


# **Absolute Return for Kids (ARK)**

## **Report and Accounts**

30 September 2004

 **ERNST & YOUNG**

# Absolute Return for Kids (ARK)

Registered No: 4589451

## Directors

Arpad Busson (Chairman)  
Paul Dunning  
Stanley Fink  
Kevin Gundle  
Paul Marshall  
Jennifer Moses  
Blaine Tomlinson  
Ian Wace

## Managing Director

Paul Bernstein

## Auditors

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AE

## Bankers

HSBC Private Bank (UK) Limited  
78 James's Street  
London  
SW1A 1JB

## Solicitors

Boodle Hatfield  
61 Brook Street  
London  
W1K 4BL

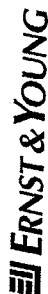
## Registered Office

27 Queen Anne's Gate  
London  
SW1H 9BU

Tel: 020 7222 9272

Fax: 020 7799 5666

Charity Number: 1095322

 ERNST & YOUNG

## Directors' report

The directors present their report and the audited report and accounts for the year ended 30 September 2004.

### Objectives and principal activities

Absolute Return for Kids (ARK) seeks to transform the lives of children who have become victims of abuse, disability, illness and poverty.

This is achieved by raising funds to support charitable projects in the UK and overseas. ARK comprehensively researches those charities seeking its assistance, and will only provide support when ARK has a high degree of confidence that funds will be efficiently and effectively deployed.

The directors continue to ensure that the administrative costs of the charity, as distinct from its subsidiaries, which have different operating models, are met by way of sponsorship and other means. Donors therefore have the assurance that every penny of every donation goes to the selected charities and projects.

### Financial review and results

During the year the Charity Challenge to Mount Cotopaxi, Ecuador, planned during the previous year, took place. A Charity Dinner event was held for the alternative investments industry at Battersea Power Station in April. The directors consider this event to have been a huge success with funds raised for ARK of approximately £10m. This sum however included matching bids at the Charity Auction held of £6m. These pledged donations are restricted to specific charitable projects (£4m in respect of Absolute Return for Kids (ARK) Education and £2m in respect of ARK (South Africa) Limited) and will only be drawn upon as needed to meet the cash flows of those projects.

The relevant Statement of Recommended Practice (SORP 2000) issued by the Charity Commission, does not however permit these to be recognised within these accounts as income of this accounting period. Similarly, the projects for which these funds are to be utilised, cannot be recognised as grant liabilities until the expenditure is due. ARK's plans, including the disposition of these pledged donations, will provide over £5m to education and other projects in UK and a similar total to projects in South Africa and Eastern Europe, while also continuing research in other regions.

These donations and the grant liabilities will be recognised in a subsequent accounting period when these plans have been sufficiently developed to meet the criteria within the SORP.

Two subsidiary companies were established during the year to implement specific charitable projects. ARK (South Africa) Limited was formed 7 November 2003 to establish the provision of Anti-retroviral drug treatment for mothers, and other primary carers of children, suffering from HIV/AIDS in Southern Africa. The programme is currently providing the appropriate drug supplies and the attendant medical teams and supervision of patients' compliance.

On 26 April 2004, Absolute Return for Kids (ARK) Education was formed. This company will fulfil ARK's new project to provide a number of new schools to replace failing schools initially in deprived areas of London, under the Governments City Academies Scheme.

### Risk review

The trustees have assumed responsibility for identifying the types of risk faced by ARK in pursuing its charitable objectives. They have presided over the establishment of formal procedures in every aspect of the business designed to mitigate these risks, and have ensured that employees are both fully aware of these procedures and of the implications of failing to implement them. They are satisfied that these controls, especially the financial ones, comply in all material respects with guidelines issued by the Charity Commission.

