



Absolute Return for Kids (Ark)

Annual Report and Accounts

For the year ended 31 August 2014

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Trustees' report for the year ended 31 August 2014

The trustees are pleased to present their report together with the audited financial statements of the charity for the year ended 31st August 2014.

Reference and administrative details

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 4589451, and is a UK registered charity, number 1095322.

Directors

The directors of the charitable company are its trustees for the purpose of charity law and the members of the company limited by guarantee. Throughout this report they are collectively referred to as the trustees.

The following individuals served as trustees during the year:

Ian Wace (Chairman)
Arpad Busson
Paul Dunning
Lord Stanley Fink
Kevin Gundle
Nick Jenkins
Paul Marshall
Jennifer Moses
Michael Platt
Blaine Tomlinson
Anthony Williams

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

Auditors

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Bankers

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Solicitors

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Trustees' report for the year ended 31 August 2014 (continued)

Ark is an international charity, transforming lives through education

Ark was set up in 2002 and has since then been working in health, child protection and education across the UK, India, Africa and Eastern Europe. Over the last few years, we have recognised that it is through ensuring access to high quality education that we can have the biggest impact so we're now focusing our efforts on education.

In the UK we operate one of the country's top performing academy networks, educating 17,000 young people, and we're working to open a network of primary schools in India next year.

Using our knowledge and expertise, we also act as an incubator for programmes that are designed to become sustainable social enterprises. Once independent, these organisations remain part of the Ark family, benefiting from ongoing involvement at a governance level.

Ark's reach and influence therefore goes far beyond the programmes consolidated in these accounts. As separate legal entities, Ark Schools, Future Leaders and Teaching Leaders are not included in the financial statements in this report.

Our work with schools

Ark Schools

Ark Schools is one of the top-performing networks of 31 schools, educating 17,000 young people. 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.

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 20 transition schools being rated as 'requiring improvement' or 'inadequate' when they joined the network. Last summer:

- Our children outperformed national averages at early years, in the Year 1 phonics screening test and at GCSE. At Key Stage 2 our results improved by 14 percentage points from the year before to 62.5% while the national pass rate improved by just 4 percentage points.
- 58% of Ark pupils achieved five good GCSEs including English and maths, compared to a national average of 52.6%. Despite an overall dip in GCSE results across the country this year, the network average improved by nearly six percentage points.
- Children who arrive 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.

India

To date, our work in India has focused on facilitating access to primary education and improving the quality of English language teaching. Our voucher programme, ENABLE, has facilitated access for just over 600 children to attend low cost private schools in East Delhi.

We're now aiming to establish our own high quality school network in partnership with the South Delhi Municipal Corporation and to support the government to improve the operating environment for schools. We are preparing to open our first primary school, serving children from Kindergarten to Grade 5, in 2015.

Trustees' report for the year ended 31 August 2014 (continued)

Uganda

In partnership with Promoting Equality in African Schools (PEAS), we are working to improve access to high quality secondary education in Uganda. Since March 2013, we have been providing support across the network of 24 schools to improve the quality of education offered in their schools and strengthen all levels of the organisation.

Our ventures

Mathematics Mastery

In 2012 we launched Mathematics Mastery, a curriculum programme based on the Singapore approach designed to address educational disadvantage and under-attainment in maths. The programme now runs in over 150 primary and secondary schools and will expand into Key Stage 4 and 5 next year.

Frontline

Building on the success of Teach First in the education sector, Frontline was set up in 2012 in partnership with the Department for Education to provide a route for high achieving graduates and career changers to become social workers.

Public-Private Partnership (PPP) Practice

The public-private partnership practice was set up last year to provide advice and support to governments across the world on successful public-private partnerships in the education sector. In India, with a number of partners, we have set up The Education Alliance. The Alliance is providing advice and support to national, state and municipal governments to help implement new PPP policies and strengthen existing ones.

Quality assurance in Schools

This year, our school quality assurance work has scaled up rapidly as a result of a strengthening partnership with the government of Madhya Pradesh. Following the successful piloting of a new framework for inspecting schools, developed with experts from Ofsted, DFID, CfBT and MCRIL, we are now training officers in the Madhya Pradesh government to roll out inspections to all schools in the state. This year 2,000 schools will receive an inspection and follow up visit.

Based on the success of the programme, we will be working with the South Delhi Municipal Corporation to roll out a similar programme next year.

Maternal and neo-natal health care in Zimbabwe

Ill-equipped hospitals and an acute shortage of doctors and health workers mean that more pregnant women and new born babies die in Zimbabwe today than 10 years ago. We are now in our third year of work to improve Zimbabwe's poor maternal and neonatal health outcomes by training a new cadre of health workers, improving the skills of existing workers and providing essential equipment and supplies.

Last year 36 clinical officers completed their first of two years of training and are now able to undertake caesarean sections and our first cohort of 19 Nurse Anaesthetists graduated and returned to their health facilities to deliver improved care.

Trustees' report for the year ended 31 August 2014 (continued)

The Ark Family

Future Leaders

Future Leaders was set up in 2006 in partnership with the National College and the Specialist Schools and Academies Trust to train head teachers for challenging schools. There are now over 370 professionals on the programme in over 250 schools.

Teaching Leaders

Following the success of the Future Leaders programme, Teaching Leaders – a leadership programme for middle leaders in challenging schools – was set up in 2008 in partnership with the National College, the Future Leaders Charitable Trust and Teach First. Over the past seven years middle leaders from 667 schools have been through the Fellows and Teams programme, improving outcomes for over 220,000 pupils.

Last year Teaching Leaders was awarded government funding to set up a primary programme, training 200 middle leaders across 75 primaries.

Hope and Homes for Children in Romania

Since 2002 we have been working in partnership with Hope and Homes for Children (HHC) to prevent the institutionalisation of children and support the Romanian government to reform its child care system. Our goal is wholesale reform of the child care system including the closure of all institutions by 2020. As a result of HHC's continued work and advocacy 46,200 children are beneficiaries of services which prevent their separation from their families. This year, the Romanian government made a commitment not to invest new money into these institutions.

Uganda

With our partner, the Clinton Health Access Initiative (CHAI), we are working to improve access to oral rehydration salts (ORS) and zinc in order to prevent more than 15,000 diarrhoea deaths by 2015 and an additional 35,000 by 2020.

So far, we have helped to create a more diversified base of high-quality, affordable suppliers, enabling three local pharmaceuticals to add ORS and Zinc to their product list, and reduced the cost of imports by removing tariffs. To encourage demand, we have rolled out a wider education programme for health workers and 79% are now recommending the two treatments, surpassing our project targets.

