



# **Ark Schools**

**Consolidated annual report and  
financial statements**

31 August 2014

Company limited by guarantee  
registration number 05112090  
(England and Wales)

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**Reference and administrative details** Year to 31 August 2014

<b>Members</b>	Absolute Return for Kids (ARK) One individual appointed by the Secretary of State for Education
<b>Directors</b>	Ron Beller Paul Dunning Stanley Fink Gerard Griffin Lucy Heller Paul Marshall Anthony Williams
<b>Secretary</b>	Diana Gerald
<b>Managing Director</b>	Lucy Heller
<b>Registered office</b>	65 Kingsway London WC2B 6TD
<b>Company registration number</b>	05112090 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds 95 George Street Croydon CR9 2NS  Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Stone King LLP 16 St John's Lane London EC1M 4BS

## **REPORT OF THE DIRECTORS**

The directors of Ark Schools present their annual report and the audited consolidated financial statements of Ark Schools (the charitable company) for the year to 31 August 2014 and its subsidiary company, Ark Academies Projects Limited, together known as 'the group'.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 22 to 25 and comply with the company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

### **Constitution**

Ark Schools was established in 2004 to set up and operate non-selective schools through the academies programme.

Ark Schools is a company limited by guarantee and an exempt charity. On 1 August 2011, all academy trusts became exempt charities by virtue of section 12(4) of the Academies Act 2010. The memorandum and articles of association are the primary governing documents.

### **Members**

The members of the company are the principal sponsor, Absolute Return for Kids ("ARK"), and an individual nominated by the Secretary of State for Education. Each member of the company is liable to contribute a maximum of £10 to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities.

### **Directors and trustees**

The articles of association require at least three directors to hold office at any given time. The following directors served throughout the year:

Director

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Ron Beller  
Paul Dunning  
Stanley Fink  
Gerard Griffin  
Lucy Heller  
Paul Marshall  
Anthony Williams

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Lucy Heller also fulfils a paid role as Managing Director. Further details are provided within note 24 to the financial statements.

During the year under review, the directors held five meetings.

In accordance with normal commercial practice, Ark Schools insures its directors against errors, negligent acts or omissions relating to their work for Ark Schools for up to £2m on any single claim.

Four directors served as chairs of an Ark academy local governing body for all or part of the year.

### **Method of recruitment and appointment of directors**

No new directors were appointed this year. When new directors are to be appointed, the board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the board, the current needs of the school network, good practice governance for multi-academy trusts and the requirements of the charitable company's governing documents.

### **Policies and procedures adopted for the induction and training of directors**

Directors are briefed regularly by the senior management team on educational and other Ark Schools matters through a combination of briefings at board meetings, other sessions, visits to schools and individual meetings. When new directors join the board, tailored induction training is arranged to give new directors a good understanding of the wider education context, Ark Schools' mission and aspirations, the operation of the network and their governance responsibilities.

### **Subsidiary company**

Ark Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of Ark Schools. During the year ended August 2013 the company's principal activity was the provision of contractual design services and the management of building programmes for school construction procured through Ark Schools. From 1 September 2013, the company changed its principal activity to the provision of nursery education and the letting of sports facilities through a number of academies operated by Ark Schools.

### **Management**

The directors set general policy, approve an annual plan and budget, monitor performance against the plan and budget and make major decisions about the directors of the charitable company, capital expenditure and senior staff appointments.

The board delegates a number of functions to a local governing body ("LGB") at each academy. Each local governing body reviews annual school plans and budgets, monitors school performance and oversees parent and community liaison.

The directors delegate the day to day responsibility to the senior management team led by Managing Director, Lucy Heller. The running of each individual academy is delegated to its principal / headteacher.

### **Employee involvement**

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principal/headteachers also meet regularly to share knowledge and best practice. Ark Schools holds an annual conference for all staff in all Ark academies, as well as network hub days. The Ark Schools intranet provides information and access to internal and external professional development and support. Immediate and topical news is distributed by email. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Disabled employees**

Ark Schools ensures that training, career development and promotion opportunities are available to all employees.

Applications for employment by disabled people are given full and fair consideration. When employees become disabled, every effort is made to meet their needs so that their employment may continue.

Some academy buildings have restricted access in areas that have yet to be modernised. In such cases, the academies manage access through room allocations. Modernised and new buildings are designed to comply with relevant statutory regulations for disabled access.

### **Public benefit**

The directors have referred to the Charity Commission guidance on public benefit when reviewing the company's objectives and aims and planning future activities and consider that the company's aims are for the public benefit.

### **Connected organisations**

The following are connected organisations within the meaning of the latest Accounts Direction issued by the Education Funding Agency:

- Absolute Return for Kids – Company no. 04589451, Charity no. 1095322 (see note 23)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 23)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 14)

## **STRATEGIC REPORT**

### **Introduction**

Ark Schools is an education charity. We operate a top-performing network of 31 schools, educating 17,000 young people, across Birmingham, Hastings, London and Portsmouth. Each Ark school has its own ethos and character but they all share the same mission: to give every child the very best start so that, when the time comes, they are able to go on to university or the career of their choice.

Every child deserves the chance to be great – a great doctor, a great musician, a great parent. And to do that, they need a great education. But for lots of children, that's not an option: only 16% of pupils eligible for free school meals in Britain go on to university, compared with 96% of private school pupils. Ark Schools works in areas of disadvantage and historic underachievement to ensure that all pupils, whatever their background, go to a great school and have real choices in life.

### **The year in review**

In September 2013, we opened nine new schools – one all-through, three secondary and four primary academies – increasing the network by an additional 3,500 pupils.

### **What we've achieved: network results**

Our schools are improving far more quickly than the national average and 88% have been rated good or outstanding by Ofsted, despite most of the twenty transition schools being rated as requiring improvement or inadequate when they joined the network. Last summer:

- 69% of our reception pupils achieved a good level of development and 88% of Year 1 pupils passed the phonics screening test (against a national average of 60% at reception and 69% at Year 1).
- At key stage 2, 65% of pupils secured a level 4 in reading, writing and maths, up 14 percentage points from the year before (against a national improvement rate of just four percentage points).
- 58% of Ark Schools pupils achieved five good GCSEs including English and maths, compared to a national average of 53%. Despite an overall dip in GCSE results across the country this year, the network average improved by nearly six percentage points.
- Children who arrived at an Ark secondary school behind national expectations are three times more likely to achieve five good GCSEs including English and maths than at other schools.

And some notable individual school successes include:

- **Ark Conway Primary Academy** in London, which opened in 2011, had the best key stage 1 results in the country
- **King Solomon Academy** in London reported their first GCSE results with 93% of students getting five A\*-C grades including English and maths, making it one of the top 10 non-selective schools in the country. KSA also reported their first set of key stage 2 results with a third of their Year 6 pupils achieving a level 5 in reading, writing and maths.

## STRATEGIC REPORT (continued)

### What we've achieved: network results (continued)

- 81% of students at **Charter Academy** in Portsmouth got five good GCSEs including English and maths; in 2009 when the school joined the network, only 21% of pupils achieved the same measure.

### What next

We're extremely proud of the achievements of our pupils and staff, but know that we have a long way to go before realising our aim of ensuring that every pupil, regardless of their background or prior attainment, leaves school with real choices. Our focus in 2014/15 will be on:

#### *1) Developing our staff*

We know that our staff are the most important resource we have. We will develop our talent pipeline, from ensuring high quality NQTs are joining and staying in the network all the way through to identifying, developing and retaining our existing and future leaders. At the same time, we will be working to continue improving the quality of teaching through a range of professional development programmes.

#### *2) Creating a rigorous curriculum and assessment model*

We are working on developing curricula to help ensure our pupils are well prepared as they go through school, so we're looking at codifying our approach to early years and, building on the success of Maths Mastery, piloting an English Mastery programme. We're also developing an assessment model which will allow us to better track and analyse where our pupils are and what we need to do to ensure they meet their goals.

#### *3) Beyond results*

We know that our pupils will only be able to excel at university and beyond if we can provide them with a range of opportunities and experiences that broadens their horizons. We will be working to expand and improve our university and careers success model, working with corporate and university partners, to ensure our pupils develop the broader social skills and character traits needed for success beyond school.

