating funds £'000	Governance costs £'000	Total £'000
Head office costs	965	726	188	1,879
Total	965	726	188	1,879

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 2011

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 2011 £'000</i>	<i>Total 2010 £'000</i>
Charitable expenditure					
Health - Africa HIV/AIDS	877	-	155	1,032	4,567
DDC - Zambia	-	-	97	97	3,817
MNC - Zimbabwe	-	2,183	97	2,280	32
Health - Africa Other	176	-	48	224	486
Child Protection - Romania	43	2,852	125	3,020	178
Child Protection - Other	102	-	67	169	622
Intl Education - India	394	-	58	452	357
Intl Education - Uganda -PEAS	-	1,909	77	1,986	
Intl Education - USA	2	855	19	876	123
Intl Education - Other	205	-	19	224	318
UK Education	2,691	2,573	203	5,467	9,223
	4,490	10,372	965	15,827	19,723
Cost of generating funds	6,033	-	726	6,759	5,438
Governance costs	-	-	188	188	240
Total resources expended	10,523	10,372	1,879	22,774	25,401

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.

Notes to the Accounts

For the year ended 31 August 2011

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 2011 £'000</i>	<i>Total 2010 £'000</i>
Charitable expenditure					
Health - Africa HIV/AIDS	-	-	155	155	(6,502)
DDC - Zambia	-	-	97	97	3,817
MNC - Zimbabwe	-	2,183	97	2,280	32
Health - Africa Other	-	153	48	201	486
Child Protection - Romania	43	2,852	125	3,020	178
Child Protection - Other	30	63	67	160	162
Intl Education - India	-	-	58	58	64
Intl Education - Uganda -PEAS	-	3,996	77	4,073	-
Intl Education - USA	2	855	19	876	123
Intl Education - Other	-	180	19	199	318
UK Education	-	8,540	203	8,743	7,579
	75	18,822	965	19,862	6,257
Cost of generating funds	6,033	-	726	6,759	5,438
Governance costs	-	-	188	188	240
Total resources expended	6,108	18,822	1,879	26,809	11,935

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 2011

7. Investments

	Group 2011 £'000	Charity 2011 £'000	Group 2010 £'000	Charity 2010 £'000
Investments b/fwd	12,067	12,067	12,067	12,067
Additional investment in the year	1,500	1,500	-	-
Endowment investment in the year	5,767	-	-	-
Investments c/fwd	<u>19,334</u>	<u>13,567</u>	<u>12,067</u>	<u>12,067</u>
Unrealised gains b/fwd	2,504	2,504	1,485	1,485
Unrealised gains in the year	137	186	1,019	1,019
Market value at 31 August	<u>21,975</u>	<u>16,257</u>	<u>14,571</u>	<u>14,571</u>

Endowment investments are held in ARK UK Programmes, a Group company, for the benefit of individual schools. The addition during the year of £5.767m includes £5.017m initially granted by ARK to ARK Schools and now transferred to ARK UK Programmes for investment. The £5.017m is recorded as Restricted Funds in the Group balance sheet and the remaining £0.75m, which has been received directly from ARK Schools during the financial year, is recorded as a creditor in the Group balance sheet

8. Net movement in funds

This is stated after charging:

	Group 2011 £'000	Charity 2011 £'000	Group 2010 £'000	Charity 2010 £'000
Operating lease charges	<u>418</u>	<u>390</u>	<u>533</u>	<u>488</u>
Depreciation	<u>267</u>	<u>262</u>	<u>70</u>	<u>49</u>
Auditors' remuneration - current year audit	<u>30</u>	<u>18</u>	<u>43</u>	<u>18</u>

Notes to the Accounts

For the year ended 31 August 2011

9. Fixed assets

Group

	<i>Leasehold improvements</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>
Cost:				
At 1 September 2010	577	216	9	802
Additions	138	365	10	513
Disposals	-	-	-	-
At 31 August 2011	<u>715</u>	<u>581</u>	<u>19</u>	<u>1,315</u>
Depreciation:				
At 1 September 2010	30	145	1	176
Disposals	-	-	-	-
Charge for the year	59	205	3	267
At 31 August 2011	<u>89</u>	<u>350</u>	<u>4</u>	<u>443</u>
Net Book Value:				
At 31 August 2011	<u>626</u>	<u>231</u>	<u>15</u>	<u>872</u>
At 31 August 2010	<u>547</u>	<u>71</u>	<u>8</u>	<u>626</u>

Charity

	<i>Leasehold improvements</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>
Cost:				
At 1 September 2010	577	207	-	784
Additions	138	364	-	502
Disposals	-	-	-	-
At 31 August 2011	<u>715</u>	<u>571</u>	<u>-</u>	<u>1,286</u>
Depreciation:				
At 1 September 2010	30	138	-	168
Disposals	-	-	-	-
Charge for the year	59	203	-	262
At 31 August 2011	<u>89</u>	<u>341</u>	<u>-</u>	<u>430</u>
Net Book Value:				
At 31 August 2011	<u>626</u>	<u>230</u>	<u>-</u>	<u>856</u>
At 31 August 2010	<u>547</u>	<u>69</u>	<u>-</u>	<u>616</u>

