

Absolute Return for Kids (ARK)

Trustees' Annual Report and Accounts

For the Year Ended 31 August 2009

Trustees' report for the year ended 31st August 2009

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 31st August 2009.

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:

Arpad Busson (Chairman to June 2009)
Stanley Fink (Chairman from June 2009)
Paul Dunning
David Gorton
Kevin Gundle
Paul Marshall
Jennifer Moses
Michael Platt (from June 2009)
Blaine Tomlinson
Ian Wace

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

Managing Director

Paul Bernstein

Auditors

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Bankers

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Solicitors

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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. Along with ARK's patrons, the trustees ensure that all administrative costs are covered, so that 100% of all donations go directly to deliver ARK's programmes for children.

ARK identifies, creates and delivers innovative and highly effective programmes in the areas of HIV/AIDS (South Africa, Mozambique), Education (UK, India) and Children in Care (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 rigorous research, monitoring and evaluation.

HIV/AIDS

ARK's HIV/AIDS programmes in Sub-Saharan Africa aim to prevent children from becoming prematurely orphaned by keeping their HIV+ mothers and caregivers alive. The objectives of the primary programmes in South Africa and Mozambique are to:

- save lives - rapidly and effectively providing antiretroviral therapy (ART) to the parents and carers of children, and to children themselves, and;
- build capacity – ensuring that governments and communities are able, through ARK's involvement, to provide HIV treatment in an effective and sustainable way, with the appropriate resources, processes and systems.

ARK's programmes are delivered through government clinics. ARK works to build the human resource and physical capacity of these clinics to enable them to enrol patients from their local communities onto ART and provide long-term treatment options. ARK initially helps run treatment programmes in clinics, building systems and processes to ensure sustainable quality of care prior to hand over to local government or other local service providers.

An agreement was successfully concluded on 1 October 2009 to transfer the majority of the ARK programmes in South Africa to Kheth'Impilo, a local non-governmental organisation. This is further explained in the 'Achievements' section of the report, below.

Also in South Africa:

ARK's Grant Access Strategy supports vulnerable children in AIDS affected communities by assisting their parents or caregivers to access government-funded social care grants, such as child support and foster care grants.

In August 2008, ARK initiated a study to demonstrate improved prevention of mother to child transmission (PMTCT) services in South Africa, as well as integrated PMTCT service delivery alongside ART services.

Also in Mozambique:

The Clinton-ARK Initiative for Mozambique (CAIM) is a partnership with the Clinton Foundation HIV/AIDS Initiative, seeking to enhance training and mentoring of health care workers in Mozambique, with particular focus on HIV/AIDS. CAIM is redeveloping the Chicumbane medical training centre to enable it to increase its capacity for teaching medical technicians and other critical health-care workers. It has also launched a pilot programme to test the viability of new Point of Care Technologies for HIV/AIDS treatment management.

ARK launched the Young Doctors Programme in partnership with the University of Eduardo Mondlane to help build capacity at ARK sites, while providing essential mentoring of new doctor graduates in HIV management.

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Education

In the UK:

ARK's education programme is designed to help to narrow the educational attainment gap between children from rich and poor backgrounds. To achieve this it is creating a network of highly effective schools that focus on raising attainment and providing training for teachers and leaders in inner city schools in areas of economic disadvantage.

ARK Academies is developing a network of non-selective schools delivering high achievement education in challenging, inner city areas. Its aim is to give all children a real opportunity to achieve the academic qualifications, skills and confidence they need to move into higher education or pursue the career of their choice. ARK Academies is a separate legal entity and does not form part of the ARK group accounts.

ARK's UK education programme also provides services to the academies that support educational success, such as extended schools, literacy and music programmes, as well as funding projects which work to eradicate barriers to success, by improving school leadership and reducing school exclusions. These programmes operate under the umbrella of ARK Schools.

They include two leadership programmes for UK inner city schools, operating with and beyond the ARK Academies network. Future Leaders is an accelerated school leadership programme launched by ARK, with the support of the National College (formerly NCSL) and the Specialist Schools and Academies Trust. The aim is to develop the next generation of head teachers for challenging urban secondary schools in disadvantaged areas. Teaching Leaders is a two year development programme for middle leaders (Heads of Department or Heads of Year) developed in partnership with the National College, Future Leaders and Teach First that was launched in August 2008 with a pilot cohort of 32 participants.

ARK Schools has developed an innovative pilot programme, ARK Plus which opened in November 2009. The programme aims to ease the transition from primary to secondary school for selected pupils who might otherwise develop disruptive and challenging behaviour that would later compromise their secondary school career. Its aim is to give its pupils the skills, self-belief and motivation to be successful in their learning, enabling successful integration in their mainstream schools. The ARK Plus pilot is initially providing places to eighteen Year 7 children (aged 11-12), from three local ARK academies.

In India:

The School Leaders for India pilot programme is working to develop a new generation of highly effective Principals who can significantly improve the quality of schools and so help raise educational achievement and reduce drop out.

Children in Care

The focus of the Children in Care programme in Eastern Europe is to reduce the number of children living in, and entering, institutional care through the closure of large-scale institutions and the development of preventative and alternative care services.

With a team in Bulgaria, and its partner Hope and Homes for Children in Romania, ARK provides programme management, targeted capacity building and infrastructure support to local government to support the closure of institutions, the reintegration of children with their biological parents or extended family, and the development of adoption, foster care and small-scale residential services in the two countries. Prevention of abandonment work, to stop future generations from being institutionalised, is also central to the programme.

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Achievements, performance and future plans

HIV/AIDS

Since 2003 ARK has benefited over 146,000 children in South Africa and Mozambique, helping to shield them from the worst effects of the AIDS crisis.

In South Africa:

- By end of August 2009 ARK had initiated 56,749 mothers, caregivers and children onto treatment (comprising 65% of all patients enrolled at ARK-supported clinics). This was 16% ahead of target to date.
- ARK has in the lifetime of the programme supported 93 clinics to set up treatment programmes.
- 83% of patients in ARK-supported clinics remain on treatment at 24 months compared to South Africa's national average of 62%.
- The Grant Access Programme had supported 30,977 grant applications by the end of August 2009. This programme exceeded its overall programme target of 21,000 grant applications as early as February 2009, 19 months ahead of schedule.
- The PMTCT study enrolled 130 mother and baby pairs. As a result of programme changes, this study has now been halted, but existing patients will continue to be supported as long as is needed.