#### *4) Managing transition better*

Schools joining the network need to improve quickly and sustainably but we know that some of our older schools have not made progress as quickly as we would have liked. We're refining our transition model to ensure we have an immediate and lasting impact in every school that joins the network, and that we don't waste any time in those first critical months.

#### *5) Improving our use of data*

We are working on improving our management data systems to enable us to better access and analyse information – about our pupils, our staff and the network as a whole – in a way that enables us to drive improvement and efficiency.



## **STRATEGIC REPORT (continued)**

### **FINANCIAL REVIEW**

#### *Financial report for the year*

Ark Schools reported an underlying operating surplus before transfers from Local Authorities on Conversion of £2.3m for the year ended 31 August 2014 (2013: surplus of £2.8m). Total operating incoming resources were £116.9m (2013: £86.2m). The 2014 figures are shown on the statement of financial activities in the two columns marked unrestricted funds and restricted general funds.

Most income comes from the DfE as recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year ended 31 August 2014, total expenditure (excluding depreciation) of £117.3m (2013 - £84.7m) was more than covered by grant funding from the DfE and other income. This figure does however include grants for our academies which are intended to be spent over more than one year. Grants to individual academies from the DfE and other sources are delegated to those academies in full.

At 31 August 2014, the net book value of tangible fixed assets was £334.8m (2013 - £250.4m).

#### *Impact of capital items, depreciation and pension scheme adjustments*

Once capital items, depreciation and pension scheme adjustments are included, the outcome for the year to 31 August 2014 was a net increase in funds of £81.5m. (2013: £77.8m.) Incoming resources were £211.5m (2013: £170.8m). Academies are funded by the Education Funding Agency (EFA) and the Department for Education (DfE) for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for Ark Schools financial statements:

1. Capital grants receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), these grants are shown in the Statement of Financial Activities as restricted income under fixed assets fund, leading to accounting surpluses in the year a grant is received.
2. Ark Schools capitalises the schools it leases on a long term basis, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.
3. Ark Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pension schemes. Additionally Ark Schools will inherit the pension liability of new schools that join the network thus increasing the overall liability. Ark Schools accepts its financial responsibilities and has fully implemented the provisions of FRS17 relating to the Pensions Scheme. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy ceased operating altogether, Parliament has agreed, at the request of the Secretary of State for Education, that the Department for Education would meet any outstanding pension liability.

## **STRATEGIC REPORT (continued)**

### **FINANCIAL REVIEW**

#### *Reserves policy*

Ark Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. The level of reserves is kept under review by the directors.

Included within restricted general funds is the pension reserve deficit of £13.2m (see note 21). Whilst this fund is in deficit, the local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As mentioned previously, it is unlikely that Ark Schools will be liable for lump sum amounts and the increased pension contribution will be met through budgeted annual income. Accordingly, there is no direct impact on Ark Schools' free reserves in recognising the deficit.

#### *Financial position*

Ark Schools held total fund balances at 31 August 2014 of £340m (2013: £258m), being £328m of restricted funds (2013: £252m) and £12m (2013: £6m) of unrestricted general funds. Restricted funds include a pension reserve deficit of £13m and £335m tied up in tangible fixed assets (2013: pension reserve deficit of £7m and tangible fixed assets of £250m).

### **Going concern**

After making appropriate enquiries, the directors are confident that Ark Schools has sufficient resources to continue to operate for the foreseeable future. The financial statements have therefore been prepared on a going concern basis. The statement of accounting policies gives further information.

### **FUTURE PLANS**

Four academies were opened in September 2014; all four are transition schools with one secondary and three primaries.

Ark Schools expects to open further schools in September 2015.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The directors have assessed the major risks and uncertainties to which Ark Schools is exposed, in particular those relating to development of new buildings, further school openings, post-opening management of transition schools, recruitment, provision of facilities, school finances and other school functions. Key risks and uncertainties identified include changes and reductions in funding for capital projects, uncertainties in funding due to plans for new funding formulae, and uncertainty and reductions in the funding support for schools joining the network. There is also rapid change in curriculum and qualifications, much of which Ark Schools strongly welcomes. Lastly it should be noted that Ark Schools' mission is to develop schools in the most challenging and disadvantaged communities in the UK, which is in itself a more difficult environment in which to provide excellent schools.

## **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

### **Risk management**

The directors are responsible for identifying risks faced by the company, establishing procedures to mitigate these risks, and ensuring that employees are aware of these procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the Charity Commission.

The directors have established systems to assess risks, especially in relation to new buildings, school operations (e.g. teaching, health and safety and school trips), and finance. They have introduced operating procedures (e.g. vetting of new staff and visitors, supervision of academy grounds) and internal controls in order to minimise risk. Where significant risk still remains and it is practically possible, they have ensured that Ark Schools has adequate insurance cover. Ark Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement.

### **Financial risk management objectives and policies**

Ark Schools has cash balances and other working capital balances. The main risk arising from the use of financial instruments is liquidity risk.

#### ***Liquidity risk***

The company manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Surplus cash is invested through appropriate use of financial instruments with our principal bankers so as to maximise interest income without incurring undue risk.

#### ***Interest rate risk***

In the absence of borrowings and with low prevailing interest rates, the company is not exposed to significant interest rate risk.

#### ***Other risks***

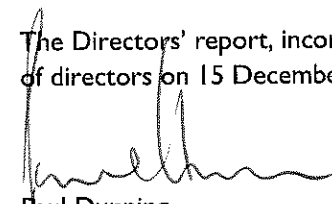
The group is exposed to price risks, but is funded by government on the same basis as other schools, and budgets accordingly. Nearly all funding comes from Government so credit risk is considered to be negligible.

## **AUDITOR**

So far as the directors are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors' report, incorporating a strategic report, approved by order of the members of the board of directors on 15 December 2014 and signed on its behalf by:



Paul Dunning  
Director

## Scope of responsibility

As directors, we acknowledge we have overall responsibility for ensuring that Ark Schools has an effective and appropriate system of financial and management control. The directors have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between Ark Schools and the Secretary of State for Education. They are also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

## Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The directors met five times during the year. The Board has formally met five times during the last year. Attendance was as follows:

Director	Number of meetings	
	attended	Out of a possible
Ron Beller	4	5
Paul Dunning	4	5
Stanley Fink	4	5
Gerard Griffin	3	5
Lucy Heller	5	5
Paul Marshall	5	5
Anthony Williams	4	5

There were no changes to board membership in 2013/14.

The Finance and Audit Committee was formed in December 2011 as a sub-committee of the main board. It has been renamed as the Audit and Risk Committee. It helps the Board oversee financial and other controls and with risk management, in the context of the planned growth in the network. The committee exists to ensure probity and efficiency in the management and expenditure by Ark Schools of income from all sources: public funding, donations and investment and commercial income, and compliance with the requirements of the EFA Academies Financial Handbook. The Committee is chaired by an Ark Schools director who is an experienced investment manager. Attendance at the Audit and Risk Committee meetings in the year was as follows:

Committee member	Number of meetings	
	attended	Out of a possible
Paul Dunning	4	4
Rob Brown	3	4
Amanda Spielman	4	4
Micky Sandall	4	4

There were no other changes to committee membership in the year.

## **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively and economically. The system of internal control operated during the year to 31 August 2014 and up to the date of approval of the annual report and financial statements.

## **Capacity to manage risk**

The directors have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

## **The risk and control framework**

Ark Schools' system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports showing financial performance against budgets and forecasts which are reviewed and where relevant approved by the board;
- regular reviews by the board of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors have considered the need for an internal audit function and have appointed Baker Tilly to perform a range of checks on each academy's financial systems and to produce a report which is made available to each Local Governing Body on the operation of the systems of control and on the discharge of the Local Governing Body's financial responsibilities, and by exception to the directors. These checks were carried out by Baker Tilly as planned and the internal audit function for the year has been fully delivered in line with the requirements of the Financial Handbook.

While improvements to procedures have been recommended, no material control weaknesses were reported this year.