## Directors' report

### Directors and their interests

The following individuals served as directors during the year:

Arpad Busson (Chairman)  
Paul Dunning  
Stanley Fink (appointed 26 April 2004)  
Kevin Gundle  
Paul Marshall  
Jennifer Moses  
Blaine Tomlinson  
Ian Wace

None of the Directors had any beneficial interest in the Charity and no remuneration is paid to the directors or permitted under the companies Articles of Association.

### Reserves policy

The trustees will ensure that all administrative, management and staff costs will be met by way of sponsorship and other means for the foreseeable future. For this reason, the trustees feel that it is not necessary for the charity to establish a reserve to cover these costs.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the forthcoming Annual General Meeting.

This report was approved by the trustees on 7 December 2004.



Arpad Busson  
Chairman

## Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

**to the members of Absolute Return for Kids (ARK)**

We have audited the company's accounts for the year ended 30 September 2004 which comprise the Consolidated statement of financial activities, Balance sheets, Consolidated Statement of Cash flows and the related notes 1 to 15. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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

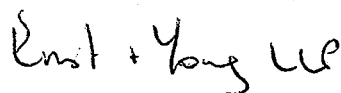
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30 September 2004 and of the net incoming resources of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London



# Consolidated statement of financial activities

for the year ended 30 September 2004

				Year ended 30 September	Year ended 30 September
	Notes	Unrestricted £	Restricted £	Total £	2003 £
<b>Incoming Resources</b>					
Donations and gifts	2	1,557,666	90,000	1,647,666	780,597
Activities for generating funds:					
Fundraising events		2,668,800	849,821	3,518,621	4,118,139
Commercial trading operations		—	—	—	14,785
Interest receivable		128,194	—	128,194	43,566
<b>Total Incoming Resources</b>		<b>4,354,660</b>	<b>939,821</b>	<b>5,294,481</b>	<b>4,957,087</b>
<b>Resources Expended</b>					
Cost of generating funds:					
Commercial Trading Operations		—	—	—	14,156
Fundraising events		541,452	—	541,452	313,500
		<b>541,452</b>	<b>—</b>	<b>541,452</b>	<b>327,656</b>
<b>Charitable Expenditure</b>					
Costs of activities in furtherance of the charity's objectives					
Grants and project operating costs	3	246,402	60,255	306,657	4,412,621
Support costs		179,486	—	179,486	216,186
Management and administration		186,973	—	186,973	143,785
		<b>612,861</b>	<b>60,255</b>	<b>673,116</b>	<b>4,772,592</b>
<b>Total resources expended</b>	4	<b>1,154,313</b>	<b>60,255</b>	<b>1,214,568</b>	<b>5,100,248</b>
<b>Net incoming/(outgoing) resources</b>	6	<b>3,200,347</b>	<b>879,566</b>	<b>4,079,913</b>	<b>(143,161)</b>
<b>Total funds brought forward</b>		<b>213,285</b>	<b>257,405</b>	<b>470,690</b>	<b>613,851</b>
<b>Funds at 30 September 2004</b>		<b>3,413,632</b>	<b>1,136,971</b>	<b>4,550,603</b>	<b>470,690</b>

All of the group's activities are classified as continuing. There are no recognised gains or losses other than those included in the Net income/(outgoing) resources above and therefore no separate statement of recognised gains and losses has been presented.

## Consolidated balance sheet

at 30 September 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible fixed assets	7	9,426	2,954
<b>Current assets</b>			
Debtors	9	802,000	2,689,244
Cash at bank and in hand		7,354,800	2,716,158
		<u>8,156,800</u>	<u>5,405,402</u>
<b>Creditors: amounts falling due within one year</b>	10	(2,481,169)	(2,656,964)
<b>Net current assets</b>		<u>5,675,631</u>	<u>2,748,438</u>
<b>Total assets less current liabilities</b>		<u>5,685,057</u>	<u>2,751,392</u>
<b>Creditors: amounts falling due after one year</b>	11	(1,134,454)	(2,280,702)
<b>Net assets</b>		<u>4,550,603</u>	<u>470,690</u>
<b>Funds</b>			
Unrestricted funds:			
General fund		3,281,029	154,222
Core costs		132,603	59,063
Restricted funds	12	1,136,971	257,405
<b>Total funds</b>	14	<u>4,550,603</u>	<u>470,690</u>