Since 2003, ARK has played a vital role in accelerating high quality access to antiretroviral (ART) treatment for people living with HIV in South Africa.

The sustainability of programmes that ARK initiates is fundamental to programme strategy and design. In the case of ARK's ART programme in South Africa, it was originally intended that government would take over running the services in its clinics after 3-5 years. Due to resource constraints, it became clear that the government would be unable in the near future to absorb the services that ARK provided.

To ensure the sustainability of treatment, ARK negotiated to hand over its clinics and community services to Kheth'Impilo, a local non-governmental organisation (NGO). From 1 October 2009, the ART and Grant Access programmes were transferred to Kheth'Impilo, together with the majority of the employees of ARK (South Africa) Limited as part of a planned exit.

The continuation of these services by Kheth'Impilo is primarily funded by the US President's Emergency Program for AIDS Relief (PEPFAR). PEPFAR had been a funder of ARK's programme for a number of years, and as part of the sustainability agreement previously planned PEPFAR funding for ARK will be granted to Kheth'Impilo. To assist in continuity of service, ARK will also provide bridge funding over a two year period, after which its funding will cease.

In Mozambique:

ARK's programme in Mozambique aims to train and mentor clinic staff in the provision of ART and in so doing build capacity of government clinics while increasing patient access to life-saving treatment.

- ARK's ART Programme plans to enrol 4,500 mothers and caregivers, and 500 children on HIV treatment by the end of 2011. By August 2009 the programme had started to support integrated HIV services at 4 clinics in Maputo Province, initiated 1,967 patients onto ART including 1,385 mothers, caregivers and children.
- The Young Doctors Programme was launched with an initial cohort of 5 doctors.

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- Planning progressed for the redevelopment of the Chicumbane medical training centre in Gaza Province as part of CAIM. This will ultimately facilitate the training of a further 360 medical technicians and other health care workers by 2015.

Each of these programmes has progressed significantly during the year, in difficult conditions in Mozambique. The shortage of HIV qualified health workers in particular is acute.

Education

ARK supports three major programmes in the UK: ARK Schools, Future Leaders and Teaching Leaders, and one in India: School Leaders for India.

ARK Schools:

By 2012 ARK aims to be running twelve academies eventually providing places for more than 12,000 pupils.

- ARK has now opened eight academies, which are currently impacting the lives of almost 4,500 pupils.
- Three new ARK schools opened during the year – Ark Academy (in Brent), Globe Academy (Southwark) and Evelyn Grace Academy (Lambeth).
- Two more (Charter Academy, Portsmouth and St Alban's Academy, Birmingham) progressed through the feasibility stage during the year and opened in September 2009 immediately after the year-end. King Solomon Academy opened its secondary school and Burlington Danes Academy opened its sixth form in September 2009 just after the year-end. A further Academy in Ilford is under development and due to open in 2012.
- The existing ARK academies achieved a third year of improvement in GCSE performance. The percentage of pupils achieving five GCSEs at A*- C including English and mathematics rose to 50% at Burlington Danes Academy (2008, 42%), 45% at Walworth Academy (2008, 37%) and 34% at Globe Academy, just nine months after opening (2008, 26% at predecessor school). Since they opened as ARK academies, these three schools have achieved a weighted average annual increase in their rate of achievement of five GCSEs including English and maths of 7.7% – above national improvement rates.

Future Leaders:

- The Future Leaders programme, launched in 2006 with a Cohort of 20 participants, is currently training 156 Future Leaders, who are working across at least 100 urban challenging schools.
- The programme operates in London and the North West and in September 2009 expanded to the West Midlands.
- This year, four participants gained head teacher status at least one year ahead of schedule.
- Estimates that at least 100,000 pupils are in schools that benefit from one or more Future Leaders.

Teaching Leaders:

- The Teaching Leaders programme, launched in 2008, now has recruited 80 participants across 53 complex urban schools and aims to train more than 300 middle leaders in each cohort by 2014.
- One year on Teaching Leaders is making a positive impact with one third of participants already being promoted and Teaching Leaders outperforming their school averages by one grade.

School Leaders for India:

- Since the School Leaders for India pilot programme was launched last year in Mumbai and Pune, the first cohort of 12 participants have completed the first year of this two-year

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programme. As a result of early learning from the pilot and an opportunity to partner with the Delhi Aided Government Schools Network, the programme moved to New Delhi in May 2009.

- In June 2009, a new cohort of 13 participants began a revised programme that will eventually impact approximately 5,500 students.

Children in Care

ARK has supported the closure of a total of 15 institutions across Eastern Europe and plans to facilitate the closure of a total of 24 by 2010, moving thousands of children into family-focused environments.

In Bulgaria:

- ARK's foster care model is now being adopted by UNICEF and rolled out to eight other regions in the country.
- ARK handed over its small group home service to the municipality of Stara Zagora. All five homes are now being financed, staffed and run by the municipality, with ARK providing technical assistance and monitoring.
- ARK has prevented 98 children from entering institutions and is working on additional 208 cases.

In Romania:

- The HHC-ARK Partnership for Romania aims to complete the reform of the childcare system in Maramures and accelerate it in Bacau. By the end of 2010 it will close six institutions, and move 495 children into new homes, and prevent a further 3,000 from entering institutions.
- By August 2009 the partnership had placed 137 children from institutions due to be closed, and prevented a further 1,700 from entering institutions. The first two institutions are set to close by early 2010.

Financial review

In a year of severe global recession that has seen many charities forced to restrict their charitable programmes due to a loss of fundraising income, and many others suffering significant losses on endowed investments, ARK's funding and investment model has proved particularly 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 65% 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 reduction of less than 1% against the background of a decline in the FTSE 100 index of UK shares of nearly 20% for the corresponding period.