Zambia

We have been working with the Centre for Infectious Disease Research in Zambia (CIDRZ) on reducing diarrhoea-related mortality in children under five. Piloted in Lusaka province with the Ministry of Health, our three year programme is the first in sub-Saharan Africa to combine prevention with treatment, aiming to reduce child mortality by 15% by 2015. Last year we worked with the Ministry of Health to roll out the rotavirus vaccine nationally in November, two years ahead of schedule. Now every child in the country has access to this life-saving vaccine.

Mozambique

In Mozambique, we are working in partnership with the Elizabeth Glaser Paediatric AIDS Foundation (EGPAF) and the Department for International Development. The 'SMSaude' project aims to reduce HIV related mortality and prevent mother to child transmission by improving treatment retention through the use of SMS message reminders to patients. Last year the programme received official approval from the Mozambican IRB Committee (Ethics Review Board) enabling us to officially start enrolling patients. As of August 2014, over 1,800 patients had been recruited into the programme and all 16 health facilities in Gaza Province had received the training and equipment required.

Trustees' report for the year ended 31 August 2014 (continued)

Financial review

Ark recorded a net deficit of £3.9m for the year, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £4.0m surplus in the previous year. As a result, group reserves decreased to £20.9m at August 2014 (2013 £24.8m).

Ark's consolidated income in the year to 31 August 2014 totalled £13.9m (2013 £14.6m). The charity has not had a major fundraising event since May 2012 and therefore the cost of generating funds at £0.6m remained similar to the previous year (£0.7m).

Group expenditure during the year was £6.4m higher at £18.7m (2013 £12.3m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 96% (2013 83%) of total expenditure. UK Education grant expenditure increased by £9.8m, reflecting an unusually low level of spend in the previous year as some grants for 2012/13 were committed and recognised in the previous year but 2013/14 grants were awarded 'in year', resulting in no grants being reported for some programmes in 2012/13. The cost of generating funds includes a proportion of the cost of the Development team based upon the percentage of staff time spent on fundraising.

Expenditure by the charity differs from the group in that where a grant is made to a subsidiary company the total amount committed is shown as expenditure (on grants and project operating costs) for the charity, whereas for the group the value of funds actually spent by the subsidiary is shown, as all intergroup transactions are eliminated.

During the period expenditure at the charity level on grants and project operating costs was £13.2m (2013 £3.9m). This includes support costs of £1.3m (2013 £1.0m). The increase over the prior year is primarily for the same reason as the increase in Group expenditure, as explained above.

Core Costs Fund income and expenditure

	2014	2013
	£'000	£'000
Contributions arranged by trustees and patrons	1,004	644
Gift in kind	16	112
ARK Masters fee rebates	218	423
Return on investments	1,077	962
Total income raised for core costs	2,315	2,141
Less: Expenditure on core costs	(2,121)	(1,986)
Surplus on core costs for the year	194	155
Balance at 1 September	2,796	2,641
Balance at 31 August	2,990	2,796

As the above table shows, at 31 August 2014 a reserve of £3.0m has been established to cover core costs, equivalent to 17 months expenditure at the 2014 level (2013 £2.8m – 17 months). Trustees and patrons are major supporters of the charity and a portion of their donations is allocated to support the core costs. The trustees are confident that these funds together with Ark's other sources of core income will cover core cost expenditure in the period ahead. This reserve has been established over a number of years from income donated to Ark for the purposes of funding its core operating costs and from investment returns.

This undertaking is central to Ark's operating philosophy as it gives other donors the assurance that 100% of every donation to programme funds can go directly to specific programmes.

Trustees' report for the year ended 31 August 2014 (continued)

Balance Sheet

The typical lifecycle of non-UK programmes is 3 to 5 years and Ark may underwrite part or all of the cost and set aside reserves at the outset. In the charity balance sheet these programme commitments are shown as grant creditors. UK-based programmes typically have a longer life and Ark funding is often focused in the early years of incubation and development. For these programmes grants are awarded mainly on an annual basis and therefore there is little or no grant creditor relating to future period funding. The total value of grant creditors in the charity balance sheet at 31 August was £11.5m (2013 £14.7m).

The charity also holds an additional amount of £5.6m to invest in current and new programmes (2013 £9.9m), £0.6m as restricted funds (2013 £0.6m) and £5.0m as unrestricted funds held in its General Programme Fund (2013 £9.3m).

This funding model is considered by the trustees to be reasonably prudent and results in a significant balance of cash and investments due to the receipt of funds in advance of application in programmes. The total of cash and investments in the charity balance sheet declined from £27.0m to £19.7m in 2013/14.

The Financial Stewardship Committee (FSC) oversees the charity's cash management. During the year the charity's main banking accounts were held with Lloyds TSB Commercial. At 31 August 2014 100% of the charity's cash was invested in the Lloyds accounts (2013 81%) with the balance in the prior year invested with RBS and Barclays. The profile of the cash holdings is dependent on the working capital needs of Ark's programmes.

The trustees have set a non-cash investments target range of 40-75% of total cash and investments. At 31 August 2014 the investments represented 80% of total invested funds (2013 53%) and was therefore slightly outside these guidelines. However, a divestment request for US\$4m had been submitted at the balance sheet date which was expected to bring the ratio back within guidelines by the end of November 2014. The US Dollar denominated AMF, which represents 62% of the total cash and investments, is a relatively low risk fund. The objective for Ark's investment in the AMF is to outperform cash without significantly increasing risk.

The AMF was set up by supporters of Ark in 2005. It is a fund of funds that invests in a range of investment strategies aiming to ensure an absolute return on investment that is not correlated to the UK equity market. Having taken independent advice on this investment strategy, the trustees believe this is an appropriate investment of the charity's funds, especially given the fact that Ark's donor base is largely drawn from the hedge fund industry. It is expected that the Fund will be formally dissolved in 2014/15 and that the underlying investments will be held directly by Ark, but this will not represent a change of substance or risk.

The trustees consider that the US\$ denominated AMF provides a foreign currency match for programme grant liabilities denominated in foreign currency and uncommitted reserves that are expected to be committed to foreign currency denominated programmes. Provided that foreign currency assets and liabilities match to within £5m no currency hedge contract is required to mitigate currency risk and at 31st August 2014 the £5m limit was not exceeded so no contract was in place. A net foreign currency loss of £0.6m (2013 net gain £0.2m) arose due to the mismatch within the £5m limit.