Approved by the Board of Directors on 7 December 2004 and signed on its behalf by:



Chairman



# Charity balance sheet

at 30 September 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible fixed assets	7	4,142	2,954
Investments in subsidiaries	8	1	1
		<u>4,143</u>	<u>2,955</u>
<b>Current assets</b>			
Debtors	9	802,026	2,729,940
Cash at bank and in hand		7,234,108	2,675,461
		<u>8,036,134</u>	<u>5,405,401</u>
<b>Creditors: amounts falling due within one year</b>	10	(2,477,831)	(2,656,964)
<b>Net current assets</b>		<u>5,558,303</u>	<u>2,748,437</u>
<b>Total assets less current liabilities</b>		<u>5,562,446</u>	<u>2,751,392</u>
<b>Creditors: amounts falling due after one year</b>	11	(1,134,454)	(2,280,702)
<b>Net assets</b>		<u>4,427,992</u>	<u>470,690</u>
<b>Funds</b>			
Unrestricted funds:			
General fund		3,158,418	154,222
Core costs		132,603	59,063
Restricted funds	12	1,136,971	257,405
<b>Total funds</b>	14	<u>4,427,992</u>	<u>470,690</u>

Approved by the Board of Directors on 7 December 2004 and signed on its behalf by:



Chairman

## Consolidated statement of cash flows

for the year ended 30 September 2004

	Year ended 30 September 2004	Year ended 30 September 2003
Notes	£	£
<b>Net cash inflow from operating activities</b>		
Net incoming/(outgoing) resources	4,079,913	(143,162)
Depreciation	10,850	9,842
Interest received	(128,194)	(43,566)
Decrease/(increase) in debtors	1,887,244	(920,206)
(Decrease)/increase in creditors	(1,322,043)	3,000,031
<b>Net cash inflow from operating activities</b>	<b>4,527,770</b>	<b>1,902,939</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	128,194	43,566
<b>Capital expenditure and financial investment</b>		
Purchase of fixed assets	(17,322)	(5,909)
<b>Increase in cash</b>	<b>4,638,642</b>	<b>1,940,596</b>

The Charity has no debt and consequently a reconciliation of cashflows to movement in net debt has not been prepared.

## Notes to the accounts

at 30 September 2004

### 1. Accounting policies

#### Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP) – Accounting and Reporting by Charities.

The accounts consolidate Absolute Return for Kids (ARK) and its trading subsidiary Absolute Return for Kids (ARK) Trading Limited, and its two project implementing subsidiaries, ARK (South Africa) Limited and Absolute Return for Kids (ARK) Education.

The group has taken advantage of the exemption under section 230 of the Companies Act not to present a Statement of Financial Activities for the parent undertaking. The parent undertaking's net incoming resources for the financial year amounted to £3,957,302 (2003, net outgoing resources - £(143,161)).

The company was formed on 13 November 2002. On 1 April 2003, the business previously carried on by the ARK charitable trust was transferred to the company and the residual assets and liabilities of the trust were transferred to the company by resolution on 1 September 2003.

The transfer of the business previously carried on by the ARK charitable trust has been accounted for in accordance with the principles of merger accounting since the directors of the company at the date of transfer were the same as the trustees of the ARK charitable trust and their rights and responsibilities, relative to each other under unchanged.

Under the principles of merger accounting, the assets and liabilities of the ARK charitable trust have been brought in at their book values.

#### Incoming resources

All income is accounted for on an accruals basis.

#### Fund accounting

Restricted funds are those which are to be used for the specified purpose as laid down by the donor.