ARK's consolidated income in the year to 31 August 2009 totalled £23.9m, compared to £40.3m in 2008. The charity continues to raise the majority of its funds through its annual Gala Dinner. In 2009 this was held at Waterloo International rail terminal with a keynote speech by Mayor of London, Boris Johnson. Thanks to the generosity of ARK's supporters £15.6m was raised through the Dinner and associated Gift Aid reclaims (see note 3) (2008 £26.0m). Despite being in the grip of economic recession ARK's supporters maintained their support of the event in 2009.

In 2009, excluding the Gala Dinner, income included the following:

- Donations received to cover core costs remained at £1.9m (2008 £1.9m) consisting of ARK's Trustees and Patrons programme and fee rebates in relation to the ARK Masters Fund.
- Grants received directly by ARK South Africa increased to £4.0m (2008 £1.8m), as ARK's 5-year track record in South Africa attracted growing interest from institutional donors.

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- Other grants and donations totalled £1.1m (2008 £9.3m, including £7.0m pledged in previous years).
- Investment income decreased slightly to £1.1m (2008 £1.3m) due to the lower interest rates available on term deposits.

Income from the Gala Dinner remained stable at 65% of total income compared to 64% in 2008.

Group expenditure during the year was 35% lower at £19.1m (2008 - £29.5m). The largest component of this, at 85%, was direct charitable expenditure on grants and project operating costs which decreased 33% to £16.2m (2008 £24.3m). Note 6 contains 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. This fell by 45% to £2.6m (2008 £4.7m). The trustees believe this is reasonable as expenditure on fundraising has fallen slightly as a proportion of income to 11% (2008 12%).

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 £9.9m (2008 £25.7m).

Theme	New commitments		Summary of commitments
HIV/AIDS	£0.7m	7%	£0.7m additional commitment to reflect the £ Sterling value of the remaining part of the \$8m commitment to the partnership programme with Clinton Foundation in Mozambique
Children in Care	£0.2m	2%	£0.2m to reflect the £ Sterling value of the Euro-denominated programme commitment in Romania.
UK Education	£9.0m	91%	£3.0m toward the Academy programme to cover sponsorship of new Academies and investment in the central team required to run ARK's portfolio of 8 schools. £6.0m in a range of grants to its charitable subsidiary ARK Schools including £0.8m to extend the Teaching Leaders programme, £2.1m for the Extended Schools Programme, £0.8m for the Music Programme and £1.6m for the Maths and Literacy Programmes.

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 three years. No major new international programmes were funded in 2009, but significant further investment in the UK Education theme totalled £9.0m and represented 91% of new commitments in the year. The trustees anticipate that one or more new international programmes may be granted significant funding in 2010, but trustees are concerned to ensure programmes are fully researched, and trialled where appropriate, before committing funds for a number of years.

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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.

	2009	2008
	£'000	£'000
Contributions arranged by trustees and patrons	1,267	1,344
ARK Masters fee rebates	675	553
Return on investments	860	550
Total income raised for core costs	2,802	2,447
Less: Expenditure on core costs	(1,644)	(1,884)
Surplus on core costs for the year	1,158	563
Balance 1 September	1,786	1,223
Balance 31 August	2,944	1,786

The trustees recognise that the charity's growth could require a gradual expansion of core cost expenditure in the years ahead. As the above table shows at 31 August 2009 they have established a reserve to cover core costs equivalent to £2.9m or 21 months expenditure at the 2009 level (2008 £1.8m – 11 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, and have collectively agreed to cover any shortfall on a year-to-year basis.

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 projects.

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 £41.5m (2008 £47.6m).

The charity also holds an additional amount of £20.3m to invest in new programmes (2008 £16.5m), £6.8m as restricted funds (2008 £9.6m) and £13.5 m as unrestricted funds held in its General Programme Fund (2008 £6.9m).

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 a specific project. At 31 August 2009 the total value of outstanding match funding pledges was £13.3m (2008 £21.7m) - see note 10. These pledges are drawn down against schedules agreed at the time they are made, and all pledges due for payment by 31 August 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.

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Summary of Charity Balance Sheet position relating to programme funds

	£'000	
Grant creditors	41,486	
Unrestricted funds - General programme fund	13,458	
Restricted funds	6,800	
Total programme funds	61,744	
Match funding pledges	13,346	22%
Other programme related debtors	8,106	13%
Cash	27,663	45%
Investment	12,629	20%
Assets matching programme funds	61,744	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 an account was opened with Lloyds Banking Corporation to provide some diversity for the charity's cash in addition to the existing HSBC Private Bank (UK) Limited accounts. The FSC believes that this is an appropriate lower risk approach and at 31 August 51% of the charity's cash was invested in the Lloyds account with the balance in HSBC.

The trustees have approved an investment policy that limits non-cash investments to 35% of total cash and investments. At 31 August the investment in ARK Masters Fund represented 31% of the total and was therefore within the approved limit. The ARK Masters Fund is a relatively low risk fund and, in a year that has seen significant losses in the majority of investment funds, a decline in value of less than 1% has been recorded for the year, after accounting for fee rebates from fund managers.

The trustees believe that the value of this funding model has been well demonstrated during the year. Although the adverse economic climate may affect the charity's future income, and thereby reduce its ability to develop and launch new programmes, ARK has the resources to cover existing programmes through to planned exit and has also increased the amount available to fund future programmes by £3.76m in the year.

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 responsibility to formally monitor and manage financial risks and it 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.

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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.

The value of restricted funds held by the group at 31st August 2009 was £30.3m (2008 - £33.9m) which is equivalent to 24 months' expenditure on charitable activities from restricted funds at 2009 levels (2008 - 17 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 £13.5m at 31st August 2009 (2008 £6.9m). 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 £2.9m at 31st August 2009 (2008 - £1.8m) which is equivalent to 21 months' expenditure on core costs at 2009 levels (2008 - 11 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 ten members, oversees the charity. The board meets at least four times a year. There are also seven sub-committees: four covering thematic

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programme areas (HIV/AIDS, UK Education, International Education, and Children in Care), one dealing with strategy, one dealing with donor relations and the seventh 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.

