

Absolute Return for Kids (ARK)

Trustees' Annual Report and Accounts

For the Year Ended 31 August 2013

Contents

Turstees' report	2
Independent auditors' report	13
Consolidated Statement of Financial Activities	15
Chairty Statement of Financial Activities	16
Consolidated Balance Sheet	17
Charity Balance Sheet	18
Consolidated Statement of Cash Flows	19
Notes to the Accounts	20

Trustees' report for the year ended 31 August 2013

The trustees are pleased to present their report together with the audited financial statements of the charity for the year ended 31st August 2013.

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 (appointed September 2012)
Paul Marshall
Jennifer Moses
Michael Platt
Blaine Tomlinson
Anthony Williams

All trustees served for the full year except where indicated 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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Trustees' report for the year ended 31 August 2013 (continued)

Objectives and principal activities

ARK is an international charity whose purpose is to transform children's lives. Founded in 2002 by senior figures in the alternative investment industry, ARK designs and delivers its own programmes and acts in partnership with other organisations to generate positive change, providing public benefit in each of its key areas of focus: education, health and child protection in the UK, sub-Saharan Africa, Romania and India.

As a board of trustees, we are committed to deploying our skills and expertise to support ARK's aims, adhering to Charity Commission guidance on public benefit when doing so. Our financial contributions, and those of ARK's patrons, also ensure that ARK's central administrative costs are fully covered; this means that 100% of donations to ARK go directly to our programmes for children.

ARK's reach and influence goes well beyond the programmes that are consolidated in these accounts. Our incubation and support funding in 2012/13 and previous years has helped a number of initiatives to develop to the scale they have achieved today, including ARK Schools programmes in the UK, with operating expenditure of £93 million this financial year, and the Future Leaders and Teaching Leaders teacher development programmes (operating expenditure of £5.1 and £4.8 million, respectively). As separate legal entities, such 'family' organisations are not included in this report, though ARK's involvement at a funding and governance level is ongoing.

EDUCATION

ARK Schools: Ensuring children achieve their potential

ARK Schools is a network of 27 non-selective primary and secondary schools serving areas of high disadvantage in London, Birmingham, Portsmouth and Hastings. Our aim is that every pupil, regardless of their background, should do well enough to go to university or pursue the career of their choice.

During the 2012/13 school year we operated 18 academies, reaching over 9,000 pupils, of whom almost half received free school meals-- three times the national average -- and over 45% spoke English as an additional language. More than a quarter of students joining an ARK academy in year 7 in 2012 had achieved level 3 or below at Key Stage 2, putting their attainment two years behind national expectations when they came into our schools.

Despite the challenging educational and social contexts in which our schools operate, we are one of the country's top performing academy operators. Between the end of Key Stage 2 and GCSEs, our pupils made more progress than in any other academy network in 2012/13. In January 2013, the *Financial Times* conducted a detailed analysis of England's academy networks and rated ARK Schools as "the best performing", citing our success in raising the attainment of those pupils who start secondary school furthest behind.

National results: successes and challenges

The network's GCSE results in 2012/13 were again strong, with particularly impressive performances from our longest-standing schools. Fifty-eight per cent of our students achieved the headline measure of 5+ A*-C GCSEs including English and mathematics, with attainment in both subjects outperforming national levels. All schools reporting results for their second or subsequent year as part of the ARK network improved student outcomes significantly, bar one where pupil results held steady. Charter Academy in Portsmouth reported the greatest improvement in the 5+ GCSEs measure, up 20 percentage points to 68%, and up a remarkable 65 percentage points from the 3% the school recorded in the year when discussions about becoming an ARK academy first began. Today Charter Academy is the best performing school in Portsmouth, having been bottom of the local league table when it first came into the network.

Trustees' report for the year ended 31 August 2013 (continued)

Key Stage 1 results across our seven schools with pupils in this age group were also solid: 88% of children reached Level 2 for reading and 82% for writing, compared with 89% and 85% nationally. In our more established schools, there was exceptional achievement in reading, writing and maths with pupils at Ark, Globe and King Solomon academies achieving close to 100% at Level 2 in all three disciplines – far outstripping national averages. At Key Stage 2, however, overall network performance in reading, writing and mathematics was below national averages: with three of our five schools with pupils in this age group only recently transitioned to the network, these results reflect the complexity and scale of the task we face when taking on struggling schools. Nonetheless, four of our five primaries made significant progress in their combined results, with pupils from ARK Globe and Tindal in particular showing exceptional improvement.