The US\$ denominated AMF produced an investment return for the year of 4.2% (2013 4.0%). This compares with an average interest rate of 0.2% on 1-month US LIBOR during the year. The reported return on investment in GBP terms (which consists of the unrealised exchange loss on the investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was -2.5% (2013 6.2%).

Trustees' report for the year ended 31 August 2014 (continued)

Ark also benefits from the AMF and other investments in that some of the management companies, in whose funds AMF and Ark invests voluntarily, rebate their fees as a donation to Ark. Where capital is invested in a fund controlled by the trustees of Ark, 100% of fees are donated in this way. During the period this resulted in donations of £0.218m (2013 £0.423m). This additional return was equivalent to 1.8% (2013 3.2%) of Ark's average investment in AMF during the period.

Taking these two factors together Ark's total return on investment in AMF was -0.7 % during the 12 month period (2013 9.4%). The trustees consider this to be a satisfactory underlying performance and note that the unrealised loss on exchange of 7%, due to the £/US\$ rate moving from \$1.55 to 1.66 during the year, was relatively extreme and has partially reversed since the year end.

The trustees believe that the value of this funding model has been well demonstrated in recent years. Ark has the resources to cover existing programme commitments and has £5.6m of uncommitted funds available to finance future programmes.

Risk Management

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to manage those risks. Sub-committees of the Board of Trustees meet regularly and consider risks in relation to individual programmes as part of the annual review of business plans. In addition, the FSC is charged with the responsibility to formally review the Risk Register, to monitor and manage financial risks and to report to the Board. The FSC meets on a regular quarterly basis. The main financial risks are described in Note 19 to the accounts, together with explanations relating to risk-mitigation.

Funds and Reserves

Restricted funds

Ark achieves its charitable objectives through direct implementation of projects by its own charitable subsidiaries and by way of grants to partner organisations.

The typical project lifecycle for non-UK programmes is 3 to 5 years. At launch Ark underwrites a portion of the cost of a programme with a transfer of unrestricted funds from the General Programme Fund (GPF) to the relevant restricted fund. This allows the project to be launched with funding in place for the initial grant period, without the time delay of having to raise specific funds up front and without the risk of having to scale back the programme due to lack of resources.

Where the projects are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. The group balance sheet also includes within restricted funds £5.9m (2013 £5.3m) of endowment funds held for the benefit of individual academies within Ark Schools. The value of restricted funds held by the group at 31st August 2014 was £13.0m (2013 £12.7m).

Note 12 shows how these reserves are split across Ark's various programmes.

Unrestricted funds – General Programme Fund

A significant proportion of the funds raised by Ark must be used to fund charitable projects (i.e. they cannot be used to cover the organisation's core costs) but are not committed to a specific project at the point of receipt. This income is credited to Ark's General Programme Fund and stays there until such time as it is committed to a specific project.

Trustees' report for the year ended 31 August 2014 (continued)

In the charity balance sheet these funds are shown as unrestricted funds – General Programme Fund. The balance held in this fund was £5.0m at 31st August 2014 (2013 £9.3m). Ark anticipates that all these funds will be committed to specific programmes within the next 24 months. The trustees consider this to be in line with the organisation's policy.

Unrestricted funds – core costs

The trustees ensure that the central administrative costs of the charity are met through funds set aside specifically for that purpose. They understand that the charity's growth could require a gradual expansion of expenditure on core costs in the years ahead and have established a reserve to provide security of funding in this area. This represents the unrestricted reserves of the charity.

In the balance sheet these funds are shown under unrestricted funds - core costs. The balance held on this fund was £3.0m at 31st August 2014 (2013 - £2.8m) which is equivalent to 17 months' expenditure on core costs at 2014 levels (2013 17 months). The trustees consider this to be in line with the organisation's policy.

Structure, Governance and Management

Governing Document

Ark is a company limited by guarantee governed by its Memorandum and Articles of Association dated 12 November 2002, and is registered as a charity with the Charity Commission.

Organisation

The board of trustees, which can have up to twelve members, oversees the charity. The board meets at least three times a year. There are also six sub-committees: four covering thematic programme areas (Health, UK Schools, Other UK Programmes and International Education) and two dealing with fundraising and finance and audit. The sub-committees each report back to the board and make recommendations on policy and practice in their respective areas of jurisdiction.

Executive Directors are appointed by the trustees to oversee the day to day operations of the charity. To facilitate effective operations, the Executive Directors have delegated authority for operational matters including finance and employment.

Related Parties

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

Ark Schools is responsible for Ark's work in inner city schools in the UK. Ark Schools is registered in England as a company limited by guarantee (company number 5112090) and an exempt charity. Ark Schools receives the majority of its income from the UK Government and, due to the requirement for ultimate government control of these funds, does not form part of the Group in these accounts.

Ark UK Programmes is responsible for Ark's work in UK education beyond the Academies programme and is also developing the new Frontline child social worker leadership programme. Ark UK Programmes is registered in England as a company limited by guarantee (company number 5932797; charity number 1137932). It is wholly owned by Ark and consolidated in these accounts.

Trustees' report for the year ended 31 August 2014 (continued)

Ark (South Africa) Limited, an association incorporated in South Africa under section 21 (registration number 2004/003952/10) and registered in England as a charitable company limited by guarantee (company number 4957091; charity number 1108175) runs the charity's programmes in Sub-Saharan Africa and is part of these Group accounts.

Ark Zimbabwe Trust was registered in April 2012 (registration number MA0398/2012). The maternal and newborn care programme is accounted for through this Trust which is consolidated as a subsidiary of the charity.

Ark Uganda, a company limited by guarantee, was registered in May 2012 as a subsidiary of Ark (South Africa) Limited and owns the share of land and buildings relating to schools in Uganda that are financed by Ark as part of its education programme in conjunction with its local partner, Promoting Equality in African Schools (PEAS).

Ark India, which runs the charity's programmes in India, is registered as a Society in India and its results are consolidated in these accounts.

The charity is also affiliated to Absolute Return for Kids US, Inc. (Ark US) a US philanthropic organisation which shares Ark's passion for transformational change in the lives of disadvantaged children. Ark US supports the work of the charity through grants.

Ark holds a target of 40-75% of its funds in the Ark Masters Fund (AMF), an investment unit trust (see note 7). The AMF was set up by supporters of Ark in 2005. It is managed by Ark Masters Management Limited (AMML), a company registered in the Cayman Islands in which the charity owns the only beneficial share but none of the voting shares, and receives investment advice from Ark Masters Advisers Limited (AMAL), a company registered in England and Wales (number 5443569) which is a wholly owned subsidiary of AMML. In these accounts AMML and AMAL do not form part of the group.