A Managing Director is appointed by the trustees to oversee the day to day operations of the charity. To facilitate effective operations, the Managing Director has 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 Academies is responsible for ARK's work in inner city schools in the UK. ARK Academies is registered in England as a charitable company limited by guarantee (company number 5112090; charity number 1111608). ARK Academies 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 Schools is responsible for ARK's work in UK Education beyond the Academies programme. ARK Schools is registered in England as a company limited by guarantee (company number 5932797).

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 Bulgaria (a private foundation incorporated in Bulgaria) runs the charity's programmes in Bulgaria.

ARK India which runs the charity's programmes in India plans to register as a charitable organisation in India in the next 12 months.

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 a maximum of 35% 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 (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 include 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

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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.

The trustees are responsible for keeping proper 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 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 1 March 2010.

Stanley Fink
Chairman
Absolute Return for Kids (ARK)

Independent auditors' report

To the members of Absolute Return for Kids (ARK)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABSOLUTE RETURN FOR KIDS (ARK)

We have audited the charitable group and company's financial statements of for the year ended 31 August 2009 which comprises the consolidated and charity Statement of Financial Activities, the consolidated and charity Balance Sheet, the consolidated Statement of Cash Flows and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

As in the Statement of Trustees' Responsibilities set out on page 12, the charitable company's trustees' (who are also the directors of ARK for the purposes of company law) are responsible for the preparation of the financial statements and the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted accounting Practice) and for being satisfied that the information gives a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees' Annual Report is consistent with those financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Independent auditors' report

To the members of Absolute Return for Kids (ARK)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the charitable group and company as at 31 August 2009 and of their incoming resources and application of resources including their income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Julian Young (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London
1 March 2010

Consolidated Statement of Financial Activities

For the year ended 31 August 2009

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended</i> <i>31-Aug-09</i>	<i>Year ended</i> <i>31-Aug-08</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>Total</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<i>Incoming Resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	11,504	8,370	19,874	32,743
Activities for generating funds:					
Fundraising events	3	2,818	61	2,879	6,207
Investment income	4	1,031	101	1,132	1,343
<i>Total Incoming Resources</i>		<u>15,353</u>	<u>8,532</u>	<u>23,885</u>	<u>40,293</u>
<i>Resources Expended</i>					
Cost of generating funds:	6	2,598	-	2,598	4,683
Charitable Activities					
Grants and project operating costs	5 & 6	814	15,422	16,236	24,265
Governance costs	5 & 6	286	-	286	509
<i>Total resources expended</i>		<u>3,698</u>	<u>15,422</u>	<u>19,120</u>	<u>29,457</u>
<i>Net incoming/(outgoing) resources before other recognised gains and losses</i>					
		<u>11,655</u>	<u>(6,890)</u>	<u>4,765</u>	<u>10,836</u>
Unrealised gains on investment assets	7	720	-	720	578
Realised (losses)/gains on foreign currency transactions		(1,485)	87	(1,398)	(1,216)
<i>Net incoming/(outgoing) resources before transfers</i>		<u>10,890</u>	<u>(6,803)</u>	<u>4,087</u>	<u>10,198</u>
<i>Gross transfers between funds</i>	12	(3,216)	3,216	-	-
<i>Net movement in funds</i>	8	<u>7,674</u>	<u>(3,587)</u>	<u>4,087</u>	<u>10,198</u>
<i>Funds at 1 September</i>		8,731	33,864	42,595	32,397
<i>Funds at 31 August</i>		<u>16,405</u>	<u>30,277</u>	<u>46,682</u>	<u>42,595</u>

Charity Statement of Financial Activities

For the year ended 31 August 2009

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>31-Aug-09</i>	<i>31-Aug-08</i>
				<i>Total</i>	<i>Total</i>
				<i>£'000</i>	<i>£'000</i>
<i>Incoming Resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	11,504	4,010	15,514	30,982
Activities for generating funds:					
Fundraising events	3	2,818	-	2,818	6,207
Investment income	4	1,031	-	1,031	1,227
<i>Total Incoming Resources</i>		15,353	4,010	19,363	38,416
<i>Resources Expended</i>					
Cost of generating funds:	6	2,598	-	2,598	4,683
Charitable Activities					
Grants and project operating costs	5 & 6	814	9,986	10,800	26,643
Governance costs	5 & 6	286	-	286	509
<i>Total resources expended</i>		3,698	9,986	13,684	31,835
<i>Net incoming/(outgoing) resources before other recognised gains and losses</i>					
		11,655	(5,976)	5,679	6,581
Unrealised (losses)/gains on investment assets	7	720	-	720	578
Realised (losses)/gains on foreign Currency swap		(1,485)	-	(1,485)	(1,247)
<i>Net incoming/(outgoing) resources before transfers</i>		10,890	(5,976)	4,914	5,912
<i>Gross transfers between funds</i>	12	(3,216)	3,216	-	-
<i>Net movement in funds</i>	8	7,674	(2,760)	4,914	5,912
<i>Funds at 1 September</i>		8,731	9,560	18,291	12,379
<i>Funds at 31 August</i>		16,405	6,800	23,205	18,291

Consolidated Balance Sheet

As at 31 August 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Fixed assets			
Tangible fixed assets	9	88	125
		<u>88</u>	<u>125</u>
Current assets			
Debtors	10	21,945	28,737
Cash at bank and in hand		31,548	27,319
Investment in ARK Masters Fund	7	13,552	12,830
		<u>67,045</u>	<u>68,886</u>
Creditors: amounts falling due within one year	11	(17,624)	(14,647)
Net current assets		<u>49,421</u>	<u>54,239</u>
Total assets less current liabilities		49,509	54,364
Creditors: amounts falling due after one year	11	(2,827)	(11,769)
Net assets		<u>46,682</u>	<u>42,595</u>
Funds			
Unrestricted funds:			
General Programme Fund		13,461	6,945
Core costs		2,944	1,786
Restricted funds		30,277	33,864
Total funds	12	<u>46,682</u>	<u>42,595</u>