Notes to the Accounts

For the year ended 31 August 2011

10. Debtors

	Group	Charity	Group	Charity
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Receivable within 1 year				
Charity evening pledges	7,663	7,663	5,862	5,862
Match funding pledges	2,000	2,000	3,985	3,985
HMRC - Gift Aid	398	398	759	759
Related company debtors	119	119	212	212
Prepayments and other debtors	631	275	240	216
	10,811	10,455	11,058	11,034
Receivable after 1 year				
Match funding pledges	3,412	3,412	6,062	6,062
Total	14,223	13,867	17,120	17,096

11. Creditors

	Group	Charity	Group	Charity
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year				
Trade Creditors	541	157	705	121
Related company creditors	1,080	-	294	8
Grant creditors	11,523	16,695	12,426	18,884
Tax and social security creditors	56	56	40	35
Other creditors	714	586	937	799
	13,914	17,494	14,402	19,847
Amounts falling due after 1 year				
Grant creditors	8,007	13,510	5,117	9,683

Notes to the Accounts

For the year ended 31 August 2011

12. Analysis of charitable funds

Group

	31 Aug 2010 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2011 £'000
Restricted funds					
Health - Africa HIV/AIDS	3,805	(259)	(50)	(877)	2,619
DDC - Zambia	-	895	(895)	-	-
MNC - Zimbabwe	790	691	702	(2,183)	-
Health - Africa Other	-	-	153	(176)	(23)
Child Protection - Romania	-	1,208	1,686	(2,895)	(1)
Child Protection - Other	-	-	93	(102)	(9)
Intl Education - India	2,189	-	-	(394)	1,795
Intl Education - Uganda -PEAS	-	-	3,996	(1,909)	2,087
Intl Education - USA	-	-	857	(857)	-
Intl Education - Other	-	-	180	(205)	(25)
UK Education	9,111	671	9,185	(5,264)	13,703
Other	4,283	(1,150)	2	(2)	3,133
	20,178	2,056	15,909	(14,864)	23,279
Unrestricted funds					
Core funds	3,069	1,927	(87)	(1,880)	3,029
General programme funds	12,568	12,623	(15,822)	(6,031)	3,338
	15,637	14,550	(15,909)	(7,911)	6,367
Total	35,815	16,606	-	(22,775)	29,646

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 group or granted to partner entities outside the group.

Notes to the Accounts

For the year ended 31 August 2011

12. Analysis of charitable funds (cont.)

Charity

	01 Sept 2010 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2011 £'000
Restricted funds					
Health - Africa HIV/AIDS	796	(146)	(50)	-	600
DDC - Zambia	-	895	(895)	-	-
MNC - Zimbabwe	790	691	702	(2,183)	-
Health - Africa Other	-	-	153	(153)	-
Child Protection - Romania	-	1,208	1,686	(2,894)	-
Child Protection - Other	-	-	93	(93)	-
Intl Education - Uganda -PEAS	-	-	3,996	(3,996)	-
Intl Education - USA	-	-	857	(857)	-
Intl Education - Other	-	-	180	(180)	-
UK Education	3,379	(954)	9,185	(8,540)	3,070
Other	4,283	(1,150)	2	(2)	3,133
	9,248	544	15,909	(18,898)	6,803
Unrestricted funds					
Core funds	3,069	1,927	(87)	(1,880)	3,029
General programme funds	12,568	12,623	(15,822)	(6,031)	3,338
	15,637	14,550	(15,909)	(7,911)	6,367
Total	24,885	15,094	-	(26,809)	13,170

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.

Notes to the Accounts

For the year ended 31 August 2011

13. Staff costs and numbers

	Group 2011 £'000	Charity 2011 £'000	Group 2010 £'000	Charity 2010 £'000
Salaries and wages	3,336	1,528	3,686	1,419
Social security costs	288	161	231	136
Pension costs	61	41	1	1
	<u>3,685</u>	<u>1,730</u>	<u>3,918</u>	<u>1,556</u>

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

	Group 2011 No.	Charity 2011 No.	Group 2010 No.	Charity 2010 No.
Programmes	66	-	105	-
Support services	32	19	37	17
Fundraising	7	7	7	7
	<u>128</u>	<u>26</u>	<u>132</u>	<u>24</u>

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

	Group 2011 No.	Charity 2011 No.	Group 2010 No.	Charity 2010 No.
£180,001 - £190,000	1	1	-	-
£160,001 - £170,000	1	-	2	1
£150,001 - £160,000	1	1	1	1
£130,001 - £140,000	2	1	2	1
£90,001 - £100,000	-	-	1	1
£80,001 - £90,000	4	2	1	-
£70,001 - £80,000	1	1	-	-
£60,001 - £70,000	4	-	5	2

Payments to voluntary defined contribution scheme in the year in respect of employees included in the bandings above £60,000 were nil (2010 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 2011

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 Bulgaria	Bulgaria	100% ownership	Child Protection
ARK India	India	100% ownership	Education

16. Related party transactions

Group

ARK (South Africa) Limited continues to manage ARK's HIV/AIDS PMTCT Programme. At the year end the Programme was almost complete and the balance of grants due was £0.74 (2010 £0.148m).