## **Governance review**

The Ark Schools Board reflected on its composition during 2013/14 in the light of a tightening funding climate, and on this basis commissioned a search for two additional members with a finance background to be appointed to the Audit and Risk Committee, one also to serve on the Board in 2014/15. We carried out a full skills audit across our 27 local governing bodies to ensure we have the right skills in support of our schools, and also improved our recruitment and induction processes for new governors. We also delivered further training for governors, and improved our clerking support to our local governing bodies.

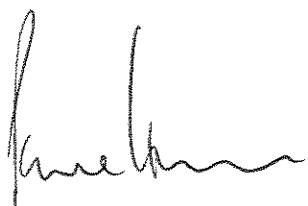
## **Review of effectiveness**

As Accounting Officer, the Managing Director is responsible for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer and internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the staff responsible for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the directors on 15 December 2014 and signed on their behalf on by:



Paul Dunning  
(Director)



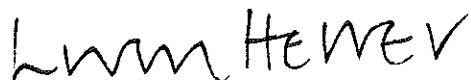
Lucy Heller  
(Accounting Officer)

**Statement on regularity, propriety and compliance 31 August 2014**

As Accounting Officer for Ark Schools I have considered my responsibility to notify the board and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between Ark Schools and the Secretary of State. In this I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the board can identify any material irregular or improper use of funds by Ark Schools or material non-compliance with the terms and conditions of funding under Ark Schools funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of directors and EFA.

A handwritten signature in black ink, appearing to read 'Lucy Heller'.

Lucy Heller  
Accounting Officer

Date: 15 December 2014

## **Statement of directors' responsibilities 31 August 2014**

The directors (who act as the trustees of the charitable company for the purposes of charity law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the directors are required to:

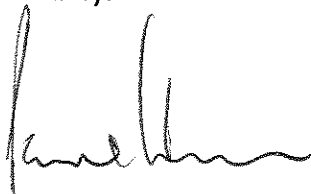
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures 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 charitable company will continue in operation.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the charitable company and financial information included on the charitable company's website.

Approved by order of the members of the board of directors on 15 December 2014 and signed on its behalf by:



Director

Date: December 15<sup>th</sup> 2014



## **Independent auditor's report on the financial statements to the members of Ark Schools**

We have audited the financial statements of Ark Schools for the year ended 31 August 2014 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the EFA.

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditor's 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors are also the trustees for the charitable activities of Ark Schools for the purpose of charity law.

As explained more fully in the statement of directors' responsibilities set out in the directors' report, the directors 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 (APB'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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report, including the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Independent auditor's report on the financial statements 31 August 2014**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 August 2014 and of the group's incoming resources and application of resources, including its 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 financial statements have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the EFA.

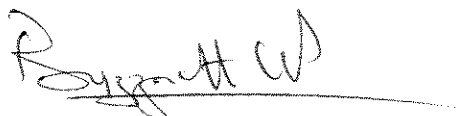
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from schools not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Avnish Savjani, Senior Statutory Auditor  
for and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

16 December 2014

## **Independent reporting accountant's assurance report on regularity to Ark Schools and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 28 September 2009 and its addendum dated 28 August 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Ark Schools during the period from 1 September 2012 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Ark Schools and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Ark Schools and the EFA those matters we are required to state in a 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 Ark Schools and the EFA, for our work, for this report, or for the conclusion we have formed.

## **Respective responsibilities of Ark Schools' Accounting Officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of Ark Schools' master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

## **Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2013 to 2014 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

## **Independent reporting accountant's report on regularity 31 August 2014**

### **Approach (continued)**

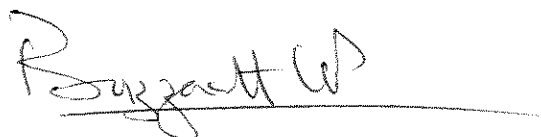
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the charitable company's income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk material irregularity and impropriety across all of the charitable company's activities;
- ◆ Further testing and reviewing of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

16 December 2014

**Consolidated statement of financial activities** Year to 31 August 2014  
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted funds £'000	Restricted General funds £'000	Fixed assets fund £'000	2014 Total funds £'000	2013 Total funds £'000
<b>Incoming resources</b>						
Income from generated funds						
. Voluntary income	2	4,710	1,338	28,997	35,045	36,479
. Transfer from Local Authority on conversion	19	761	(3,430)	62,595	59,926	44,610
. Activities for generating funds	3	1,438	—	—	1,438	385
. Interest receivable		131	—	—	131	113
Income from charitable activities						
. Funding for Ark Schools' educational operations	4	2,395	108,789	3,010	114,194	88,347
. Project management grants	5	—	395	—	395	510
Other incoming resources	6	439	—	—	439	328
<b>Total incoming resources</b>		<b>9,874</b>	<b>107,092</b>	<b>94,602</b>	<b>211,568</b>	<b>170,772</b>
<b>Resources expended</b>						
Cost of generating funds	8a	1,020	—	—	1,020	—
Charitable activities						
. Ark Schools' educational operations	8b	1,527	111,483	10,627	123,637	90,037
. Development costs	9	647	2,488	—	3,135	3,118
Governance costs	10	—	139	—	139	184
<b>Total resources expended</b>	7	<b>3,194</b>	<b>114,110</b>	<b>10,627</b>	<b>127,931</b>	<b>93,339</b>
<b>Net incoming (outgoing) resources before transfers and other recognised gains and losses</b>		<b>6,680</b>	<b>(7,018)</b>	<b>83,975</b>	<b>83,637</b>	<b>77,433</b>
<b>Gross transfers between funds</b>	17	<b>(475)</b>	<b>—</b>	<b>475</b>	<b>—</b>	<b>—</b>
<b>Net income (expenditure)</b>		<b>6,205</b>	<b>(7,018)</b>	<b>84,450</b>	<b>83,637</b>	<b>77,433</b>
<b>Other recognised gains and losses</b>						
Actuarial (losses) gains on defined benefit pension schemes	21	—	(2,142)	—	(2,142)	409
		—	(2,142)	—	(2,142)	409
<b>Net movement in funds</b>		<b>6,205</b>	<b>(9,160)</b>	<b>84,450</b>	<b>81,495</b>	<b>77,842</b>
Fund balances brought forward at 1 September 2013		5,780	1,903	250,366	258,049	180,207
<b>Fund balances carried forward at 31 August 2014</b>		<b>11,985</b>	<b>(7,257)</b>	<b>334,816</b>	<b>339,544</b>	<b>258,049</b>

All of the charitable company's activities derived from continuing operations. There is no difference between the net movement in funds stated above and the historical cost equivalent.

## Balance sheets 31 August 2014

		2014		2013	
		Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
<b>Fixed assets</b>					
Tangible assets	13	334,816	334,816	250,366	250,366
Investments	23	750	750	750	750
		<b>335,566</b>	<b>335,566</b>	251,116	251,116
<b>Current assets</b>					
Debtors	15	7,501	7,855	7,480	7,480
Short term deposits		7,373	7,373	2,103	2,103
Cash at bank and in hand		13,005	13,005	13,848	13,848
		<b>27,879</b>	<b>28,233</b>	23,431	23,431
<b>Creditors:</b> amounts falling due within one year	16	(10,735)	(11,085)	(9,720)	(9,720)
<b>Net current assets</b>		<b>17,144</b>	<b>17,148</b>	13,711	13,711
<b>Net assets excluding pension liability</b>		<b>352,710</b>	<b>352,714</b>	264,827	264,827
Pension scheme liability	21	(13,166)	(13,166)	(6,778)	(6,778)
<b>Net assets including pension liability</b>		<b>339,544</b>	<b>339,548</b>	258,049	258,049

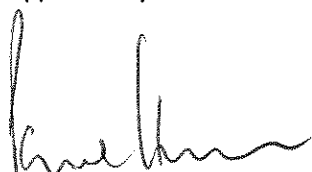
### Represented by:

#### Funds and reserves

##### Income funds

Restricted funds	17				
. Fixed assets fund		334,816	334,816	250,366	250,366
. General restricted fund		5,909	5,909	8,681	8,681
. Pension reserve		(13,166)	(13,166)	(6,778)	(6,778)
		<b>327,559</b>	<b>327,559</b>	252,269	252,269
Unrestricted funds					
. General funds	17	11,985	11,989	5,780	5,780
		<b>339,544</b>	<b>339,548</b>	258,049	258,049