Approved by the Board of Directors on 1 March 2010 and signed on its behalf by:

Stanley Fink
Chairman
Absolute Return for Kids (ARK)

Charity Balance Sheet

As at 31 August 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Fixed assets			
Tangible fixed assets	9	2	30
		<u>2</u>	<u>30</u>
Current assets			
Debtors	10	21,851	28,670
Cash at bank and in hand		29,682	26,086
Investment in ARK Masters Fund	7	13,552	12,830
		<u>65,085</u>	<u>67,586</u>
Creditors: amounts falling due within one year	11	(31,178)	(25,503)
Net current assets		<u>33,907</u>	<u>42,083</u>
Total assets less current liabilities		33,909	42,113
Creditors: amounts falling due after one year	11	(10,704)	(23,822)
Net assets		<u>23,205</u>	<u>18,291</u>
Funds			
Unrestricted funds:			
General Programme Fund		13,461	6,945
Core costs		2,944	1,786
Restricted funds		6,800	9,560
Total funds	12	<u>23,205</u>	<u>18,291</u>

Approved by the Board of Directors on 1 March 2010 and signed on its behalf by:

Stanley Fink
Chairman
Absolute Return for Kids (ARK)

Consolidated Statement of Cash Flows

For the year ended 31 August 2009

	<i>Notes</i>	<i>Year ended 31-Aug-09 Total £'000</i>	<i>Year ended 31-Aug-08 Total £'000</i>
<i>Net cash inflow from operating activities</i>	18	4,544	10,457
<i>Returns on investments and servicing of finance</i>			
Interest received		1,132	1,343
Realised foreign currency gains / (losses)		(1,398)	(1,216)
<i>Capital expenditure and financial investment</i>			
Purchase of fixed assets		(78)	(111)
Disposal of Fixed Assets		29	1
Investment made in ARK Masters Fund		-	(3,557)
<i>Increase in cash</i>		4,229	6,917

Notes to the Accounts

For the year ended 31 August 2009

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 Schools, ARK Bulgaria, ARK India and ARK Mozambique.

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.

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 2009

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

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 – 50% per annum

Investments

Investments are stated at market value 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.

2 Grants and Donations

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contributions to core costs	1,942	1,942	1,897	1,897
General Donations	9,562	9,562	11,283	11,283
Grants & restricted donations	8,370	4,010	19,563	17,802
	<u>19,874</u>	<u>15,514</u>	<u>32,743</u>	<u>30,982</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £1.942m (2008 £1.897m) raised for this purpose.

Notes to the Accounts

For the year ended 31 August 2009

3 Fundraising Events

The charity held its annual Gala Dinner in June 2009. No other fundraising events were held during the year. The £2.818m (2008 - £6.207m) income stated in the SOFA under incoming resources from fundraising events relates solely to the Gala Dinner

In addition to this, the 2009 dinner generated donations of £12.804m which is included in the SOFA under voluntary income of £15.514m. The total income generated by the event was therefore £15.622m (2008 £25.955m).

Of this £9.283m had been received by 31 August 2009, and £6.339m was outstanding. The outstanding amounts are included in note 10 as follows:

Due in less than one year:

Charity evening pledges	£5.510m
HMRC - Gift Aid	£0.829m

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 £1.132m (2008 £1.343m) for the group, and £1.031m (2008 £1.227m) for the charity.

5 Allocation of Support

	<i>Charitable activity</i> £'000	<i>Cost of generating funds</i> £'000	<i>Governance costs</i> £'000	<i>Total</i> £'000
Head office costs	814	544	286	1,644
Total	<u>814</u>	<u>544</u>	<u>286</u>	<u>1,644</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 would be considered by many charities as programmatic cost rather than administrative cost and charged to programme budgets.

ARK uses this broad definition of core cost 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 3 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 2009

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 2009 £'000</i>	<i>Total 2008 £'000</i>
Charitable expenditure					
HIV/AIDS - South Africa ARV's	6,358	-	215	6,573	4588
HIV/AIDS - CABA	478	-	38	516	704
HIV/AIDS - Mozambique ARV's	524	-	185	709	252
HIV/AIDS - Mozambique CHAI	-	759	44	803	38
HIV/AIDS - SA PMTCT	470	-	25	495	28
HIV-Generic	-	25	1	26	-
HIV/AIDS - Global PMTCT	28	-	2	30	52
HIV/AIDS Operations Support	45	-	2	47	-
HIV/AIDS - Strategy	123	-	8	131	57
Children in Care - Bulgaria	468	-	39	507	767
Children in Care - Romania	42	160	13	215	1959
Children in Care - Strategy	6	-	1	7	47
Economic Development	64	-	4	68	95
Education - India	360	-	44	404	431
UK - Pupil Referral Unit	(8)	-	-	(8)	17
UK - Academies	-	2,964	168	3,132	8620
UK - Schools	7	-	3	10	103
UK - Future Leaders	-	-	3	3	5259
UK - Teaching Leaders	632	-	19	651	446
UK - Extended Schools	178	555	-	733	346
UK - Schools Music	463	-	-	463	48
UK - Teens & Toddlers	-	90	-	90	-
UK - Schools Library	190	-	-	190	-
UK - Schools Literacy	19	136	-	155	124
UK - Schools Numeracy	21	141	-	162	184
UK - Mathematics Programme	124	-	-	124	-
UK - Education Small Grants	-	-	-	-	100
	10,592	4,830	814	16,236	24,265
Cost of generating funds	2,054	-	544	2,598	4683
Governance costs	-	-	286	286	509
Total resources expended	12,646	4,830	1,644	19,120	29,457

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 Academies) 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 2009