Better teaching, learning and enrichment for students

As a network, we continue to focus on teacher development, pedagogical innovation and enrichment activities for students. Again in 2012/13 we ran twice the standard number of training days for all staff in our schools. In November 2012 we also launched ARK Teacher Training, an accredited one-year teacher training course, in partnership with Canterbury Christ Church University, in which trainees spend a year working in our schools before graduating with a Post Graduate Certificate in Education and Qualified Teacher status. This commitment to providing the best possible training from the beginning of a teacher's career is another way we can drive systemic change and address a fundamental factor in pupil attainment.

In its second year, our Mathematics Mastery programme was rolled out to a further 85 schools -- including secondary schools -- bringing its reach to a total of 115 schools in London, Birmingham, Portsmouth and Suffolk. Initial results from the first 30 schools to adopt our mastery approach to mathematics teaching were impressive: head teachers found that the programme has enabled the lowest-performing children to comfortably reach the expected standard for their age group, and in some schools pupils achieved double the expected progress. In August 2013, we secured a two-year £595k grant from the Greater London Authority Schools Excellence Fund to further expand the programme within London.

To help raise aspirations and prepare our students for life beyond school, we continue to run several career and university programmes in partnership with leading corporations and well-respected universities. Providing mentoring, university summer schools and taster days, and a range of other events to foster creative thinking, confidence and work-related skills, our enrichment activities play a vital role in ensuring that our students are ready and able to pursue their chosen post-school path. In addition, the 2012/13 year saw us provide 21 exceptionally talented ARK students with £95,000 worth of bursaries to assist them with their university studies.

ARK UK Programmes: Support for schools and social enterprises

ARK UK Programmes is a wholly owned subsidiary of ARK, providing programme support to schools within and beyond the ARK Schools network and nurturing early-stage social enterprises. Mathematics Mastery and student enrichment (University and Careers Success), detailed above, fall under the auspices of ARK UK Programmes, alongside outdoor education (Expanding Horizons) and our schools music programme.

This year, we played a central role in the development of Frontline, a social enterprise aiming to transform the lives of vulnerable children by attracting outstanding individuals into child social work. Frontline will recruit high potential graduates and career switchers and train them over two years, combining academic study and on-the-job experience to develop them into exceptional social workers who can help improve outcomes for vulnerable children and their families. ARK UK Programmes provided seed funding and practical support for Frontline and continues to help it move towards its goal of financial independence within two years.

Trustees' report for the year ended 31 August 2013 (continued)

India: Quality primary education and English language skills

ARK's work in India has so far focussed on facilitating access to primary education and improving English language proficiency, both critical to children's life chances as well as to the nation's economic future. India's Right to Education Act 2009 stipulates that private schools must reserve 25% of their student places for disadvantaged children. ARK's pilot programme, ENABLE, is an education voucher scheme that encourages families in the poorest areas of Delhi to claim their entitlement to free school places, providing vouchers to cover tuition fees, uniforms, textbooks and lunch for the full five years of primary school. In 2012/13, our pilot cohort of 605 children completed their second academic year across 68 schools, with a retention rate of 90%, compared to 80% in comparable voucher programmes. In collaboration with Newcastle University, we are comparing the academic results of children attending school with and without vouchers, so we can use what we learn to influence government and education policy makers on the most effective ways to implement the legislation.

Our phonics-based English teaching programme, ASPIRE, is now used in 386 government and low-cost private schools across nine Indian states. In the past year we trained more than 200 teachers and reached just over 20,000 children with our engaging, interactive teaching methods and materials that encourage pupils to speak, read and write English with confidence.

In addition to ENABLE and ASPIRE, we are leading an international consortium to develop a School Quality Assessment Framework for the Government of Madhya Pradesh. With funding from the Department for International Development (DFID), ARK and our partners are working to design the assessment framework and support the Government of Madhya Pradesh to establish a School Assessment Agency, setting robust benchmarks to improve educational opportunities for the state's children.

Uganda: Quality secondary education through public-private partnerships

ARK joined forces with PEAS (Promoting Equality in African Schools) in 2011 with the aim of reducing the number of secondary-school aged children in Uganda who are currently not in school. Working within the Uganda Government's policy for public-private partnerships (PPPs) in education, we planned to open and run a network of 10 state-funded secondary schools in rural areas with PEAS over the next five years.