Unrestricted funds are donations and other income received or generated for the furtherance of the objects of the charity without specified purposes and therefore are available as general funds.

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

#### Resources expended

Direct charitable expenditure comprises expenditure related to the direct furtherance of the charity's objectives. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.

Fund raising and publicity costs are those incurred in seeking donations for the charity and in publicising the work of the charity.

Management and administration costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

#### Tangible fixed assets and depreciation

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

Computer equipment                      –            50% per annum

## Notes to the accounts

at 30 September 2004

### 2. Donations

#### Group and Charity

	<i>Year ended 30 September 2004 £</i>	<i>Year ended 30 September 2003 £</i>
Contributions to Core Costs	400,000	364,000
General Donations	1,083,114	331,161
Sponsorship of Challenge Trekkers	124,552	45,436
In kind donation of office space	40,000	40,000
	<u>1,647,666</u>	<u>780,597</u>

### 3. Aid granted

The charity grants made during the year were as follows:

	<i>Group Year ended 30 September 2004 £</i>	<i>Charity Year ended 30 September 2004 £</i>	<i>Group Year ended 30 September 2003 £</i>	<i>Charity Year ended 30 September 2003 £</i>
Home Start	(5,983)	(5,983)	445,121	445,121
Hope & Homes for Children	100,000	100,000	1,128,000	1,128,000
Amelia's House	—	—	29,500	29,500
ARK (South Africa) Limited	—	—	2,500,000	2,500,000
Greenhouse Schools	—	—	50,000	50,000
Teens & Toddlers	80,000	80,000	260,000	260,000
Youth Inclusion Programme	(39,595)	(39,595)	—	—
Fairbridge Teeside	140,700	140,700	—	—
ARK Education	31,535	154,000	—	—
Total	<u>306,657</u>	<u>429,122</u>	<u>4,412,621</u>	<u>4,412,621</u>

## Notes to the accounts

at 30 September 2004

### 4. Total resources expended

#### Group

Resources expended represent the following direct and apportioned costs

	<i>Grants and project operating costs £</i>	<i>Costs of generating funds £</i>	<i>Support Costs £</i>	<i>Management and Administration £</i>	<i>Total £</i>
Grants and project operating costs	306,657				306,657
Fund raising events		541,452			541,452
Staff Costs			138,373	138,372	276,745
Office Costs			38,330	38,330	76,660
Depreciation			2,783	2,784	5,567
Support costs of US associate				7,487	7,487
Other					
	<u>306,657</u>	<u>541,452</u>	<u>179,486</u>	<u>186,973</u>	<u>1,214,568</u>
Year ended 30 September 2003	<u>4,412,621</u>	<u>327,656</u>	<u>216,186</u>	<u>143,785</u>	<u>5,100,248</u>

#### Charity

Resources expended represent the following direct and apportioned costs

	<i>Grants and project operating costs £</i>	<i>Costs of generating funds £</i>	<i>Support Costs £</i>	<i>Management and Administration £</i>	<i>Total £</i>
Grants and project operating costs	429,122				429,122
Fund raising events		541,452			541,452
Staff Costs			138,373	138,372	276,745
Office Costs			38,330	38,330	76,660
Depreciation			2,783	2,784	5,567
Support costs of US associate				7,487	7,487
Other					
	<u>429,122</u>	<u>541,452</u>	<u>179,486</u>	<u>186,973</u>	<u>1,337,033</u>
Year ended 30 September 2003	<u>4,412,621</u>	<u>327,656</u>	<u>216,186</u>	<u>143,785</u>	<u>5,100,248</u>

The auditors, Ernst & Young LLP, are providing the audit of ARK and its trading subsidiary pro bono.