Statement of public benefit

Trustees have paid due regard to the Charity Commission's public benefit guidance and are satisfied that the charity complies with Section 4 of the Charities Act 2006. The sections at the beginning of this trustees' report dealing with objectives and achievements explain in detail the activities of the charity and the sections of the international community that benefit from Ark's work. The charity does not rely to any significant extent on the services of volunteers, with the exception of the contribution of time and skills from the trustees and a small number of patrons and advisors.

Trustees' report for the year ended 31 August 2014 (continued)

Statement of trustees' responsibilities in respect of the financial statements

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

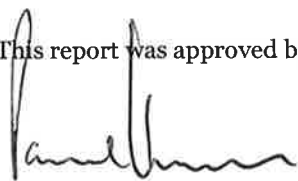
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and ensuring that the assets are properly applied in accordance with charity law; hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the Auditors

The trustees are not aware of any relevant audit information of which the charity's auditors are unaware. The trustees also confirm that they have taken all the steps required of trustees to make themselves aware of any relevant audit information, and establish that the charity's auditors are aware of that information.

This report was approved by the trustees on 17th December 2014.



Paul Dunning
Director, Ark

Independent auditors' report to the members of Ark

We have audited the financial statements of Absolute Return for Kids (Ark) for the year ended 31 August 2014 which comprise Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the charitable company's and the group's affairs as at 31 August 2014 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report

to the members of Ark

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Michael-John Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

18th Dec 2014

Consolidated Statement of Financial Activities

For the year ended 31 August 2014

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>31-Aug-14</i>	<i>31-Aug-13</i>
				<i>Total</i>	<i>Total</i>
				<i>£'000</i>	<i>£'000</i>
<i>Incoming resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	1,980	10,701	12,681	12,203
Gifts in Kind		16	449	465	934
Activities for generating funds:					
Fundraising events	3	43	-	43	1,255
Investment income	4	82	22	104	188
Incoming Resources from charitable activities		-	468	468	-
<i>Total incoming resources</i>		2,121	11,640	13,761	14,580
<i>Resources expended</i>					
Cost of generating funds	6	627	-	627	702
Charitable Activities:					
Grants and project operating costs	5 & 6	1,349	16,521	17,870	10,174
Governance costs	5 & 6	139	-	139	333
TL transfer of Reserve		-	-	-	1,069
<i>Total resources expended</i>		2,115	16,521	18,636	12,278
<i>Net (outgoing)/incoming resources before other recognised gains and losses</i>		6	(4,881)	(4,875)	2,302
Realised/unrealised (losses)/gains on investment assets	7	(39)	482	443	1,806
Realised/unrealised gains/ (losses) on foreign currency transactions		425	(96)	329	(145)
<i>Net (outgoing)/incoming resources before transfers</i>		392	(4,495)	(4,103)	3,963
<i>Gross transfers between funds</i>	12	(4,513)	4,513	-	-
<i>Net movement in funds</i>	8	(4,120)	18	(4,103)	3,963
<i>Funds at 1 September</i>		12,085	12,722	24,807	20,844
<i>Funds at 31 August</i>		7,964	12,740	20,704	24,807

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

Charity Statement of Financial Activities

For the year ended 31 August 2014

				Year ended 31-Aug-14 Total £'000	Year ended 31-Aug-13 Total £'000
	Notes	Unrestricted £'000	Restricted £'000		
Incoming resources					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	1,980	7,382	9,362	11,428
Gifts in Kind		16	-	16	112
Activities for generating funds:					
Fundraising events	3	43	-	43	1,255
Investment income	4	82	-	82	164
Total incoming resources		<u>2,121</u>	<u>7,382</u>	<u>9,503</u>	<u>12,959</u>
Resources expended					
Cost of generating funds:	6	627	-	627	702
Charitable Activities					
Grants and project operating costs	5 & 6	1,349	11,864	13,213	3,901
Governance costs	5 & 6	139	-	139	333
Total resources expended		<u>2,115</u>	<u>11,864</u>	<u>13,979</u>	<u>4,936</u>
Net (outgoing)/incoming resources before other recognised gains and losses		<u>6</u>	<u>(4,482)</u>	<u>(4,476)</u>	<u>8,023</u>
Realised/unrealised (losses)/ gains on investment assets	7	(39)	-	(39)	1,166
Realised/unrealised gains/ (losses) on foreign currency transactions		425	-	425	(178)
Net (outgoing)/incoming resources before transfers		<u>392</u>	<u>(4,482)</u>	<u>(4,090)</u>	<u>9,011</u>
Gross transfers between funds	12	(4,513)	4,513	-	-
Net movement in funds	8	<u>(4,121)</u>	<u>31</u>	<u>(4,090)</u>	<u>9,011</u>
Funds at 1 September		<u>12,085</u>	<u>635</u>	<u>12,720</u>	<u>3,709</u>
Funds at 31 August		<u>7,964</u>	<u>666</u>	<u>8,630</u>	<u>12,720</u>

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

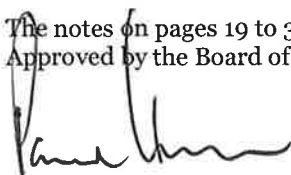
Consolidated Balance Sheet

As at 31 August 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	9	1,842	1,654
Current assets			
Debtors	10	1,660	1,108
Cash at bank and in hand		6,194	13,798
Investments	7	22,523	20,636
		<u>30,377</u>	<u>35,542</u>
Creditors: amounts falling due within one year	11	(10,408)	(9,038)
Net current assets		<u>19,969</u>	<u>26,504</u>
Total assets less current liabilities		21,811	28,158
Creditors: amounts falling due after one year	11	(1,107)	(3,351)
Net assets		<u>20,704</u>	<u>24,807</u>
Funds			
Unrestricted funds:			
General Programme Fund		4,974	9,289
Core costs		2,990	2,796
Restricted funds		12,740	12,722
Total funds	12	<u>20,704</u>	<u>24,807</u>

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

Approved by the Board of Directors on 17th December 2014 and signed on its behalf by:



Paul Dunning
Director, Ark

Charity Balance Sheet

As at 31 August 2014

	<i>Notes</i>	<i>2014 £'000</i>	<i>2013 £'000</i>
Fixed assets			
Tangible fixed assets	9	825	587
Current assets			
Debtors	10	564	822
Cash at bank and in hand		3,915	12,564
Investment	7	15,796	14,435
		<u>20,275</u>	<u>27,821</u>
Creditors: amounts falling due within one year	11	(9,710)	(10,844)
Net current assets		<u>10,565</u>	<u>16,977</u>
Total assets less current liabilities		11,390	17,564
Creditors: amounts falling due after one year	11	(2,760)	(4,844)
Net assets		<u>8,630</u>	<u>12,720</u>
Funds			
Unrestricted funds:			
General Programme Fund		4,974	9,289
Core costs		2,990	2,796
Restricted funds		666	635
Total funds	12	<u>8,630</u>	<u>12,720</u>