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 2009 £'000</i>	<i>Total 2008 £'000</i>
Charitable expenditure					
HIV/AIDS - South Africa ARV's	-	61	215	276	160
HIV/AIDS - CABA	-	-	38	38	28
HIV/AIDS - Mozambique ARV's	-	-	185	185	132
HIV/AIDS - Mozambique CHAI	-	759	44	803	38
HIV/AIDS - SA PMTCT	-	(308)	25	(283)	3,022
HIV-Generic	-	25	1	26	-
HIV/AIDS - Global PMTCT	28	-	2	30	52
HIV/AIDS Operations Support	45	-	2	47	-
HIV/AIDS - Strategy	123	-	8	131	57
Children in Care - Bulgaria	-	-	39	39	569
Children in Care - Romania	42	160	13	215	1,959
Children in Care - Strategy	6	-	1	7	47
Economic Development	64	-	4	68	95
Education - India	-	-	44	44	3,273
UK - Pupil Referral Unit	(8)	-	-	(8)	17
UK - Academies	-	2,964	168	3,132	8,620
UK - Schools	-	462	3	465	553
UK - Future Leaders	-	-	3	3	5,260
UK - Teaching Leaders	-	756	19	775	1,057
UK - Extended Schools	-	2,120	-	2,120	610
UK - Schools Music	-	843	-	843	80
UK - Schools Pastoral	-	129	-	129	-
UK - Teens & Toddlers	-	90	-	90	-
UK - Schools Library	-	1,117	-	1,117	-
UK - Schools Literacy	-	-	-	-	280
UK - Schools Numeracy ECC	-	-	-	-	634
UK - Mathematics Programme	-	508	-	508	-
UK - Education Small Grants	-	-	-	-	100
	300	9,686	814	10,800	26,643
Cost of generating funds	2,054	-	544	2,598	4,683
Governance costs	-	-	286	286	509
Total resources expended	2,354	9,686	1,644	13,684	31,835

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 feasibility work on new programmes under development.

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 2009

7 Investments

	2009 £'000	2008 £'000
Investment in ARK Masters Fund b/f	12,067	8,510
Additional investment in Fund during the year	-	3,557
	<hr/>	<hr/>
Total cost of investment in ARK Masters	12,067	12,067
	<hr/>	<hr/>
Unrealised gains on investment assets	1,485	763
	<hr/>	<hr/>
Market value at 31 August	13,552	12,830

ARK invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The mix of investment instruments and the maximum total investment in each is broadly in line with independent advice obtained by the trustees. In accordance with this policy ARK held a maximum of 35% of its funds in the ARK Masters Fund (AMF) during the period under review. The objective for ARK's investment in the AMF is to outperform cash without significantly increasing risk.

The balance of funds were held as cash in interest bearing bank accounts and on fixed term deposits, with the profile of the cash holdings dependant on the working capital needs of ARK's projects.

"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. To eliminate virtually all currency risk on this US\$ denominated investment a forward sale currency contract, or swap, is taken out every 3 months for the value of the investment.

The return on investment (which consists of the realised gain/loss on the foreign currency swap that hedges ARK's investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was -5.8% (2008 -7.2%).

ARK also benefits from the ARK Masters Fund 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 £0.676m (2008 £0.553m). This additional return was equivalent to 5.1% (2008 6%) of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on it's investment in AMF was -0.7% during the 12 month period (2008 -1.2%). The trustees consider this to be a satisfactory performance in an extremely difficult economic climate.

Notes to the Accounts

For the year ended 31 August 2009

8 Net movement in funds

This is stated after charging

	Group 2009 £'000	Charity 2009 £'000	Group 2008 £'000	Charity 2008 £'000
Operating lease charges	<u>306</u>	<u>187</u>	<u>69</u>	<u>-</u>
Depreciation	<u>83</u>	<u>31</u>	<u>73</u>	<u>34</u>
Auditors' remuneration				
- current year audit	32	17	20	-
- prior year audit	35	17	-	-
- other services	49	-	-	-
Total	<u>116</u>	<u>34</u>	<u>20</u>	<u>-</u>

9 Fixed Assets

	Group Total £'000	Charity Total £'000
Cost:		
At 1 September 2008	344	118
Additions	78	4
Disposals	(29)	(1)
At 31 August 2009	<u>393</u>	<u>121</u>
Depreciation:		
At 1 September 2008	219	88
Disposals	3	-
Charge for the year	83	31
At 31 August 2009	<u>305</u>	<u>119</u>
Net Book Value:		
At 31 August 2009	<u>88</u>	<u>2</u>
At 31 August 2008	<u>125</u>	<u>30</u>

Notes to the Accounts

For the year ended 31 August 2009

10 Debtors

	Group	Charity	Group	Charity
	2009	2009	2008	2008
	£'000	£'000	£'000	£'000
Receivable within 1 year				
Charity evening pledges	6,957	6,957	5,403	5,403
Match funding pledges	3,934	3,934	7,557	7,557
Grant debtors	320	320	304	304
HMRC - Gift Aid	829	829	613	613
Inter-company debtors	-	2	-	31
Related company debtors	391	391	309	309
Trade Debtors	-	-	-	-
Prepayments & other debtors	102	6	113	15
	12,533	12,439	14,299	14,232
Receivable after 1 year				
Grant debtors	-	-	270	270
Match funding pledges	9,412	9,412	14,168	14,168
Total	21,945	21,851	28,737	28,670

11 Creditors

	Group	Charity	Group	Charity
	2009	2009	2008	2008
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year				
Trade Creditors	331	20	113	61
Inter-company creditors	-	-	-	26
Related company creditors	105	-	397	327
Grant creditors	16,370	30,781	12,463	23,790
Other creditors	818	377	1,673	1,298
Deferred Income	-	-	-	-
	17,624	31,178	14,646	25,502
Amounts falling due after 1 year				
Grant creditors	2,827	10,704	11,769	23,822