Approved by the board of directors on 15 December 2014 and signed on their behalf by:



Paul Dunning  
Director

Company registration number: 05112090 (England and Wales)

## Consolidated cash flow statement Year to 31 August 2014

	Notes	2014 £'000	2013 £'000
<b>Net cash inflow (outflow) from operating activities</b>	A	<b>4,772</b>	<b>(9,323)</b>
<b>Return on investments and servicing of finance</b>			
Interest received		131	113
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(3,486)	(7,664)
Capital grants received		3,010	8,652
		<b>4,427</b>	<b>(8,222)</b>
<b>Management of liquid resources</b>			
Short term deposit transfers		(5,270)	1,974
<b>Decrease in cash</b>		<b>(843)</b>	<b>(6,248)</b>

### A Reconciliation of net incoming (outgoing) resources to net cash (outflow) inflow from operating activities

	2014 £'000	2013 £'000
Net incoming resources	83,637	77,433
Capital funding grants	(3,010)	(8,652)
Buildings brought in at valuation	(91,591)	(75,944)
FRS 17 pension costs less contributions payable (note 21)	744	517
FRS 17 pension finance cost (note 21)	72	68
Opening deficit on FRS 17 liability acquired on conversion (note 21)	3,430	1,988
Depreciation	10,627	8,710
Deficit on disposal of tangible fixed assets	—	—
Interest receivable	(131)	(113)
Decrease (increase) in debtors	(21)	4,817
(Decrease) increase in creditors	1,015	(18,147)
<b>Net cash (outflow) inflow from operating activities</b>	<b>4,772</b>	<b>(9,323)</b>

### Analysis of changes in net funds

	At 1 September 2013 £'000	Cash flows £'000	At 31 August 2014 £'000
Cash at bank and in hand	13,848	(843)	13,005
Short term deposits	2,103	5,270	7,373
	15,951	4,427	20,378

## **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice', Accounting and Reporting by Charities ('SORP 2005') the Academies Accounts Direction 2013 to 2014 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies is set out below.

## **Basis of consolidation**

The consolidated statement of financial activities and group balance sheet includes the financial statements of the charitable company and its trading subsidiary Ark Academies Projects Limited made up to the balance sheet date.

No separate statement of financial activities has been presented for Ark Schools alone, as permitted by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

## **Going concern**

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

## **Incoming resources**

All incoming resources are recognised when the charitable company has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

## **Grants receivable**

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed assets fund.

## **Donations**

Donations are included in the statement of financial activities on an accruals basis where they are assured with certainty and receivable by the balance sheet date

## **Sponsorship**

Sponsorship provided to the company is recognised in the statement of financial activities in the period when receivable. Sponsorship that relates to future years is carried forward in deferred income.



## Incoming resources (continued)

### Interest receivable

Interest receivable is included within the statement of financial activities on an accruals basis.

### Resources expended

Resources expended are recognised in the period in which they are incurred. They have been classified under headings that aggregate all costs relating to that activity. Costs are stated net of recoverable VAT.

### Allocation of costs

In accordance with the Charities' SORP, expenditure has been analysed between the group's charitable activities, development work and governance.

### Development costs

Development costs relate to the opening of new academies and new academy buildings, as well as continuing professional development and transition costs of open academies.

### Charitable activities

These are costs incurred in relation to the educational operations of the academies.

### Governance costs

Governance costs include the costs attributable to the group's compliance with constitutional and statutory requirements, including audit and assurance, strategic management and directors' meetings.

### Tangible fixed assets

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates:

Furniture, fittings and equipment	25% p.a.
Computer equipment	50% p.a.
Motor vehicles	25% p.a.
Leasehold buildings and improvements	2% p.a.

Assets under construction include direct costs incurred to date on building work that is in progress at the year end. This includes professional costs. These are not depreciated until the asset is brought into use.

## **Tangible fixed assets (continued)**

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed assets fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

The cost of buildings constructed under the UK Government's programmes as funded through local authorities, are recognised in the statement of financial activities as voluntary income in the period in which the buildings are brought into use. No value is brought into the financial statements before this time.

## **Investments**

The company's shareholding in its wholly owned subsidiary, Ark Academies Projects Limited is included in the charitable company's balance sheet at the cost of the share capital owned.

Other investments are included on the balance sheet at fair value.

## **Fund accounting**

The unrestricted general fund represents monies which may be applied for any purpose within the charitable company's objects.

Restricted general funds are grants from the DfE and other donors which are to be used for specific purposes.

The restricted fixed assets fund comprises of resources which are to be applied to specific capital purposes imposed by the EFA and other funders where the asset acquired or created is held for a specific purpose.

## **Leased assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

## **Taxation**

Ark Schools is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, Ark Schools is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **Pensions**

Some of the academies' based staff are members of one of two types of multi-employer defined benefit pension schemes. More details of the schemes are given in note 21.

### **Defined Benefit Schemes**

#### ***Teachers' Pension Scheme (TPS)***

As the charitable company is unable to identify its share of the underlying (notional) assets and liabilities of the TPS, the charitable company has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the charitable company in the year.

#### ***Local Government Pension Scheme (LGPS)***

Each LGPS is a defined benefit pension scheme and the company is able to identify its share of assets and liabilities within the scheme. Therefore, the requirements of the FRS 17, Retirement Benefits, have been followed.

The charitable company's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

## **Schools joining the Ark Schools network**

Schools joining the Ark Schools network transfer identifiable assets and liabilities and the operation of the predecessor school. The assets and liabilities transferred have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the charitable company. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

## Notes to the financial statements 31 August 2014

### 1. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, all schools within the Ark Schools network were subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes.

No schools within the Ark Schools network exceeded these limits during the year ended 31 August 2014.

### 2. Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
Donation towards core costs by Ark (note 23)	4,710	—	4,710	4,546
Donations – capital	—	28,997	28,997	30,090
Donations – other	—	1,112	1,112	1,396
Grant from ARK UK Programmes	—	226	226	447
	4,710	30,335	35,045	36,479

### 3. Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
Nursery fees	748	—	748	—
Hire of facilities	690	—	690	385
	1,438	—	1,438	385

## Notes to the financial statements 31 August 2014

### 4. Funding for Ark Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
<b>DfE/EFA capital grant</b>				
Devolved formula capital allocations	—	63	63	76
Academy main building grants	—	2,108	2,108	8,427
Local authority ICT capital grants	—	839	839	149
	—	3,010	3,010	8,652
<b>DfE revenue grants</b>				
General annual grant (GAG)	—	90,281	90,281	64,600
Start up A	—	1,230	1,230	1,022
Start up B	—	3,566	3,566	3,587
DfE Lead in and implementation income	—	1,101	1,101	1,413
Other DfE grants	—	8,263	8,263	5,500
	—	104,441	104,441	76,122
<b>Other grants</b>				
Local authority funding	—	3,645	3,645	1,786
Extended schools programme	130	—	130	76
Miscellaneous grants	—	703	703	187
	130	4,348	4,478	2,049
<b>Other income</b>				
School meals income	1,527	—	1,527	1,041
Individual school support	—	—	—	100
School uniform sales	246	—	246	164
Parent contributions to school trip costs	492	—	492	219
	2,265	—	2,265	1,524
	2,395	111,799	114,194	88,347

### 5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
Academies programme	—	395	395	510

Project management grants are received from the DfE in relation to activities in preparation for the opening of new academies and academy building projects.