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

Approved by the Board of Directors on 17th December 2014 and signed on its behalf by:



Paul Dunning
Director, Ark

Consolidated Statement of Cash Flows

For the year ended 31 August 2014

	<i>Notes</i>	<i>Year ended 31-Aug-14 Total £'000</i>	<i>Year ended 31-Aug-13 Total £'000</i>
<i>Net cash outflow from operating activities</i>	18	(5,919)	(1,892)
<i>Returns on investments and servicing of finance</i>			
Interest received		104	188
<i>Capital expenditure</i>			
Purchase of fixed assets		(345)	(556)
Redemption of investments		-	1,935
Investment made during the year		(1,400)	-
Endowment disinvestment during the year		(44)	276
Decrease in cash		<u>(7,604)</u>	<u>(48)</u>
<i>Reconciliation to net funds:</i>			
		<i>Year ended 31-Aug-14 Total £'000</i>	<i>Year ended 31-Aug-13 Total £'000</i>
Decrease in cash		(7,604)	(48)
Cash at beginning of year		<u>13,798</u>	<u>13,846</u>
Cash at end of year		<u>6,194</u>	<u>13,798</u>

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

Notes to the Accounts

For the year ended 31 August 2014

1. Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention with the exception that investments are stated at fair value. The accounts are in accordance with applicable accounting standards, the Charities SORP 2005 (Accounting and Reporting by Charities), and comply with the Charities (Accounts and Reports) Regulations 2008 issued under the Charities Act 2006.

The accounts consolidate Ark and its project implementing subsidiaries, Ark (South Africa) Limited, Ark UK Programmes, Ark India, Ark Uganda, Ark Zimbabwe and Ark Mozambique. All intra-group balances, transactions, incomes and expenses are eliminated on consolidation.

Fund accounting

Restricted funds are those which are to be used for a specified purpose as stipulated by the donor and agreed by the charity.

Unrestricted funds are those which the donor gives to the charity without stipulating a specific purpose. They are to be used for the furtherance of the objects of the charity in general and may be applied to specific projects at the discretion of the trustees. Within unrestricted funds the charity maintains two separate funds; Core Costs, and the General Programme Fund (GPF). The Core Costs fund covers income and expenditure relating to the central administrative costs of the charity. The GPF holds income which must be used to fund charitable projects (i.e. cannot be used to cover the organisation's core costs) but is not committed to a specific project at the point of receipt. The relevant income is credited to the GPF and when the Board commits funds to a specific project the required amount of funding is transferred from the GPF to the relevant restricted fund.

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

Incoming resources

Unrestricted income is accounted for on a receipts basis. Restricted income is accounted for on a receipts basis but subject to recognising any donor restrictions. Where the corresponding programme expenditure can be clearly identified and matched with donor receipts the income is recorded in the same accounting period as the expenditure and income is deferred if not fully spent. Income is not accrued except where there is a clear contractual entitlement and such income is then only recognised to the extent that the corresponding expenditure is recorded in the same accounting period. Deposit interest is recognised on an accruals basis.

Resources expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure. Expenditure is accounted for on an accruals basis, and has been classified under headings that aggregate all costs related to the category.

Costs of generating funds are those incurred in seeking donations for the charity and in publicising the work of the charity.

Resources expended on charitable activities comprise expenditure related to the direct furtherance of the charity's objectives. In the accounts of the charity the award of a grant is recorded as charitable expenditure and the unexpended amount is held in the balance sheet as a grant creditor. In the accounts of the group any such grant to a subsidiary company is not recognised as expenditure; instead the expenditure in the subsidiary is recognised as the charitable expenditure when incurred. Any unspent grant is recognised in the group balance sheet as a restricted fund.

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

Notes to the Accounts

For the year ended 31 August 2014

1. Accounting policies (continued)

Allocation of overhead and support costs

Where costs cannot be directly attributed, they have been allocated to activities in line with the time spent by individual members of staff on each activity.

Volunteers and donated services

With the exception of trustees, patrons and a small number of advisors who all provide their services on a voluntary basis, the charity and its subsidiaries do not rely upon volunteers or donated services in delivering services. The financial value of services donated by advisors is included as expenditure at an estimated fair value and a corresponding value of income is included as an in-kind donation.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost including any incidental expenses of acquisition.

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

Computer equipment	– 33% per annum (covers both hardware and software)
Motor vehicles	– 20% per annum
Office equipment	– 25% per annum
Leasehold improvements	– depreciated over the term of the lease
Land and Building	– overseas assets 4% annum

Investments

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

Foreign currencies

Charity

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rate of exchange ruling at the balance sheet date.

The charity has adopted FRS23 “The effects of Changes in Foreign Exchange Rates”.

Group

The income and expenditure of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the relevant period.

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange effective at the balance sheet date.

All exchange differences are recognised through the Statement of Financial Activities.

Operating lease

Operating lease rentals are charged on a straight line basis over the term of the lease.

Notes to the Accounts

For the year ended 31 August 2014

2. Grants and donations

	Group 2014 £'000	Charity 2014 £'000	Group 2013 £'000	Charity 2013 £'000
Contributions to core costs	1,419	1,419	1,066	1,066
General Donations	561	561	2,809	2,809
Grants & restricted donations	10,701	7,382	8,328	7,553
	<u>12,681</u>	<u>9,362</u>	<u>12,203</u>	<u>11,428</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and Gifts in Kind includes £1.435m (2013 £1.179m) raised for this purpose. At 31 August 2014 a total of £8.7m had been pledged to support Ark programme and core cost funding in future years, none of which has been reported as income.

3. Fundraising events

The charity did not hold a major fundraising event in 2013/14. Income stated in the SoFA under incoming resources from fundraising events related to gala dinners held in 2011/12 or before and is reported in the year in which the income was received.

Additionally pledges made at gala dinners are recorded as donations in the year that they are received and reported in the SoFA under voluntary income.

4. Investment income

Investment income arises from interest receivable on funds held in interest bearing bank accounts and on fixed term deposit. During the year investment income was £0.104m (2013 £0.188m) for the group and £0.082m (2013 £0.164m) for the charity.