The past year has seen us deepen and reposition our partnership with PEAS, with the result that we are now providing support across their entire network of 21 schools, rather than limiting our support to 10 specific ARK-PEAS schools. Eight new PEAS schools were opened in 2012/13, welcoming 2,696 children into the network, while PEAS students achieved 5% above national Division III results in the Universal Certificate of Education (Uganda's GCSE equivalent). An external evaluation also found that 40% of PEAS day school students come from the poorest 20% of the population, confirming that these schools are reaching some of the most economically disadvantaged communities in rural Uganda.

With ARK's support and guidance PEAS is working with the Ministry of Education and Sports in Uganda to update current policy on PPPs for education. Our global knowledge of PPPs will be enormously useful in these discussions, helping us to contribute to a legislative framework that will improve educational standards for children across the country.

Trustees' report for the year ended 31 August 2013 (continued)

HEALTH

Mozambique: Using simple technology to improve HIV patient care

While our successful four-year programme to create a sustainable model of HIV care in Maputo province was formally handed over to Mozambique's Ministry of Health in August 2012, ARK's work in Mozambique continued through to May 2013 with the innovative SMSaúde programme. Using text messages to remind patients about their clinical appointments, SMSaúde significantly improved patients' adherence to antiretroviral therapy and services designed to prevent mother-to-child transmission of HIV: 96.5% of patients receiving SMS reminders were still accessing care after six months, compared to 75% nationally. Use of SMS reminders also increased the likelihood of HIV-positive mothers giving birth in hospitals or clinics, and resulted in more newborns being tested for the virus at birth. We presented these findings in June this year at the International AIDS Society Conference – the world's biggest HIV conference -- in Kuala Lumpur, demonstrating how the benefits of SMS messages reminders could have a far-reaching effect on global maternal mortality.

SMSaúde is now being scaled up in Gaza province, in partnership with the Elizabeth Glaser Paediatric AIDS Foundation and with ARK in a coordinating role. The scale-up also extends the SMS model to patients with tuberculosis, aiming to bring about similar improvements in their care.

Uganda: Saving lives through increased access to cost-effective diarrhoea treatment

Each year, more than 10,000 Ugandan children die from diarrhoea. With our partner, the Clinton Health Access Initiative (CHAI), we are working to improve access to two central products in diarrhoea treatment: oral rehydration salts (ORS) and zinc. Our goal is to significantly increase the percentage of children who receive treatment for diarrhoea with ORS and zinc, preventing more than 15,000 diarrhoea deaths by 2015 and an additional 35,000 by 2020.

The programme aims to educate and influence health workers, retailers and caregivers while also strengthening the ORS/zinc supply chain to make treatment cheaper and more widely accessible. So far we have helped to create a more diversified base of high-quality, affordable suppliers, with four new zinc products and two new ORS products newly registered. These products represent a price decrease of 60-85% in comparison to import prices when the project began. We have also provided training in diarrhoea management for public healthcare workers, druggists and pharmacy staff, created promotional materials to raise awareness of zinc and ORS among caregivers, and provided technical and strategic support to Uganda's Ministry of Health.

Zambia: Vaccination, treatment and behaviour change to reduce child mortality

Working with the Ministry of Health and in partnership with local NGO, the Centre for Infectious Disease Research in Zambia (CIDRZ), our diarrhoea programme in Zambia is the first in sub-Saharan Africa to combine prevention with treatment. We are piloting our three-year programme in Lusaka province and aim to have halved deaths from diarrhoea and reduced child mortality by 15% by 2015.

The year 2012/13 has seen impressive progress in advancing the prevention of diarrhoea and our work with the Ministry of Health has helped to secure the national roll out of the rotavirus vaccine two years ahead of schedule. Before long, every child in the country will have life-saving immunity from rotavirus, one of the most virulent causes of diarrhoea

As of August this year, 122,100 children in Lusaka Province had been given their first dose of rotavirus vaccine and approximately 94,500 were fully immunised. In their second year of support for the programme, GlaxoSmithKline donated 117,369 rotavirus vaccines, continuing to sustain the pilot until national rollout begins.

Trustees' report for the year ended 31 August 2013 (continued)

Other key achievements included the training of 444 front line health workers in the management of childhood illnesses, and building a new paediatric clinic in Chainda South, which is now fully operational and supported by government. We also financed two further cold storage facilities, securing the national infrastructure essential for vaccine delivery.