## Notes to the financial statements 31 August 2014

### 6. Other income

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
Miscellaneous income	439	—	439	328
	439	—	439	328

### 7. Resources expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2014 £'000	Total 2013 £'000
Cost of generating funds	—	—	1,020	1,020	—
Academy's educational operations					
. Direct costs	68,952	10,627	7,703	87,282	63,225
. Educational support costs	18,486	8,617	9,252	36,355	26,812
Development costs	647	407	2,081	3,135	3,118
	88,085	19,651	20,056	127,792	93,155
Governance costs including allocated support costs	—	—	139	139	184
	88,085	19,651	20,195	127,931	93,339

Incoming/outgoing resources for the year include:

	2014 £'000	2013 £'000
Operating leases:		
. Plant and machinery	349	235
	349	235

## Notes to the financial statements 31 August 2014

### 8a. Cost of generating funds

	2014 Total funds £'000	2013 Total funds £'000
Lettings and nursery expenditure	1,020	—

### 8b. Ark Schools' educational operations

	2014 Total funds £'000	2013 Total funds £'000
<b>Direct costs</b>		
Staff costs (note 11)	68,952	48,749
Depreciation (note 13)	10,627	8,710
Educational supplies	3,106	2,472
Examination fees	750	605
Transport	97	48
Other pupil support costs	2,630	1,750
	<b>86,162</b>	<b>62,334</b>
Extended schools programme	1,120	891
<b>Educational support costs</b>		
Staff costs (note 11)	18,486	11,922
Recruitment and other staff costs	1,899	1,188
Catering contract	3,164	2,251
Printing and stationery	818	529
Office overheads	301	212
Heat and light	1,774	1,500
Premises (including buildings insurance)	6,742	5,820
Technology costs	2,018	1,875
Other insurance costs	101	289
Finance costs and interest/charges payable	102	76
Other expenses including release of provision	950	1,150
	<b>36,355</b>	<b>26,812</b>
	<b>123,637</b>	<b>90,037</b>

## Notes to the financial statements 31 August 2014

### 9. Development costs

	2014 Total funds £'000	2013 Total funds £'000
Staff costs (note 11)	647	652
Project implementation	150	178
Education development	247	152
Staff training and induction	1,016	901
Building costs	407	335
Research and marketing	307	534
Set up and launch costs	304	351
Miscellaneous	57	15
	<b>3,135</b>	<b>3,118</b>

Development costs relate to the opening of new academies and new academy buildings, as well as continuing professional development and transition costs of open academies.

### 10. Governance costs

	2014 Total funds £'000	2013 Total funds £'000
External auditor's remuneration		
.. Audit of group financial statements*		
.. Current year	89	83
.. Prior year under provision	—	12
Other compliance costs	50	49
Other expenses	—	40
	<b>139</b>	<b>184</b>

\* This also includes regularity assurance and Teachers Pension end of year certificate assurance.

### 11. Staff

#### a. Staff costs

Staff costs during the period were as follows:

	2014 £'000	2013 £'000
Wages and salaries	68,842	49,028
Social security costs	5,537	4,098
Pension contributions	8,834	5,794
	<b>83,213</b>	<b>58,920</b>
Supply staff costs	3,979	1,961
Compensation payments	893	442
	<b>88,085</b>	<b>61,323</b>



## Notes to the financial statements 31 August 2014

### 11. Staff costs (continued)

#### b. Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £189,286 (2013 – £323,185). £188,386 of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were for £17,442, £18,200, £8,020, £8,028, £55,000, £15,948, £33,517, £22,500 and £9,731.

#### c. Staff numbers

The average full time equivalent number of persons employed by the group during the year ended 31 August 2014, analysed by function, were as follows:

	2014 FTE	2013 FTE
<b>Charitable activities</b>		
Teachers	976	684
Education support and administration staff	1,019	740
Projects and management staff	131	37
	<b>2,126</b>	<b>1,461</b>

#### d. Higher paid staff

The number of full time equivalent employees during the period who earned over £60,000 in the year (including benefits and bonuses but excluding pension contributions) was as follows:

	2014 Number	2013 Number
£60,001 - £70,000	55	29
£70,001 - £80,000	31	22
£80,001 - £90,000	16	10
£90,001 - £100,000	5	3
£100,001 - £110,000	2	5
£110,001 - £120,000	3	2
£120,001 - £130,000	2	1
£130,001 - £140,000	3	1
£140,001 - £150,000	1	2
£150,001 - £160,000	2	1
£160,001 - £170,000	—	2
£170,001 - £180,000	2	—
	<b>122</b>	<b>78</b>

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Schemes (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £1,060,840 (2012/13 - £691,708).

## Notes to the financial statements 31 August 2014

### 12. Central services

The central team at Ark Schools fulfils a number of functions. These include:

- ♦ Corporate governance and reporting, in line with the obligations imposed by company and charity law as well as by the DfE and the EFA;
- ♦ Risk management and quality assurance;
- ♦ Central administration; and
- ♦ New project management.

It also provides services to schools, including education support, training/CPD co-ordination, HR, financial and management accounting, IT co-ordination, legal support and governance services.

The academy funding model allocates all funding directly to schools, including the elements that are intended to cover costs incurred at the central office. Some IT services are charged to schools on a per pupil basis. Other costs attributable to open schools are funded by a charge deducted from their GAG income. The actual amounts charged during the year were as follows:

	2014 £'000
Ark Academy	281
Ark All Saints Academy	45
Ark Atwood Primary Academy	44
Ark Ayrton Primary Academy	70
Ark Bentworth Primary Academy	55
Ark Brunel Primary Academy	60
Ark Burlington Danes Academy	370
Ark Conway Primary Academy	23
Ark Franklin Primary Academy	124
Ark Globe Academy	403
Ark John Keats Academy	13
Ark Kings Academy	104
Ark Oval Primary Academy	96
Ark Priory Primary Academy	17
Ark Putney Academy	151
Ark Rose Primary Academy	35
Ark Swift Primary Academy	102
Ark Tindal Primary Academy	86
Ark William Parker Academy	251
Bolingbroke Academy	68
Charter Academy	182
Evelyn Grace Academy	289
Helenswood Academy	268
Isaac Newton Academy	100
King Solomon Academy	212
St Alban's Academy	166
Waiworth Academy	402
	<b>4,017</b>

## Notes to the financial statements 31 August 2014

### 13. Tangible fixed assets

Group and schools	Leasehold buildings and improvements £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 1 September 2013	256,053	8,418	109	12,658	4,475	281,713
Additions	89,346	1,323	—	1,051	3,357	95,077
Transfers	4,441	—	—	—	(4,441)	—
Disposals	—	—	(47)	—	—	(47)
At 31 August 2014	349,840	9,741	62	13,709	3,391	376,743
<b>Depreciation</b>						
At 1 September 2013	13,334	6,432	107	11,474	—	31,347
Charge for the year	7,004	1,941	2	1,680	—	10,627
Disposals	—	—	(47)	—	—	(47)
At 31 August 2014	20,338	8,373	62	13,154	—	41,927
<b>Net book value</b>						
At 31 August 2014	329,502	1,368	—	555	3,391	334,816
At 31 August 2013	242,719	1,986	2	1,184	4,475	250,366

The land on which the individual academies are sited is leased at peppercorn rents. No value has been placed on the land in the financial statements due to restrictive covenants in the leases.

Nine schools joined the network during 2013/14. Ark John Keats Academy's building is not completed so no value has been placed on it. The value of the buildings transferred on conversion for the other schools were as follows:

	£'000
Ark Brunel Primary Academy	9,220
Ark All Saints Academy	30,084
Helenswood Academy	8,582
Ark William Parker Academy	8,452
Ark Ayrton Primary Academy	1,459
Ark Swift Academy	3,029
Ark Franklin Primary Academy	1,769
	<b>62,595</b>

The total value of £62.595 million has been included as additions to leasehold buildings and improvements addition during the year.

Additionally, the building for Ark Priory Academy, a brand new academy, has been capitalised in the year at a cost of £5.0m.

The building programme at Charter Academy, Bolingbroke Academy and Ark Atwood Primary Academy were completed during the year ended 31 August 2014. The buildings were transferred to Ark Schools and an amount of £25.9 million has been capitalised in the financial statements. The building work at Ark John Keats Academy has not yet been completed and costs incurred to date in relation to its capital programme are included within assets under construction. Once completed, the buildings will be transferred to Ark Schools on a long lease and the value will be capitalised in the financial statements.

Existing school buildings are leased on a short term basis until new buildings are ready. No value has been placed on existing buildings.

## Notes to the financial statements 31 August 2014

### 14. Wholly owned trading subsidiary

The issued share capital of Ark Academies Projects Limited was transferred to the charitable company on 3 July 2007 and Ark Academies Projects Limited began trading on that date.