Notes to the Accounts

For the year ended 31 August 2009

12 Analysis of charitable funds

Group

	1 Sept 2008 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2009 £'000
Restricted Funds					
HIV/AIDS - South Africa ARV's	8,745	4,205	54	(6,358)	6,646
HIV/AIDS - CABA	2,399	-	-	(478)	1,921
HIV/AIDS - Mozambique ARV's	3,772	142	(137)	(524)	3,253
HIV/AIDS - Mozambique CHAI	-	-	759	(759)	-
HIV/AIDS - SA PMTCT	2,994	-	(308)	(470)	2,216
HIV/AIDS - Global	1,232	1,303	(1,617)	(25)	893
HIV/AIDS - Global PMTCT	-	-	28	(28)	-
HIV/AIDS Operations Support	-	-	45	(45)	-
HIV/AIDS - Other	-	-	123	(123)	-
Children in Care - Bulgaria	916	13	(1)	(468)	460
Children in Care - Romania	226	954	(978)	(202)	-
Children in Care - Other	-	-	6	(6)	-
Economic Development	-	-	64	(64)	-
IE - India	2,842	378	(378)	(360)	2,482
UK - Pupil Referral Unit	-	350	192	8	550
UK - Academies	2,500	191	2,349	(2,964)	2,076
UK - Schools	777	394	462	(7)	1,626
UK - Teaching Leaders	611	-	756	(632)	735
UK - Extended Schools	498	890	1,230	(733)	1,885
UK - Schools Music	275	505	206	(463)	523
UK - Schools Pastoral	129	-	-	-	129
UK - Teens & Toddlers	-	-	90	(90)	-
UK - Schools Library	1,117	13	(13)	(190)	927
UK - Schools Literacy	156	-	-	(156)	-
UK - Schools Numeracy	450	-	-	(163)	287
UK - Mathematics Programme	-	-	508	(123)	385
Other	4,225	(718)	(224)	-	3,283
	<u>33,864</u>	<u>8,620</u>	<u>3,216</u>	<u>(15,423)</u>	<u>30,277</u>
Unrestricted funds					
Core Funds	1,786	2,801	-	(1,643)	2,944
General Programme Funds	6,945	11,784	(3,216)	(2,052)	13,461
	<u>8,731</u>	<u>14,585</u>	<u>(3,216)</u>	<u>(3,695)</u>	<u>16,405</u>
Total	<u>42,595</u>	<u>23,205</u>	<u>-</u>	<u>(19,118)</u>	<u>46,682</u>

Incoming is the amount received as income for each fund during the year.

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 2009

12 'Analysis of charitable funds (cont)

<i>Charity</i>	<i>1 Sept 2008 £'000</i>	<i>Incoming £'000</i>	<i>Transfers in / (out) £'000</i>	<i>Outgoing £'000</i>	<i>31 Aug 2009 £'000</i>
Restricted Funds					
HIV/AIDS - South Africa ARV's	-	7	54	(61)	-
HIV/AIDS - Mozambique ARV's	-	137	(137)	-	-
HIV/AIDS - Mozambique CHAI	-	-	759	(759)	-
HIV/AIDS - SA PMTCT	-	-	(308)	308	-
HIV/AIDS - Global	1,232	1,303	(1,617)	(25)	893
HIV/AIDS - Global PMTCT	-	-	28	(28)	-
HIV/AIDS Operations Support	-	-	45	(45)	-
HIV/AIDS - Strategy	-	-	123	(123)	-
Children in Care - Bulgaria	-	1	(1)	-	-
Children in Care - Romania	226	954	(978)	(202)	-
Children in Care - Strategy	-	-	6	(6)	-
Economic Development	-	-	64	(64)	-
IE - India	-	378	(378)	-	-
UK - Pupil Referral Unit	-	350	192	(542)	-
UK - Academies	2,500	189	2,349	(2,414)	2,624
UK - Schools	-	-	462	(462)	-
UK - Teaching Leaders	-	-	756	(756)	-
UK - Extended Schools	-	890	1,230	(2,120)	-
UK - Schools Music	131	506	206	(843)	-
UK - Schools Pastoral	129	-	-	(129)	-
UK - Teens & Toddlers	-	-	90	(90)	-
UK - Schools Library	1,117	13	(13)	(1,117)	-
UK - Mathematics Programme	-	-	508	(508)	-
Other	4,225	(718)	(224)	-	3,283
	9,560	4,010	3,216	(9,986)	6,800
Unrestricted funds					
Core Funds	1,786	2,801	-	(1,643)	2,944
General Programme Funds	6,945	11,784	(3,216)	(2,052)	13,461
	8,731	14,585	(3,216)	(3,695)	16,405
Total	18,291	18,595	-	(13,681)	23,205

Incoming is the amount received as income for each fund during the year. 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.

Post Balance Sheet Event

From 1 October 2009 the ARV and Grant Access (CABA) programmes in South Africa were transferred to Kheth'Impilo, a new non-governmental organisation (NGO), together with the majority of the employees of ARK (South Africa) Limited. The agreement between ARK, ARK (South Africa) Limited and Kheth'Impilo provides for continued funding from ARK over a period of two years to supplement the majority funding that will be provided by the President's Emergency Programme for AIDS Relief (PEPFAR), a US aid organisation that has contributed to ARK's programmes in South Africa in the past two years. ARK's remaining liability at 1 October 2009 under the terms of the agreement is expected to be between £2.750m and £3.150m and, accordingly, the grant creditor in the Charity will be reduced by £4.598m to £3.150m and a corresponding reduction will be made in the Group Restricted Fund balance. The release of £4.598m will result in an equivalent increase to General Programme Funds. This is a 'non-adjusting' event for 2008/09 and will therefore be reflected in 2009/10.