Our understanding of the barriers which prevent parents and carers from being able to manage and treat diarrhoea at home was significantly improved this year through research conducted with the London School of Hygiene & Tropical Medicine. Looking closely at exclusive breastfeeding, hand washing with soap, and use of oral rehydration salts and zinc, we were able to identify behavioural factors which could have a substantial impact on our efforts to promote effective, affordable diarrhoea prevention and treatment.

Zimbabwe: Essential health care for pregnant women and newborns

ARK Zimbabwe is now in its second year of work to improve Zimbabwe's startlingly poor maternal and neonatal health outcomes: ill-equipped hospitals and an acute shortage of doctors and health workers mean that more pregnant women and newborn babies die in Zimbabwe today than 10 years ago. By training a new cadre of health workers, improving the skills of existing workers and providing essential equipment and supplies for newborn care, we aim to reduce the number of mothers and babies who lose their lives each year.

Our new classroom blocks for the training of clinical officers were built and opened this year in time for our first cohort of 37 students. Training also commenced for our initial intake of 20 nurse anaesthetists. Early curriculum reviews indicate that our courses are being delivered far above the standards of other clinical officer programmes (one for previous cohorts in Zimbabwe and one in Tanzania).

'Newborn care corners', created in partnership with UNICEF, have been established in 20 district hospitals, equipped with cost-effective, life-saving equipment and staffed by trained health workers. Eleven of these dedicated areas are now fully equipped with new resuscitators, and a total of 96 health workers have been trained in life-saving newborn management skills.

CHILD PROTECTION

Romania: ending the institutionalisation of children

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 in the wholesale reform of its child care system. We resettle children in institutions back with parents or relatives, with foster or adoption families, or in small group homes. Our goal is wholesale reform of the Romanian child care system, including the closure of all institutions by 2020.

In November 2012, ARK was an invited participant in an EU Forum event that focused on 'Supporting Child Protection Systems through the implementation of the EU Agenda on the Rights of the Child'; ARK and HHC were credited with raising the profile of deinstitutionalisation in the EU and contributing to policy development on systems reform.

We celebrated a significant milestone in our journey with HHC in December 2012, when together we celebrated the closure of the last remaining institution in Maramures, Romania. Maramures is the first county in Romania to document how it closed all its institutions, providing a blueprint for other countries to follow. Along with attending dignitaries, the closure was celebrated by 90 children in the county's care, as well as their carers, who joined us on the day.

Trustees' report for the year ended 31 August 2013 (continued)

Financial review

ARK recorded a net surplus of £4.0m for the year, as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £4.2m surplus in the previous year. These surpluses have resulted in group reserves increasing to £24.8m at August 2013 (2012 £20.8m).

ARK's consolidated income in the year to 31 August 2012 totalled £14.6m (2012 £21.9m). £2.7m of the reduction is due to Teaching Leaders no longer forming part of the Group as explained below. The charity did not have a major fundraising dinner in 2012/13 and therefore the cost of generating funds was £4.8m lower than the previous year at £0.7m. The net income after fundraising was £13.9m (2012 £16.4m, or £13.7m on a consistent basis with Teaching Leaders income excluded).

Group expenditure during the year was £6.1m lower at £12.3m (2012 £18.4m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 83% (2012 69%) of total expenditure. 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 and, in 2012, included the cost of the gala dinner event.

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 £3.9m (2012 £9.2m). This includes support costs of £1.0m (2012 £1.3m).

	2013 £'000	2012 £'000
Contributions arranged by trustees and patrons	644	730
Gift in kind	112	286
ARK Masters fee rebates	423	310
Return on investments	962	609
Total income raised for core costs	2,141	1,935
Less: Expenditure on core costs	(1,986)	(2,323)
Surplus / (deficit) on core costs for the year	155	(388)
Balance at 1 September	2,641	3,029
Balance at 31 August	2,796	2,641

As the above table shows, at 31 August 2013 a reserve has been established to cover core costs of £2.8m, equivalent to 17 months expenditure at the 2013 level (2012 £2.6m – 14 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.

This undertaking is central to ARK's operating philosophy as it gives other donors the assurance that every penny of every donation to programme funds goes directly to specific programmes.

Balance Sheet

The typical lifecycle of non-UK programmes is 3 to 5 years and ARK underwrites the full cost and sets aside reserves at the outset. In the charity balance sheet these programme commitments are shown as grant creditors. 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 on an annual basis and therefore there is no grant creditor relating to future period funding. The total value of grant creditors in the charity balance sheet at 31 August was £14.7m (2012 £24.5m).