ARK made no further grant to its operating subsidiary in India (2010 nil), and at the year end the balance of grant allocated was £1.719m (2010 £2.172m), £0.501m of which is due in less than one year (2010 £0.715m).

ARK also has an operating subsidiary in Mozambique. During the year ARK made no further grant. At the year end the balance of grants due was £1.833 (2010 £2.732m), £1.123m of which is due in less than one year (2010 £1.238m).

During the year ARK made new grants totalling £3.063m to ARK UK Programmes (previously ARK Schools) (2010 £2.889m); £1.370m to cover the core costs to 31 August 2012, £0.277m for the Schools Maths and Music programmes, £0.325m for the Extended Schools programme, £0.500m for the ARK Plus programme, £0.402m for the Expanding Horizons programme and £0.189m for 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 £4.963m (2010 £6.078m), £3.476m of which is due in less than one year (2010 £4.463m).

Other related parties

ARK made new grants of £4.477m to its sister charity ARK Schools (previously ARK Academies) (2010 £4.189m) to cover the core costs of the charity to 31 August 2012. At the year end the cumulative balance of grant allocated to ARK Schools was £5.069m (2010 £9.546m), £4.569m of which is due in less than one year (2010 £9.046m). 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 (2010 £0.300m). At the year end the balance of grant allocated to Future Leaders was £1.000m (2010 £1.149m), £0.180m of which is due in less than one year (2010 £1.149m). 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 £1.288m (\$2.099m) from ARK US (2010 £2.292m (\$3.593m)).

During the year the charity made no further 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 £0.127m from AMML (2010 £0.160m). AMML receives investment advice from ARK Masters Advisers Limited (AMAL). During the year the charity received a donation of £0.127m from AMAL (2010 £0.160m).

Notes to the Accounts

For the year ended 31 August 2011

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	2011	2010	2010
	£'000	£'000	£'000	£'000
One year	19	-	84	-
Between two and five years	1,532	1,528	1,898	1,866
	<u>1,551</u>	<u>1,528</u>	<u>1,982</u>	<u>1,866</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
	2011	2010
	£'000	£'000
Net (outgoing)/incoming resources	(6,706)	(10,915)
Depreciation	267	70
Write off of book value on disposal of tangible fixed assets	-	114
Unrealised gains on foreign currency transactions	401	151
Interest received	(233)	(362)
Decrease in debtors	2,897	4,825
Decrease in creditors	<u>2,402</u>	<u>(932)</u>
Net cash (outflow)/inflow from operating activities	<u>(972)</u>	<u>(7,049)</u>

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

	At	Cash Flows	At
	1 September		31 August
	2010		2011
	£'000	£'000	£'000
Cash at bank	<u>23,016</u>	<u>(8,519)</u>	<u>14,497</u>

Notes to the Accounts

For the year ended 31 August 2011

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 31 August 2011 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	Charity	Group	Charity
	2010	2010	2010	2010
	£'000	£'000	£'000	£'000
Investment in ARK Masters & Eureka	16,208	16,257	14,571	14,571
Investment Endowment	5,767			
Cash at bank and in hand	14,497	13,194	23,016	22,132
Receivables	14,223	13,867	17,120	17,096
	<u>50,695</u>	<u>43,318</u>	<u>54,707</u>	<u>53,799</u>

Notes to the Accounts

For the year ended 31 August 2011

(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 investments in the ARK Masters Fund and the Eureka Fund is the published Net Asset Value of the funds. They are classified as Level 2 assets.

(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:

	<i>within</i> 1 month £'000	<i>between</i> 1-3 months £'000	<i>between</i> 3-12 months £'000	<i>greater than</i> 12 months £'000	Total £'000
Financial liabilities					
At 31 August 2011					
Trade Creditors	541	-	-	-	541
Related company creditors	1,080	-	-	-	1,080
Grant creditors	1,251	1,630	8,641	8,007	19,529
Tax and social security creditors	56	-	-	-	56
Other creditors	-	714	-	-	714
Total	2,928	2,344	8,641	8,007	21,920

Charity

	<i>within</i> 1 month £'000	<i>between</i> 1-3 months £'000	<i>between</i> 3-12 months £'000	<i>greater than</i> 12 months £'000	Total £'000
Financial liabilities					
At 31 August 2011					
Trade Creditors	157	-	-	-	157
Related company creditors	-	-	-	-	-
Grant creditors	449	3,724	12,522	13,510	30,205
Tax and social security creditors	56	-	-	-	56
Other creditors	-	586	-	-	586
Total	662	4,310	12,522	13,510	31,004