5. Allocation of support costs

Group and Charity

	Charitable activity £'000	Cost of generating funds £'000	Governance costs £'000	Total £'000
Head office costs	1,349	633	139	2,121
Total	<u>1,349</u>	<u>633</u>	<u>139</u>	<u>2,121</u>

Support costs relate entirely to Ark's London office and the core staff team covering fundraising, communications, finance, human resources, general management and administration.

Ark uses this broad definition of core costs and then covers these costs from funds raised and set aside specifically for this purpose.

Notes to the Accounts

For the year ended 31 August 2014

5. Allocation of support costs (cont.)

The table above shows how the resources covered by the core budget are allocated using the three broad categories required under the Charities SORP 2005, and is based upon an allocation of the time spent by individual members of staff. Note 6 further apportions the charitable activities element between individual programmes undertaken directly by the Ark group.

6. Analysis of resources expended

Group

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2014 £'000</i>	<i>Total 2013 £'000</i>
Charitable expenditure					
HIV/AIDS - MOZ SMS (GPAF IMPo8o)	27	366	68	461	898
DDC - Zambia	27	390	68	485	517
DDC - Uganda	27	-	27	54	1,873
MNC - Zimbabwe	335	1	202	538	769
Health - Africa Other	-	-	-	-	(1,911)
Child Protection - Romania	13	-	67	80	1,888
Child Protection - Other	-	-	-	-	144
Intl Education - Public Partnership	89	155	67	311	-
Intl Education - Incubator	351	33	94	478	907
Intl Education - Schools	437	-	312	749	186
Intl Education - Leading Educator	-	-	-	-	111
Intl Education - Other	598	1	108	707	482
UK Education	5,611	8,060	336	14,007	4,310
TL transfer of Reserve	-	-	-	-	1,069
	7,515	9,006	1,349	17,870	11,243
Cost of generating funds	(6)	-	633	627	702
Governance costs	-	-	139	139	333
Total resources expended	7,509	9,006	2,121	18,636	12,278

Activities undertaken directly represent programmatic work by the central charity and its operating subsidiaries.

Grant funding of activities represents programmatic work carried out by non-group entities (including Ark Schools) and funded by grants from the charity.

Support costs relate to Ark's core staff team and the London office and are covered by the Core Costs Fund.

Notes to the Accounts

For the year ended 31 August 2014

6. Analysis of resources expended (cont.)

Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total 2014 £'000</i>	<i>Total 2013 £'000</i>
Charitable expenditure					
HIV/AIDS - MOZ SMS (GPAF IMPo8o)	14	381	68	463	545
DDC - Zambia	14	405	68	487	516
DDC - Uganda	14	15	27	56	1,873
MNC - Zimbabwe	14	110	202	326	159
Health - Africa Other	-	-	-	-	(2,262)
Child Protection - Romania	13	-	67	80	1,888
Child Protection - Other	-	-	-	-	144
Intl Education - Public Partnership	89	155	67	311	-
Intl Education - Incubator	89	84	94	267	570
Intl Education - Schools	201	197	312	710	160
Intl Education - Leading Educator	-	-	-	-	111
Intl Education - Other	-	543	108	651	505
UK Education	-	9,526	336	9,862	(308)
	448	11,416	1,349	13,213	3,901
Cost of generating funds	(6)	-	633	627	702
Governance costs	-	-	139	139	333
Total resources expended	442	11,416	2,121	13,979	4,936

Activities undertaken directly represents programmatic work carried out by the central charity and where this charitable expenditure (as opposed to the cost of generating funds) relates primarily to research and development of new programmes.

Grant funding of activities represents programmatic work carried out by group and non-group companies and funded by grants from the central charity.

Support costs relate to Ark's core staff team and the London office and are covered by the Core Costs Fund.

Notes to the Accounts

For the year ended 31 August 2014

7. Investments

	Group 2014 £'000	Charity 2014 £'000	Group 2013 £'000	Charity 2013 £'000
Investments b/fwd	16,123	10,696	17,812	12,109
Additional investment in the year	1,400	1,400	-	-
Redemption	-	-	(1,413)	(1,413)
Endowment disinvestment in the year	44	-	(276)	-
Investments c/fwd	<u>17,567</u>	<u>12,096</u>	<u>16,123</u>	<u>10,696</u>
Unrealised gains b/fwd	4,513	3,739	3,229	3,095
Unrealised (loss)/gains in the year	443	(39)	1,284	644
Market value at 31 August	<u>22,523</u>	<u>15,796</u>	<u>20,636</u>	<u>14,435</u>

Investment Income

	Group 2014 £'000	Charity 2014 £'000	Group 2013 £'000	Charity 2013 £'000
Unrealised (loss)/gains in the year	443	(39)	1,284	644
Realised gains in the year	-	-	522	522
	<u>443</u>	<u>(39)</u>	<u>1,806</u>	<u>1,166</u>

8. Net movement in funds

	Group 2014 £'000	Charity 2014 £'000	Group 2013 £'000	Charity 2013 £'000
Operating lease charges	<u>502</u>	<u>486</u>	<u>400</u>	<u>390</u>
Depreciation	<u>155</u>	<u>107</u>	<u>146</u>	<u>105</u>
Auditors' remuneration - current year audit	<u>33</u>	<u>21</u>	<u>28</u>	<u>21</u>

Notes to the Accounts

For the year ended 31 August 2014

9. Fixed assets

Group	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2013	841	1,062	599	32	2,534
Additions	232	-	113	-	345
Disposals	-	-	(6)	-	(6)
At 31 August 2014	<u>1,073</u>	<u>1,062</u>	<u>706</u>	<u>32</u>	<u>2,873</u>
Depreciation:					
At 1 September 2013	259	34	581	6	880
Disposals	-	-	(4)	-	(4)
Charge for the year	9	35	103	8	155
At 31 August 2014	<u>268</u>	<u>69</u>	<u>680</u>	<u>14</u>	<u>1,031</u>
Net Book Value:					
At 31 August 2014	<u>805</u>	<u>993</u>	<u>26</u>	<u>18</u>	<u>1,842</u>
At 31 August 2013	<u>582</u>	<u>1,028</u>	<u>18</u>	<u>26</u>	<u>1,654</u>

Charity

	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 September 2013	841	-	571	-	1,412
Additions	232	-	113	-	345
At 31 August 2014	<u>1,073</u>	<u>-</u>	<u>684</u>	<u>-</u>	<u>1,757</u>
Depreciation:					
At 1 September 2013	259	-	566	-	825
Charge for the year	9	-	98	-	107
At 31 August 2014	<u>268</u>	<u>-</u>	<u>664</u>	<u>-</u>	<u>932</u>
Net Book Value:					
At 31 August 2014	<u>805</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>825</u>
At 31 August 2013	<u>582</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>587</u>