## Notes to the accounts

at 30 September 2004

## 5. Staff costs and numbers

	<i>Group Year ended 30 September 2004 £</i>	<i>Charity Year ended 30 September 2004 £</i>	<i>Group Year ended 30 September 2003 £</i>	<i>Charity Year ended 30 September 2003 £</i>
Salaries and Wages	466,171	259,171	142,048	142,048
Social Security Costs	28,699	28,699	14,019	14,019
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>

The average number of staff employed during the period was

26	6	4	6
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Group figures include medical and ancillary staff engaged in the South Africa HIV/AIDs project.

## 6. Net income/(outgoing) resources

Included in net incoming/(outgoing) resources for the year are the following balances:

	<i>Group Year ended 30 September 2004 £</i>	<i>Charity Year ended 30 September 2004 £</i>	<i>Group Year ended 30 September 2003 £</i>	<i>Charity Year ended 30 September 2003 £</i>
Depreciation	10,850	5,567	4,842	4,842
Exchange losses	29,360	29,360	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes to the accounts

at 30 September 2004

## 7. Tangible fixed assets

	<i>Group Computer equipment £</i>	<i>Group Total £</i>	<i>Charity Computer equipment £</i>	<i>Charity Total £</i>
Cost:				
At 1 October 2003	28,018	28,018	28,018	28,018
Additions	17,322	17,322	6,755	6,755
At 30 September 2004	45,340	45,340	34,773	34,773
Depreciation:				
At 1 October 2003	25,064	25,064	25,064	25,064
Charge for the year	10,850	10,850	5,567	5,567
At 30 September 2004	35,914	35,914	30,631	30,631
Net Book Value:				
At 30 September 2004	9,426	9,426	4,142	4,142
At 30 September 2003	2,954	2,954	2,954	2,954

All tangible fixed assets were owned by the charity and its project implementing subsidiary, ARK (South Africa) Limited.

The entire net book value at 30 September 2004 represents fixed assets used for the management and administration of the group.

## 8. Investments in subsidiaries

	<i>Total £</i>
Cost:	
At 1 October 2003	1
Additions	—
Disposals	—
At 30 September 2004	1

Current year additions comprise investments in ARK (South Africa) Limited and Absolute Return for Kids (ARK) Education (details below). No share capital is held in these subsidiaries. These subsidiaries are limited by guarantee. Both investments were acquired on incorporation.

The charity has no listed investments.

## Notes to the accounts

at 30 September 2004

### 8. Investments in subsidiaries (continued)

Details of the investments in which the charity holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of subsidiary undertaking</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Absolute Return for Kids (ARK) Trading Limited	Ordinary shares	100%	Fundraising activities for the benefit of ARK
ARK (South Africa) Limited	Nil	N/A	Implementing charitable projects
Absolute Return for Kids (ARK) Education	Nil	N/A	Implementing charitable projects

### 9. Debtors

	<i>Group 2004</i>	<i>Charity 2004</i>	<i>Group 2003</i>	<i>Charity 2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Receivable within 1 year				
Charity evening pledges	545,000	545,000	1,676,000	1,676,000
Friends of ARK	—	—	1,003,264	1,003,264
Gift Aid tax receivable	100,000	100,000	—	—
TACT Trading Intercompany account	—	26	—	40,696
Committed project specific donation	30,000	30,000	—	—
Other debtors	97,000	97,000	9,980	9,980
	<u>772,000</u>	<u>772,026</u>	<u>2,689,244</u>	<u>2,729,940</u>
Receivable after 1 year				
Committed project – specific donations	30,000	30,000	—	—
	<u>30,000</u>	<u>30,000</u>	<u>—</u>	<u>—</u>
Total	<u>802,000</u>	<u>802,026</u>	<u>2,689,244</u>	<u>2,729,940</u>

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

	<i>Group 2004</i>	<i>Charity 2004</i>	<i>Group 2003</i>	<i>Charity 2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Donations to be made to beneficiary charities	2,226,771	2,223,433	2,552,401	2,552,401
Accruals	254,398	254,398	104,563	104,563
	<u>2,481,169</u>	<u>2,477,831</u>	<u>2,656,964</u>	<u>2,656,964</u>