The following is a summary of the financial statements of Ark Academies Projects Limited for the year ended 31 August 2014, which have been included in the consolidated financial statements. Ark Academies Project Limited became dormant on 31 August 2014.

	2014 £'000	2013 £'000
Turnover	1,369	39
Cost of sales	(1,015)	(47)
Gross profit	354	(8)
Administrative expenses	(4)	(2)
Other income	—	10
Retained profit before charitable donation under Gift Aid at 31 August 2013	350	—
Charitable donation under Gift Aid	(354)	—
Retained profit after charitable donation under Gift Aid at 31 August 2013	(4)	—
Called up share capital	—	—
Net assets at 31 August 2013	(4)	—

The £1 issued share capital equalled the net assets of Ark Academies Projects Limited at 31 August 2014.

### 15. Debtors

	Group 2014 £'000	Ark Schools 2014 £'000	Group 2013 £'000	Ark Schools 2013 £'000
Trade debtors	723	723	1,165	1,165
Amounts due from DfE/EFA	1,085	1,085	718	718
Sponsorship due from Ark	2,072	2,072	2,435	2,435
Other debtors	66	66	56	56
Prepayments and accrued income	1,921	1,921	1,880	1,880
Amounts due from subsidiary	—	354	—	—
VAT recoverable	1,634	1,634	1,226	1,226
	7,501	7,855	7,480	7,480

## Notes to the financial statements 31 August 2014

### 16. Creditors: amounts falling due within one year

	Group 2014 £'000	Ark Schools 2014 £'000	Group 2013 £'000	Ark Schools 2013 £'000
Trade creditors	2,108	2,104	2,012	2,012
Taxation and social security	1,771	1,771	1,263	1,263
Accruals	3,177	3,177	3,396	3,396
Deferred income	1,281	1,281	2,063	2,063
EFA creditor – abatement of GAG	1,980	1,980	833	833
Other creditors	416	416	153	153
Amounts owed to subsidiary	—	354	—	—
Amounts due to ARK UK Programmes	2	2	—	—
	<b>10,735</b>	<b>11,085</b>	<b>9,720</b>	<b>9,720</b>

	2014 £'000
<b>Deferred income</b>	
Deferred Income at 1 September 2013	2,063
Resources deferred in the year	1,281
Amounts released from previous years	(2,063)
Deferred Income at 31 August 2014	<b>1,281</b>

At 31 August 2014, Ark Schools received funds in advance for lead in income with respect to schools not yet open, schools to be opened after August 2014, funds received in advance with respect to Universal Infant Free School Meals and Devolved Funding Capital.

## Notes to the financial statements 31 August 2014

### 17. Funds

	At 1 September 2013 £'000	Incoming resources £'000	Resources expended £'000	Transfers and other gains and losses £'000	At 31 August 2014 £'000
<b>Restricted funds</b>					
<b><i>DfE revenue grant funds</i></b>					
General Annual Grant (GAG) (note 1)	1,292	90,281	(88,058)	—	<b>3,515</b>
Start up and lead in (note 4)	1,578	5,897	(7,475)	—	—
Other DfE/EFA (note 4)	2,758	8,263	(9,572)	—	<b>1,449</b>
DfE project management grants (note 5)	—	395	(395)	—	—
	5,628	104,836	(105,500)	—	<b>4,964</b>
Pension reserve	(6,778)	(3,430)	(816)	(2,142)	<b>(13,166)</b>
	(1,150)	101,406	(106,316)	(2,142)	<b>(8,202)</b>
<b><i>Other</i></b>					
Local authority grants	402	3,645	(4,047)	—	—
Other donations	2,188	2,040	(3,283)	—	<b>945</b>
Miscellaneous income	463	—	(463)	—	—
	3,053	5,685	(7,793)	—	<b>945</b>
<b><i>Fixed assets fund</i></b>					
DfE fixed assets fund	165,222	2,171	(5,980)	—	<b>161,413</b>
Ark sponsorship fixed assets fund	4,988	—	(1,247)	—	<b>3,741</b>
Other sponsorship fixed assets fund	77,567	92,431	(3,400)	—	<b>166,598</b>
Fixed asset fund - other	2,589	—	—	475	<b>3,064</b>
	250,366	94,602	(10,627)	475	<b>334,816</b>
<b>Total restricted funds</b>	<b>252,269</b>	<b>201,693</b>	<b>(124,736)</b>	<b>(1,667)</b>	<b>327,559</b>
<b>Unrestricted funds</b>					
Sponsorship of core costs by Ark	6,740	4,710	(647)	—	<b>10,803</b>
Other unrestricted funds	1,629	5,163	(2,546)	—	<b>4,246</b>
Fixed asset fund – other*	(2,589)	—	—	(475)	<b>(3,064)</b>
<b>Total unrestricted funds</b>	<b>5,780</b>	<b>9,873</b>	<b>(3,193)</b>	<b>(475)</b>	<b>11,985</b>
<b>Total funds</b>	<b>258,049</b>	<b>211,566</b>	<b>(127,929)</b>	<b>(2,142)</b>	<b>339,544</b>

The purposes for which the funds are to be applied are as follows:

#### ***General Annual Grant***

Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2014. Note 1 discloses that these limits were not exceeded.

#### ***DfE revenue grant fund and other restricted funds***

These grants relate to the charitable company's development and operational activities.

## Notes to the financial statements 31 August 2014

### 17. Funds (continued)

#### *Pension reserve*

The pension reserve relates to the open academies share of the deficit of the Local Government Pension Schemes overseen by their respective Local Authorities.

#### *Fixed assets fund*

This fund equates to the net book value of fixed assets. It includes grant funding received from DfE and sponsorship from Absolute Return for Kids (Ark) and other third parties to carry out capital works as well as school buildings transferred on conversion.

\*Unrestricted funds include a deficit balance of £3,064,000 arising as a result of the cumulative transfers to the fixed assets fund balance.

#### **Analysis of academies by fund balance**

Fund balances at 31 August 2014 were allocated as follows:

	2014 £'000
Ark Academy	1,869
Ark All Saint Academy	309
Ark Atwood Primary Academy	278
Ark Ayrton Primary Academy	471
Ark Bentworth Primary Academy	131
Ark Brunel Primary Academy	343
Ark Burlington Danes Academy	2,126
Ark Conway Primary Academy	138
Ark Franklin Primary Academy	334
Ark John Keats Academy	76
Ark Kings Academy	429
Ark Oval Academy	538
Ark Priory Academy	20
Ark Putney Academy	(33)
Ark Rose Primary Academy	27
Ark Swift Primary Academy	290
Ark Tindal Primary Academy	831
Ark William Parker Academy	133
Bolingbroke Academy	(189)
Charter Academy	31
Evelyn Grace Academy	884
Ark Globe Academy	884
Helenswood Academy	86
Isaac Newton Academy	206
King Solomon Academy	3,666
St Alban's Academy	407
Walworth Academy	1,770
Ark Schools Central	1,839
Total fund balances before fixed assets and pension reserve	17,894

## Notes to the financial statements 31 August 2014

### 17. Funds (continued)

	2014 £'000
Total fund balance before fixed assets and pension reserve	17,894
Restricted fixed assets fund	334,816
Pension reserve	(13,166)
<b>Total</b>	<b>339,544</b>

Bolingbroke Academy had a net funds deficit of £189k at 31 August 2014 (2013 - £100k). The academy was opened on 1 September 2012 with only one year group. It is expected that, as the year groups fill up, a surplus will be achieved in future years. Until this time, Ark Schools will work with the academy to monitor costs closely.

ARK Putney Academy also had a net funds deficit of £33k (2013 - £191k) at 31 August 2014 due to the lower level of pupil numbers than expected. Ark Schools will continue to work closely with the academy to ensure a surplus is achieved in future years.