Trustees' report for the year ended 31 August 2013 (continued)

The charity also holds an additional amount of £9.9m to invest in current and new programmes (2012 £1.1m), £0.6m as restricted funds (2012 £0.5m) and £9.3m as unrestricted funds held in its General Programme Fund (2012 £0.6m).

As a result of the change of accounting policy adopted in the current year (explained in Note 1a to the accounts), donor pledges are no longer accrued as debtors in the balance sheet and we have restated the prior year accounts. Donor pledges at August 2013 totalled £11.4m and are mostly linked to future planned programme commitments. The trustees are confident that donor pledges will continue to be honoured and believe the new policy will result in a more consistent matching of programme expenditure and related donations and grants within the same accounting year.

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 remained relatively constant in the year, declining from £27.3m to £27.0m.

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. Deposit accounts are also maintained with Barclays Corporate and Royal Bank of Scotland (RBS) to provide some diversity for the charity's cash. The FSC believes that this is an appropriate low risk approach and at 31 August 2013 81% of the charity's cash was invested in the Lloyds accounts (2012 88%) with the balance in the RBS and Barclays accounts. The profile of the cash holdings is dependent on the working capital needs of ARK's programmes.

The trustees have set a non-cash investments target range of 40-60% of total cash and investments. At 31 August 2013 the investments in ARK Masters Fund (AMF) and Eureka represented 53% of total invested funds (2012 56%) and was therefore in line with these guidelines. The US Dollar denominated AMF, which represents 46% 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.

The trustees consider that the US\$ denominated AMF provides a foreign currency match for programme grant liabilities denominated in foreign currency and uncommitted reserves that are expected to be committed to foreign currency denominated programmes in the next 12 months. Provided that foreign currency assets and liabilities match to within £5m no currency hedge contract is required to mitigate currency risk and at 31st August 2013 the £5m limit was not exceeded so no contract was in place. Some modest foreign currency gains and losses arise due to the mis-match within the £5m limit and also because reserves are not subject to revaluation.

The US\$ denominated AMF produced an investment return for the year of 4.0% (2012 2.1%). 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 gain on the investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was 6.2% (2012 2.3%).

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 £0.423m (2012 £0.310m). This additional return was equivalent to 3.2% (2012 2.2%) of ARK's average investment in AMF during the period.

Taking these two factors together ARK's total return on investment in AMF was 9.4 % during the 12 month period (2012 4.5%). The trustees consider this to be a satisfactory performance in an extremely difficult economic climate.

Trustees' report for the year ended 31 August 2013 (continued)

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 £9.9m 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 the preceding section of this report, together with explanations relating to risk-mitigation.

Funds and Reserves

Restricted funds

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

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

Where the projects are to be implemented by group companies the funds committed to them are shown as restricted funds in the group balance sheet. For this reason at any point in time ARK expects to be holding in restricted funds an amount equivalent to more than one year's expenditure.

The value of restricted funds held by the group at 31st August 2013 was £12.7m (2012 £17.6m) which is equivalent to 17 months' expenditure on charitable activities from restricted funds at 2013 levels (2012 19 months). The trustees consider this to be in line with the organisation's policy.

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

Unrestricted funds – General Programme Fund

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

In the charity balance sheet these funds are shown as unrestricted funds – General Programme Fund. The balance held in this fund was £9.3m at 31st August 2013 (2012 £0.6m). ARK anticipates that all these funds will be committed to specific programmes within the next 24 months. The trustees consider this to be in line with the organisation's policy.

Unrestricted funds – core costs

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

In the balance sheet these funds are shown under unrestricted funds – core costs. The balance held on this fund was £2.8m at 31st August 2013 (2012 - £2.6m) which is equivalent to 17 months' expenditure on core costs at 2012 levels (2012 14 months). The trustees consider this to be in line with the organisation's policy.

Trustees' report for the year ended 31 August 2013 (continued)

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 four 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 charitable company limited by guarantee (company number 5112090; charity number 1111608). ARK Schools receives the majority of its income from the UK Government and, due to the requirement for ultimate government control of these funds, does not form part of the Group in these accounts.

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). From 1 September 2012 the Teaching Leaders programme commenced operations as a separate legal entity and the accumulated reserves of the programme were transferred to this new legal entity, as explained in Note 16 to the accounts. This is consistent with ARK's policy of nurturing new programmes and helping them to independence and sustainability as they mature.