Notes to the Accounts

For the year ended 31 August 2014

10. Debtors

	<i>Group</i> <i>2014</i> <i>£'000</i>	<i>Charity</i> <i>2014</i> <i>£'000</i>	<i>Group</i> <i>2013</i> <i>£'000</i>	<i>Charity</i> <i>2013</i> <i>£'000</i>
Receivable within 1 year				
HMRC - Gift Aid	33	33	304	304
Related company debtors	54	54	82	82
Prepayments and other debtors	1,573	477	722	436
	1,660	564	1,108	822

11. Creditors

	<i>Group</i> <i>2014</i> <i>£'000</i>	<i>Charity</i> <i>2014</i> <i>£'000</i>	<i>Group</i> <i>2013</i> <i>£'000</i>	<i>Charity</i> <i>2013</i> <i>£'000</i>
Amounts falling due within 1 year				
Trade Creditors	197	124	236	89
Related company creditors	916	-	750	-
Grant creditors	6,839	8,749	7,006	9,806
Other creditors	793	220	810	713
Deferred Income	1,663	617	236	236
	10,408	9,710	9,038	10,844
Amounts falling due after 1 year				
Grant creditors	1,107	2,760	3,351	4,844

Notes to the Accounts

For the year ended 31 August 2014

12. Analysis of charitable funds

Group

	31 Aug 2013 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2014 £'000
Restricted funds					
HIV/AIDS - MOZ SMS (GPAF IMPo8o)	-	340	55	(393)	2
DDC - Zambia	-	392	27	(417)	2
DDC - Uganda	-	-	29	(27)	2
DDC - Gen	636	31	-	-	667
MNC - Zimbabwe	1,486	33	-	(336)	1,183
Health - Africa Other	221	-	-	-	221
Child Protection - Romania	-	18	(5)	(13)	-
Child Protection - Other	-	8	(8)	-	-
Intl Education - Public Partnership	-	-	244	(244)	-
Intl Education - Incubator	1,031	96	88	(384)	831
Intl Education - Schools	2,051	65	333	(437)	2,012
Intl Education - Other	146	421	122	(599)	90
UK Education	7,155	10,622	3,628	(13,671)	7,734
Other	(4)	-	-	-	(4)
	12,722	12,026	4,513	(16,521)	12,740
Unrestricted funds					
Core funds	2,796	2,315	-	(2,121)	2,990
General programme funds	9,289	192	(4,513)	6	4,974
	12,085	2,507	(4,513)	(2,115)	7,964
Total	24,807	14,533	-	(18,636)	20,704

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange.

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

Notes to the Accounts

For the year ended 31 August 2014

12. Analysis of charitable funds (cont.)

Charity

	31 Aug 2013 £'000	Incoming £'000	Transfers in / (out) £'000	Outgoing £'000	31 Aug 2014 £'000
Restricted funds					
HIV/AIDS - MOZ SMS (GPAF IMPo8o)	-	340	55	(395)	-
DDC - Zambia	-	392	27	(419)	-
DDC - Uganda	-	-	29	(29)	-
DDC - Gen	635	31	-	-	666
MNC - Zimbabwe	-	124	-	(124)	-
Child Protection - Romania	-	18	(5)	(13)	-
Child Protection - Other	-	8	(8)	-	-
Intl Education - Public Partnership	-	-	244	(244)	-
Intl Education - Incubator	-	86	87	(173)	-
Intl Education - Schools	-	65	333	(398)	-
Intl Education - Other	-	421	122	(543)	-
UK Education	-	5,897	3,629	(9,526)	-
	635	7,382	4,513	(11,864)	666
Unrestricted funds					
Core funds	2,796	2,315	-	(2,121)	2,990
General programme funds	9,289	192	(4,513)	6	4,974
	12,085	2,507	(4,513)	(2,115)	7,964
Total	12,720	9,889	-	(13,979)	8,630

Incoming is the amount received as income for each fund during the year including gains and losses on investments and foreign exchange.

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

Outgoing is the amount spent by the Charity or committed as grants to other entities including other group companies.

Mozambique SMS grant income of £340k includes Department for International Development (DFID) grant funding under Global Poverty Action Fund (GPAF IMPo8o) of £326k including £23k allocated to General Programme Funds to support the cost of the central team.

DFID contributed £83k to the Madhya Pradesh Quality Assessment programme (MPQA) in India in 2013/14 which is included in International Education- Incubator.

Notes to the Accounts

For the year ended 31 August 2014

13. Staff costs and numbers

	Group	Charity	Group	Charity
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Salaries and wages	3,925	1,664	3,800	1,962
Social security costs	539	330	515	317
Pension costs	307	182	246	194
	<u>4,771</u>	<u>2,176</u>	<u>4,561</u>	<u>2,473</u>

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

	Group	Charity	Group	Charity
	2014	2014	2013	2013
	No.	No.	No.	No.
Programmes	71	-	59	-
Support services	36	26	37	26
Fundraising	4	4	6	6
	<u>111</u>	<u>30</u>	<u>102</u>	<u>32</u>

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

	Group	Charity	Group	Charity
	2014	2014	2013	2013
	No.	No.	No.	No.
£140,001 - £150,000	1	1	1	1
£130,001 - £140,000	-	-	1	-
£120,001 - £130,000	-	-	1	1
£110,001 - £120,000	1	1	-	-
£100,001 - £110,000	-	-	1	1
£90,001 - £100,000	3	-	-	-
£80,001 - £90,000	3	3	4	2
£70,001 - £80,000	4	2	7	2
£60,001 - £70,000	3	-	2	-

The pension contributions made on behalf of the above employees were £91,293 (2013:£63,778) in the group and £70,937 (2013:£52,558) in the charity.

14. Directors' remuneration and expenses

The charity did not pay any remuneration to its trustees. No expenses were reimbursed to or paid on behalf of trustees during the year.

Notes to the Accounts

For the year ended 31 August 2014

15. Investments in subsidiaries

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

16. Related party transactions

Ark made new grants of £5.067m to its sister charity Ark Schools (2013 £0.500m) to cover the core costs of the charity to 31 August 2014. At the year end the unpaid grant allocated to Ark Schools was £2.779m (2013 £2.986), all of which is due in less than one year. The charity also shares its office with Ark Schools, with each charity assuming a reasonable proportion of the costs.