## Notes to the financial statements 31 August 2014

### 17. Funds (continued)

#### Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total £'000
Ark Academy	5,511	703	170	1,649	8,033
Ark All Saints Academy	1,062	396	17	340	1,815
Ark Atwood Primary Academy	667	127	47	309	1,150
Ark Ayrton Primary Academy	1,631	233	56	338	2,258
Ark Bentworth Primary Academy	941	188	40	300	1,469
Ark Brunel Primary Academy	1,165	136	30	313	1,644
Ark Conway Primary Academy	416	47	38	201	702
Ark Franklin Primary Academy	2,207	393	111	797	3,508
Ark John Keats Academy	283	26	19	210	538
Ark Kings Academy	1,575	319	42	633	2,569
Ark Oval Academy	1,782	308	89	382	2,561
Ark Priors Primary Academy	361	103	11	166	641
Ark Putney Academy	2,912	472	63	734	4,181
Ark Rose Primary Academy	930	151	11	414	1,506
Ark Swift Primary Academy	1,666	208	65	547	2,486
Ark Tindal Primary Academy	1,336	207	101	593	2,237
Ark William Parker Academy	4,290	840	209	1,782	7,121
Bolingbroke Academy	1,251	283	84	497	2,115
Ark Burlington Danes Academy	5,774	1,096	281	1,850	9,001
Charter Academy	2,854	585	96	918	4,453
Evelyn Grace Academy	4,480	632	293	1,620	7,025
Globe Academy	6,494	968	172	2,198	9,832
Helenswood Academy	4,609	704	286	857	6,456
Isaac Newton Academy	1,971	391	176	849	3,387
King Solomon Academy	3,865	467	203	1,213	5,748
St Alban's Academy	2,769	814	82	818	4,483
Walworth Academy	6,457	795	236	2,162	9,650
Ark Schools Central	309	7,173	96	3,157	10,735
<b>Ark Schools excluding subsidiaries</b>	<b>69,568</b>	<b>18,765</b>	<b>3,124</b>	<b>25,847</b>	<b>117,304</b>

## Notes to the financial statements 31 August 2014

### 18. Analysis of net assets between funds

Group and Schools	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
<b>Fund balances at 31 August 2013 are represented by:</b>				
Tangible fixed and investment assets	—	750	334,816	<b>335,566</b>
Current assets	11,985	15,894	—	<b>27,879</b>
Creditors: amounts falling due within one year	—	(10,735)	—	<b>(10,735)</b>
Pension scheme liability	—	(13,166)	—	<b>(13,166)</b>
<b>Total net assets</b>	<b>11,985</b>	<b>(7,257)</b>	<b>334,816</b>	<b>339,544</b>

### 19. Transfer from Local Authority on conversion

During the year ended 31 August 2014, nine academies joined the Ark Schools network. These were Ark William Parker Academy, Ark John Keats Academy, Ark Brunel Primary Academy, Ark Swift Primary Academy, Ark Priory Primary Academy, Helenswood Academy, Ark Ayrton Primary Academy, Ark All Saints Academy and Ark Franklin Primary Academy. Except for Ark Priory Academy and Ark John Keats, which were newly formed academies, six of the remaining seven schools were previously under the control of the Local Authority (LA). Ark All Saints Academy was formerly St Michael and All Saints Academy.

All schools achieved academy status under the Academies Act 2010 on joining the Ark Schools network and the operations together with any assets and liabilities of predecessor Local Authority controlled schools were transferred from the relevant Local Authority to Ark Schools at that date. These transfers have been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred from the Local Authority and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2014 £'000	Total 2013 £'000
Leasehold land and buildings (note 13)	—	—	62,595	<b>62,595</b>	45,854
Budget surplus on LA funds	761	—	—	<b>761</b>	744
LGPS pension deficit (note 21)	—	(3,430)	—	<b>(3,430)</b>	(1,988)
<b>Net assets (liabilities)</b>	<b>761</b>	<b>(3,430)</b>	<b>62,595</b>	<b>59,926</b>	44,610

## Notes to the financial statements 31 August 2014

### 19. Transfer from Local Authority on conversion (continued)

#### Transfers by school

##### Ark All Saints Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	30,084	30,084
Budget surplus on LA funds	—	—	—	—
LGPS pension deficit (note 21)	—	(204)	—	(204)
<b>Net (liabilities) assets</b>	<b>—</b>	<b>(204)</b>	<b>30,084</b>	<b>29,880</b>

##### Ark Ayrton Primary Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	1,459	1,459
Budget surplus on LA funds	282	—	—	282
LGPS pension deficit (note 21)	—	(362)	—	(362)
<b>Net assets (liabilities)</b>	<b>282</b>	<b>(362)</b>	<b>1,459</b>	<b>1,379</b>

##### Ark Brunel Primary Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	9,220	9,220
Budget surplus on LA funds	220	—	—	220
LGPS pension deficit (note 21)	—	(140)	—	(140)
<b>Net assets (liabilities)</b>	<b>220</b>	<b>(140)</b>	<b>9,220</b>	<b>9,300</b>

##### Ark Franklin Primary Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	1,769	1,769
Budget surplus on LA funds	224	—	—	224
LGPS pension deficit (note 21)	—	(1,357)	—	(1,357)
<b>Net assets (liabilities)</b>	<b>224</b>	<b>(1,357)</b>	<b>1,769</b>	<b>636</b>

## Notes to the financial statements 31 August 2014

### 19. Transfer from Local Authority on conversion (continued)

#### Transfers by school (continued)

##### Ark William Parker Primary Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	8,452	8,452
Budget surplus on LA funds	—	—	—	—
LGPS pension deficit (note 21)	—	(550)	—	(550)
<b>Net (liabilities) assets</b>	<b>—</b>	<b>(550)</b>	<b>8,452</b>	<b>7,902</b>

##### Ark Swift Primary Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	3,029	3,029
Budget surplus on LA funds	17	—	—	17
LGPS pension deficit (note 21)	—	(289)	—	(289)
<b>Net assets (liabilities)</b>	<b>17</b>	<b>(289)</b>	<b>3,029</b>	<b>2,757</b>

##### Helenswood Academy

	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2014 £'000
Leasehold land and buildings (note 13)	—	—	8,582	8,582
Budget surplus on LA funds	18	—	—	18
LGPS pension deficit (note 21)	—	(528)	—	(528)
<b>Net assets (liabilities)</b>	<b>18</b>	<b>(528)</b>	<b>8,582</b>	<b>8,072</b>

### 20. Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

### 21. Pensions and similar obligations

School based employees belong to one of two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff or a Local Government Pensions Scheme (LGPS) for non-teaching staff. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

## 21. Pensions and similar obligations (continued)

### Teachers' Pension Scheme

#### *Introduction*

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

#### *Valuation of the Teachers' Pension Scheme*

The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- ♦ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- ♦ total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>).

**21. Pensions and similar obligations (continued)**

**Teachers' Pension Scheme (continued)**

*Teachers' Pension Scheme Changes*

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

**Local Government Pension Scheme (LGPS)**

Each Local Government Pension Scheme is a multi employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of fourteen different funds. The total contribution made for the year ended 31 August 2014 was £3,377,000, of which employees' contributions totalled £921,000 and employers' contributions totalled £2,456,000. The agreed contribution rates for future years are between 14% and 28.4% for employers and between 5.8% and 9.9% for employees.

## Notes to the financial statements 31 August 2014

### 21. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

The funds that the charitable company is part of are: London Borough of Hammersmith and Fulham Pension Fund (Burlington Danes, Bentworth, Swift and Conway); City of Westminster Pension Fund (King Solomon and Atwood); London Borough of Southwark Pension Fund (Walworth, All Saints and Globe); London Borough of Lambeth Pension Fund (Evelyn Grace); London Borough of Brent Pension Fund (Ark Academy and ARK Franklin Primary Academy); London Borough of Croydon (Oval); Hampshire County Council Pension Fund (Charter and Ayrton); London Borough of Redbridge Pension Fund (Isaac Newton); London Borough of Wandsworth Pension Fund (Bolingbroke and ARK Putney), East Sussex Pension Fund (William Parker and Helenswood), Royal Borough of Kensington and Chelsea Fund (Brunel), London Borough of Ealing Pension Fund (Priory), London Borough of Enfield Pension Fund (John Keats) and West Midlands Pension Fund (St Alban's, Kings, Tindal and Rose Primaries).