## Notes to the accounts

at 30 September 2004

### 11. Creditors: amounts falling due after one year

	<i>Group</i> <i>2004</i>	<i>Charity</i> <i>2004</i>	<i>Group</i> <i>2003</i>	<i>Charity</i> <i>2003</i>
	£	£	£	£
Donations to be made to beneficiary charities	1,134,454	1,134,454	2,280,702	2,280,702

### 12. Restricted funds

Group and Charity

	<i>At</i> <i>1 October</i> <i>2003</i>	<i>Incoming</i>	<i>Outgoing</i>	<i>At</i> <i>30 September</i> <i>2004</i>
	£	£	£	£
ARK (South Africa) Limited	—	839,971	—	839,971
Teenage Pregnancy	—	9,850	9,850	—
Youth Inclusion Programmes	257,405	—	(39,595)	297,000
Fairbridge Teeside	—	90,000	90,000	—
	257,405	939,821	60,255	1,136,971

### 13. Directors' remuneration and expenses

The directors received no remuneration from the charity.

### 14. Total funds

Group

	<i>At</i> <i>1 October</i> <i>2003</i>	<i>Incoming</i>	<i>Outgoing</i>	<i>At</i> <i>1 October</i> <i>2004</i>
	£	£	£	£
Restricted Funds	257,405	939,821	60,255	1,136,971
Unrestricted Funds	213,285	4,354,659	1,154,312	3,413,632
Total Funds	470,690	5,294,480	1,214,567	4,550,603

Charity

	<i>At</i> <i>1 October</i> <i>2003</i>	<i>Incoming</i>	<i>Outgoing</i>	<i>At</i> <i>1 October</i> <i>2004</i>
	£	£	£	£
Restricted Funds	257,405	939,821	60,255	1,136,971
Unrestricted Funds	213,285	4,354,514	1,276,778	3,291,021
Total Funds	470,690	5,294,335	1,337,033	4,427,992

## Notes to the accounts

at 30 September 2004

### 15. Related party transactions

The charitable company's trading subsidiary, Absolute Return for Kids (ARK) Trading Ltd, generated a surplus of £207 (2003 - £1,231). This was donated entirely to ARK under the Gift Aid Scheme.

During the year, 2 further subsidiary companies were established, limited by guarantee with Absolute Return for Kids (ARK) as the sole member. ARK (South Africa) Limited was established 7 November 2003 to implement the ARV drug project in South Africa. Absolute Return for Kids (ARK) Education was established 26 April 2004 to implement the project to provide new and improved schools under the City Academies Scheme.

The financial obligations of both of these companies are provided by ARK in the same way as grants to external NGOs.

ARK committed £2.5m of funds to South African charitable projects in the financial year 2003. During the year to 30 September 2004 this was allocated, specifically to ARK (South Africa) Limited and a total of £459,592 expended on this project. At year end, the balance payable to ARK (South Africa) Limited was £2,040,408.

ARK donated £154,000 to Absolute Return for Kids (ARK) Education in relation to the year ended 30 September 2004. At year end, the balance payable to Absolute Return for Kids (ARK) Education was £122,465.

As described in the directors' report, at the year end there are significant pledges made in respect of these two projects which are contingent on future events and as such are not recognised in this financial year.

ARK is also affiliated to Friends of Absolute Return for Kids, Inc. ("Friends of ARK"), a philanthropic organisation which provides grants to organisations whose activities include transforming the lives of children who have become the victims of abuse, disability, illness and poverty.

A Grantmaking Committee, consisting of members of the Boards of directors of both ARK and Friends of ARK, researches charities and projects seeking financial support to make funding recommendations to the Board of Directors of ARK and of Friends of ARK.

Friends of ARK donated £924,386 to ARK in relation to the year ended 30 September 2004 (2003 £1,003,264). The balance outstanding at year end is detailed in note 9.