Future Leaders Charitable Trust (Future Leaders) is a charitable company on which Ark is represented on the Board of Directors. During the year Ark made no new grant (2013 nil). At the year end the unpaid grant allocated to Future Leaders was £0.504m (2013 £0.709m), £0.261m of which is due in less than one year (2013 £0.270m). Ark also provides office space which Future Leaders pays for in proportion to the resources used.

Teaching Leaders is a charitable company on which Ark is represented on the Board of Directors. During the year Ark made no new grant (2013 nil). At the year end the unpaid grant allocated to Teaching Leaders was £0.791m (2013 £0.956m), £0.260m of which is due in less than one year (2013 £0.480m). Ark also provides office space which Teaching Leaders pays for in proportion to the resources used.

Ark is also affiliated to Absolute Return for Kids, US, Inc. (Ark US), a US philanthropic organisation that shares the charity's objectives. During the year Ark received a grant of £0.705m (\$1.178m) from Ark US (2013 £0.175m (\$0.277m)).

During the year Ark redeemed nil (2013 \$3.000m) of its investment in the Ark Masters Fund (AMF). The AMF is managed by Ark Masters Management Limited (AMML), a Cayman Islands registered company having no directors in common with Ark. During the year the charity received a dividend of £0.099m from AMML (2013 £0.122m). AMML receives investment advice from Ark Masters Advisers Limited (AMAL), a UK registered company with five directors who are all trustees of Ark. During the year the charity received a donation of £0.099m from AMAL (2013 £0.122m).

Notes to the Accounts

For the year ended 31 August 2014

17. Operating lease commitments

The amounts payable in respect of operating leases shown below are analysed according to the expiry of the leases.

	<i>Group</i> <i>2014</i> <i>£'000</i>	<i>Charity</i> <i>2014</i> <i>£'000</i>	<i>Group</i> <i>2013</i> <i>£'000</i>	<i>Charity</i> <i>2013</i> <i>£'000</i>
One year	662	635	-	-
Between two and five years	760	755	675	634
	<u>1,422</u>	<u>1,390</u>	<u>675</u>	<u>634</u>

18. Notes to the consolidated cash flow statement

Reconciliation of net incoming resources to net cash outflow from operating activities

	<i>Group</i> <i>2014</i> <i>£'000</i>	<i>Group</i> <i>2013</i> <i>£'000</i>
Net (outgoing)/incoming resources	(4,875)	2,302
Depreciation	155	146
Write off of book value on disposal of tangible fixed assets	2	18
Unrealised gains on foreign currency transactions	329	(157)
Interest received	(104)	(188)
Decrease in debtors	(552)	30
Decrease in creditors	(874)	(4,043)
Net cash outflow from operating activities	<u>(5,919)</u>	<u>(1,892)</u>

19. Risk factors

Ark invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The main risks arising from the charity's pursuit of its objectives and the policies agreed by the trustees for managing each of these risks are summarised below.

(a) Interest rate risk

Interest rate risk represents the potential financial loss that the charity might suffer due to interest rate movements. The Charity pays 0% interest on outstanding creditors and does not rely on interest earnings to fund its programmes. It is therefore not exposed to any significant interest rate risk.

Notes to the Accounts

For the year ended 31 August 2014

19. Risk factors (cont.)

(b) Market price risk

Market price risk represents the potential financial loss that the charity might suffer through holding market positions in the face of price movements. Market price risk arises over the future value of the charity's investment in the Ark Masters Fund (AMF) and the Eureka Fund. The risk is mitigated by the fact that the AMF is a fund of hedge funds with a range of investment approaches, each of which incorporates a strategy to manage this risk. The trustees further manage the risk by meeting regularly with the managers of the AMF to review the performance of the fund.

(c) Currency risk

Currency risk arises over the commitment to fund current and future overseas programme grants which are, or will be, committed in foreign currencies. Currency risk also arises over the future value of the charity's investment in the AMF, which is a US dollar-denominated fund. The Financial Stewardship Committee considers the portfolio of foreign currency assets and liabilities as a whole and has adopted a policy whereby forward currency contracts will be put in place to cover any net imbalance in excess of £5m. At 31st August 2014 no such contract was considered necessary. The risk may be further managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency.

(d) Credit risk

Credit risk represents the potential financial loss that the charity might suffer through its supporters failing to honour the financial pledges that they have made to it. The charity manages this risk by regularly monitoring outstanding pledges, especially the small number of high value pledges that derive generally from supporters who are well known to the charity and the trustees. Furthermore, pledges are no longer recognised as income in the accounts of the charity until cash is received following the change of accounting policy adopted in the current year.

(e) Financial assets

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

	Group 2014 £'000	Charity 2014 £'000	Group 2013 £'000	Charity 2013 £'000
Investment in Ark Masters, Eureka & P2P	15,796	15,796	14,435	14,435
Investment Endowment	6,727	-	6,201	-
Cash at bank and in hand	6,194	3,915	13,798	12,564
Receivables	1,660	564	1,108	822
	30,377	20,275	35,542	27,821

Notes to the Accounts

For the year ended 31 August 2014

19. Risk factors (cont.)

(f) Fair value

The Charity measures investment values using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 - valued using quoted prices unadjusted in active markets for identical assets or liabilities.

Level 2 - valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The fair value of the investment in the Ark Masters Fund is the published Net Asset Value of the fund. It is classified as a Level 2 asset.

(g) Liquidity risk

The current economic climate has emphasised the need to ensure the Charity can meet its liabilities as and when they fall due. The Charity continues to direct considerable effort to improving cash flow management and forecasts. The cash and investments assets have an adequate level of liquidity to meet the Charity's financial liabilities as they fall due.

The table below analyses the maturity profile of the Charity's financial liabilities, illustrating the amounts contractually due within the bandings specified:

Group	<i>within 1 month £'000</i>	<i>between 1-3 months £'000</i>	<i>between 3-12 months £'000</i>	<i>greater than 12 months £'000</i>	<i>Total £'000</i>
Financial liabilities					
At 31 August 2014					
Trade Creditors	197	-	-	-	197
Related company creditors	720	-	-	-	720
Grant creditors	238	1,472	5,129	1,107	7,946
Tax and social security creditors	-	-	-	-	-
Other creditors	154	639	-	-	793
Total	1,309	2,111	5,129	1,107	9,656
Charity					
Financial liabilities					
At 31 August 2014					
Trade Creditors	124	-	-	-	124
Grant creditors	264	1,924	6,561	2,760	11,509
Other creditors	110	110	-	-	220
Total	498	2,034	6,561	2,760	11,853