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

#### Principal actuarial assumptions

	2014 %	2013 %
Rate of increase in salaries	4.1	4.1
Rate of increase in pension payments	2.5	2.3
Discount rates	3.9	4.1
Inflation assumptions	3.3	2.6

The current mortality assumptions included sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 averaged across the funds are:

	2014	2013
<b>Retiring today</b>		
Males	22.5	22.0
Females	25.1	25.0
<b>Retiring in 20 years</b>		
Males	24.6	23.9
Females	27.4	26.9

## Notes to the financial statements 31 August 2014

### 21. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

The estimated share of the assets in the schemes attributable to the company and the average expected rates of return across the schemes were:

	Expected return at 31 August 2014 %	Value at 31 August 2014 £'000	Expected return at 31 August 2013 %	Value at 31 August 2013 £'000
Equities	6.9%	18,831	6.8%	10,688
Corporate bonds	3.6%	2,739	3.5%	1,575
Government bonds	3.0%	2,667	3.1%	1,899
Property	6.1%	2,475	6.2%	1,466
Cash	1.9%	699	0.8%	388
Other	7.0%	1,522	4.8%	1,618
<b>Total market value of assets</b>		<b>28,933</b>		<b>17,634</b>
Present value of scheme liabilities		(42,099)		(24,412)
<b>Net deficit in scheme</b>		<b>(13,166)</b>		<b>(6,778)</b>

#### Amounts recognised in the statement of financial activities:

	At 31 August 2014 £'000	At 31 August 2013 £'000
Current service cost (net of employee contributions)	3,178	1,952
Loss on curtailments	22	—
<b>Total operating charge</b>	<b>3,200</b>	<b>1,952</b>
<b>Analysis of pension finance costs</b>		
Interest on pension liabilities	1,594	911
Expected return on pension scheme assets	(1,522)	(843)
<b>Net finance cost</b>	<b>72</b>	<b>68</b>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS17 is a deficit of £4,051,000 (2013 – deficit of £1,909,000).



## Notes to the financial statements 31 August 2014

### 21. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

##### Movement in deficit during the year

	2014 £'000	2013 £'000
Deficit at 1 September	(6,778)	(4,614)
Current service cost	(3,178)	(1,952)
Employer contributions	2,456	1,435
Net return on assets	(72)	(68)
Brought forward pension scheme liability (note 19)	(3,430)	(1,988)
Actuarial (loss)/gain	(2,142)	409
Loss on curtailments	(22)	—
<b>Liabilities at 31 August</b>	<b>(13,166)</b>	<b>(6,778)</b>

##### Movements in the present value of defined benefit obligations were as follows:

	2014 £'000	2013 £'000
At 1 September	24,412	16,421
Current service cost	3,178	1,952
Interest cost	1,594	911
Loss on curtailments	22	—
Employee contributions	921	581
Actuarial loss	3,224	671
Benefits paid	255	35
Brought forward pension scheme obligation	8,493	3,841
<b>At 31 August</b>	<b>42,099</b>	<b>24,412</b>

##### Movements in the present value of defined benefit assets were as follows:

	2014 £'000	2013 £'000
At 1 September	17,634	11,807
Expected return on assets	1,522	843
Actuarial gain	1,082	1,080
Employer contributions	2,456	1,435
Employee contributions	921	581
Benefits paid	255	35
Brought forward pension scheme asset	5,063	1,853
<b>At 31 August</b>	<b>28,933</b>	<b>17,634</b>

The brought forward defined benefit pension scheme represents the net liability acquired by the group totalling £3,430,000, comprising £550,000 for Ark William Parker Academy, £289,000 for Ark Swift Primary Academy, £1,357,000 for Ark Franklin Primary Academy, £528,000 for Helenswood Academy, £140,000 for Ark Brunel Primary Academy, £362,000 for Ark Ayrton Primary Academy and £204,000 for ARK All Saints Academy (2013 - liability of £1,988,000; £606,000 for Ark Kings Academy, £450,000 for Ark Tindal Primary Academy, £351,000 for Ark Bentworth Primary Academy, £329,000 for Ark Putney Academy and £252,000 for Ark Rose Primary Academy).

## Notes to the financial statements 31 August 2014

### 21. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

The five year history of experience adjustments is as follows:

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Fair value of assets	(42,099)	(24,412)	(16,421)	(11,988)	(9,129)
Present value of scheme liabilities	28,933	17,634	11,807	9,365	5,862
Deficit in scheme	(13,166)	(6,778)	(4,614)	(2,623)	(3,267)
Experience gains on scheme assets	1,082	1,080	246	1,835	128
Experience gains on scheme liabilities	(3,224)	(671)	(1,736)	(1,558)	—

### 22. Lease commitments

At 31 August 2014, the group had annual commitments under non-cancellable operating leases as follows:

	2014 £'000	2013 £'000
Other		
Expiring in under one year	153	15
Expiring within two to five years	194	220
Expiring in over five years	2	—
	349	235

### 23. Related party transactions

Ark Schools is sponsored by Absolute Return for Kids (Ark), which is also the principal member of Ark Schools. Ark is also a charitable company and has four directors in common with Ark Schools.

During the year, Ark Schools was awarded £4.71m sponsorship from Ark.

Ark Schools' central team shares offices with Ark. Ark has made payments on behalf of Ark Schools including rent, service charges and general office overheads. These are recharged to Ark Schools based on an agreed apportionment. Where costs have been apportioned between Ark and Ark Schools this has been done on the basis of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each company's staff.

## Notes to the financial statements 31 August 2014

### 23. Related party transactions (continued)

The amounts recharged by Ark to Ark Schools during the year were:

	2014 £'000	2013 £'000
Staff costs	198	194
Rent and service charges	245	209
Other costs	94	72

Ark has a charitable subsidiary, Ark UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by Ark Schools. Ark UK Programmes staff are paid through the Ark Schools payroll and the relevant costs are recharged to Ark UK Programmes.

The amounts recharged by Ark Schools to Ark UK Programmes during the year were:

	2014 £'000	2013 £'000
Salaries recharged	1,497	1,271
Grants	403	148

Donations from Ark UK Programmes to Ark Schools during the year were:

	2014 £'000	2013 £'000
In respect of enrichment programmes which have been transferred to Ark Schools from Ark UK Programmes	133	265

Ark UK Programmes administers the endowment funds for the benefit of certain Ark academies. Each of the academies run by Ark Schools and opened pre-September 2011 was granted an endowment to support the academy in the future. For some of the academies this was a condition of the funding agreement, but for four, this is in addition to the sponsor capital contribution stipulated in the funding agreement.

As at 31 August 2014, £5.767m (2012/13 - £5.767m) had been paid over by Ark into the endowment funds held by Ark UK Programmes. £133k (2012/13 - £265k) was withdrawn from the endowments during the year and paid over to Charter and Globe Academies as agreed by the directors. The endowments were valued at year end at £6.7m (2012/13 - £6.2m).

The endowment amounts paid over included £750,000 (2012/13 £750,000) of reserves from one of the open academies, as part of their investment strategy. This amount is owed by ARK UK Programmes.

### 24. Directors' emoluments

The Managing Director is a director of the company. In the year ended 31 August 2014, she was Managing Director of Ark Schools, Ark Academies Projects Ltd, Ark UK Programmes and also Chief Executive of Ark. 50% of her salary has been charged to Ark.

## **Notes to the financial statements 31 August 2014**

### **24. Directors' emoluments (continued)**

The Managing Director's remuneration in relation to her role in Ark Schools and Ark Academies Projects Ltd (including performance related bonus) for the year ended 31 August 2014 was £99,000 (2012/13 - £76,355). In addition, £9,900 was paid by Ark UK Programmes (2012/13 - £8,484), to reflect time spent as Managing Director of that charity. Ark Schools made employer's pension contributions of £9,900 for the benefit of the Managing Director during the year (2012/13 - £9,430). Ark UK Programmes made employer's contributions of £990 (2013 - £1,048). No other directors of the company received any payment or other emoluments from the charitable company in the period. No director had any beneficial interest in any contract with the company during the year.

### **25. Taxation**

Ark Schools is a charity (by statute) and therefore is not liable to income tax or corporation tax on income from charitable activities, as it falls within the exemptions available to registered charities.