Notes to the Accounts

For the year ended 31 August 2009

13 Staff costs and numbers

	<i>Group</i> <i>2009</i> <i>£'000</i>	<i>Charity</i> <i>2009</i> <i>£'000</i>	<i>Group</i> <i>2008</i> <i>£'000</i>	<i>Charity</i> <i>2008</i> <i>£'000</i>
Salaries and wages	7,097	1,441	5,277	1,377
Social security costs	319	164	254	159
	<u>7,416</u>	<u>1,605</u>	<u>5,531</u>	<u>1,536</u>

The average number of staff employed during the period was

	<u>377</u>	<u>27</u>	<u>336</u>	<u>25</u>
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The number of staff whose emoluments were in excess of £60,000 during the year were as follows;

	<i>Group</i> <i>2009</i>	<i>Charity</i> <i>2009</i>	<i>Group</i> <i>2008</i>	<i>Charity</i> <i>2008</i>
£140,001 - £150,000	1	1	2	2
£130,001 - £140,000	1	1	-	-
£110,001 - £120,000	-	-	-	-
£90,001 - £100,000	-	-	2	2
£80,001 - £90,000	1	1	2	2
£70,001 - £80,000	2	-	1	1
£60,001 - £70,000	1	1	1	-

14 Directors' remuneration and expenses

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

15 Investments in subsidiaries

<u>Subsidiary undertaking</u>	<u>Country</u>	<u>Basis of consolidation</u>	<u>Nature of activities</u>
ARK Schools	United Kingdom	100% ownership	Education
ARK (South Africa) Limited	South Africa	100% ownership	Health
ARK Mozambique	Mozambique	100% ownership	Health
ARK Bulgaria	Bulgaria	100% ownership	Child services
ARK India	India	100% ownership	Education

Notes to the Accounts

For the year ended 31 August 2009

16 Related party transactions

Group companies

As explained in Note 12 (post-balance sheet event), the grant previously allocated to ARK South Africa will be reduced by £4.598m in 2009/10. Grants allocated in the year to ARK South Africa totaled £(0.247)m (2008: £2.994m). At the year end the balance of grant allocated to ARK South Africa was £10.025m (2008: £13.644m). Disbursement of the outstanding grant, after adjusting for the £4.598m reduction described above, is expected to be spread over the 2 years to 2011.

During the year ARK made new grants totaling £6.025m to ARK Schools; £0.462m to cover the core costs to 31 August 2010, £0.843m for the Schools Music programme, £2.120m for the Extended Schools programme, £0.129m for the Schools Pastoral programme, £0.508m for the Schools Mathematics programme, £1.117m for the Schools Library programme, £0.090 for the Teens and Toddlers programme and £0.756m for the Teaching Leaders programme.

ARK Schools 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 Schools was £6.282m, £2.177m of which is due in less than one year.

During the year ARK made no further grant to its charitable subsidiary ARK Bulgaria. The charity seconded a member of staff to ARK Bulgaria, and at the year end the cumulative balance of grant allocated to ARK Bulgaria was £0.389m, all of which is due in less than one year.

ARK made no further grant to its operating subsidiary in India, and at the year end the balance of grant allocated was £2.452m, £0.893m of which is due in less than one year.

ARK also has an operating subsidiary in Mozambique. Although no new grants were made during the year, at the period end the balance of previous grants due was £3.250m, £1.444m of which is due in less than one year.

Other related parties

ARK made new grants of £2.956m to its sister charity ARK Academies; £0.542m for the Pupil Referral Unit, £0.060m for individual grants to two Academies and £2.354m to cover the core costs of the charity to 31 August 2010. At the year end the cumulative balance of grant allocated to ARK Academies was £12.831, all of which is due in less than one year. The charity also shares its office with ARK Academies, with each charity assuming a reasonable proportion of the costs, while a number of the charity's staff are seconded to ARK Academies at cost.

Future Leaders is a joint venture charitable company in which ARK, the National Council for School Leadership and the Specialist Schools and Academies Trust each hold one third of the voting rights. During the year ARK made no further grant and at the year end the balance of grant allocated to Future Leaders was £2.250m, £1.475m of which is due in less than one year. ARK also provides office space which Future Leaders pays for in proportion to the resources used.

ARK is also affiliated to Absolute Return for Kids, (ARK) US, a US philanthropic organisation that shares the charity's objectives. During the year ARK received a grant of £5.202m (\$8.095m) from ARK-US.

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 £0.171m from AMML. AMML receives investment advice from ARK Masters Advisers Limited (AMAL). During the year the charity received a donation of £0.171m from AMAL.

Notes to the Accounts

For the year ended 31 August 2009

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
	2009	2009	2008	2008
	£'000	£'000	£'000	£'000
One year	250	221	84	-
Between two and five years	21	-	27	-
	<u>271</u>	<u>221</u>	<u>111</u>	<u>-</u>

18 Notes to the consolidated cash flow statement

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

	Group	Group
	2009	2008
	£'000	£'000
Net incoming resources	4,765	10,836
Depreciation	83	73
Interest received	(1,132)	(1,343)
(Increase)/Decrease in debtors	6,792	(12,176)
Increase/(Decrease) in creditors	(5,964)	13,067
Net cash inflow from operating activities	<u><u>4,544</u></u>	<u><u>10,457</u></u>

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

	At	Cash Flows	At
	1 September		31 August
	2008		2009
	£'000	£'000	£'000
Cash at bank	<u>27,319</u>	<u>4,229</u>	<u>31,548</u>

19 Risk factors

As stated in note 7 above 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 does not have any debt and does not rely on interest earnings to fund its programmes. It is therefore not exposed to any significant interest rate risk.

Notes to the Accounts

For the year ended 31 August 2009

19 Risk factors (cont)

(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). 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.

(b) Currency risk

Currency risk represents the potential financial loss that the charity might suffer through holding market positions in the face of currency movements. Currency risk arises over the future value of the charity's investment in the AMF, which is a US dollar-denominated fund. To mitigate this risk ARK currency-hedges the investment by means of a rolling 3-monthly simultaneous spot purchase and forward sale of the amount of US dollars invested in the fund.

Currency risk also arises over the commitment to fund future programme work by the overseas group entities and partner organisations. At the point of making each grant the Board assesses whether or not it is necessary to hedge the grant commitment. From time to time the Financial Stewardship Committee further considers the portfolio as a whole and address specific risks on a case by case basis. The risk may be managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency. The trustees do not believe it is cost-effective to hedge this risk.

(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 2009 £'000	Charity 2009 £'000	Group 2008 £'000	Charity 2008 £'000
Investment in ARK Masters Fund	13,550	13,550	12,830	12,830
Cash at bank and in hand	31,549	29,682	27,318	26,086
Receivables	21,941	21,851	28,737	28,670

(f) Fair value

The Charity's assets and liabilities are stated at their fair values at the period-end. The fair value of the investment in the ARK Masters Fund is the published Net Asset Value of the fund.