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.

ARK Mozambique (an NGO registered in Mozambique as a branch of the central charity) runs the charity's programmes in Mozambique and closed its office at the end of August 2013 on conclusion of the programme. The process of full de-registration will be completed in the months following this closure.

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.

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

ARK holds 40-60% of its funds in the ARK Masters Fund (AMF), an investment unit trust (see note 7). The AMF was set up by supporters of ARK in 2005. It is managed by ARK Masters Management Limited

Trustees' report for the year ended 31 August 2013 (continued)

(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. Statement of trustees' responsibilities in respect of the financial statements

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 12th December 2013.

Ian Wace
Chairman, 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 2013 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 12, 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 2013 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*

17 December 2013

Consolidated Statement of Financial Activities

For the year ended 31 August 2013

				<i>Year ended</i> <i>31-Aug-13</i>	<i>Year ended</i> <i>31-Aug-12</i>
	<i>Notes</i>	<i>Unrestricted</i> <i>£'000</i>	<i>Restricted</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>	<i>Total</i> <i>£'000</i> Restated
<i>Incoming resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	3,875	8,328	12,203	13,092
Gifts in Kind		112	822	934	207
Activities for generating funds:					
Fundraising events	3	1,255	-	1,255	7,772
Investment income	4	164	24	188	243
Incoming Resources from charitable activities		-	-	-	626
<i>Total incoming resources</i>		<u>5,406</u>	<u>9,174</u>	<u>14,580</u>	<u>21,940</u>
<i>Resources expended</i>					
Cost of generating funds	6	702	-	702	5,518
Charitable Activities:					
Grants and project operating costs	5 & 6	978	9,196	10,174	12,618
Governance costs	5 & 6	333	-	333	311
Teaching Leaders - transfer of reserves	16	-	1,069	1,069	-
<i>Total resources expended</i>		<u>2,013</u>	<u>10,265</u>	<u>12,278</u>	<u>18,447</u>
<i>Net incoming/(outgoing) resources before other recognised gains and losses</i>		<u>3,393</u>	<u>(1,091)</u>	<u>2,302</u>	<u>3,493</u>
Realised/unrealised gains on investment assets	7	1,166	640	1,806	1,003
Realised/unrealised (losses)/gains on foreign currency transactions		(178)	33	(145)	(202)
<i>Net incoming/(outgoing) resources before transfers</i>		<u>4,381</u>	<u>(418)</u>	<u>3,963</u>	<u>4,294</u>
<i>Gross transfers between funds</i>	12	4,460	(4,460)	-	-
<i>Net movement in funds</i>	8	<u>8,841</u>	<u>(4,878)</u>	<u>3,963</u>	<u>4,294</u>
<i>Funds at 1 September</i>		<u>3,244</u>	<u>17,600</u>	<u>20,844</u>	<u>16,550</u>
<i>Funds at 31 August</i>		<u>12,085</u>	<u>12,722</u>	<u>24,807</u>	<u>20,844</u>

The notes on pages 20 to 35 form an integral part of these financial statements.

Charity Statement of Financial Activities

For the year ended 31 August 2013

				<i>Year ended 31-Aug-13</i>	<i>Year ended 31-Aug-12</i>
	<i>Notes</i>	<i>Unrestricted £'000</i>	<i>Restricted £'000</i>	<i>Total £'000</i>	<i>Total £'000 Restated</i>
<i>Incoming resources</i>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	3,875	7,553	11,428	10,239
Gifts in Kind		112	-	112	207
Activities for generating funds:					
Fundraising events	3	1,255	-	1,255	7,567
Investment income	4	164	-	164	207
<i>Total incoming resources</i>		5,406	7,553	12,959	18,220
<i>Resources expended</i>					
Cost of generating funds:	6	702	-	702	5,518
Charitable Activities					
Grants and project operating costs	5 & 6	978	2,923	3,901	9,280
Governance costs	5 & 6	333	-	333	311
<i>Total resources expended</i>		2,013	2,923	4,936	15,109
<i>Net incoming resources before other recognised gains and losses</i>		3,393	4,630	8,023	3,111
Realised/unrealised gains on investment assets					
Realised/unrealised losses on foreign currency transactions	7	1,166	-	1,166	820
		(178)	-	(178)	(298)
<i>Net incoming resources before transfers</i>		4,381	4,630	9,011	3,633
<i>Gross transfers between funds</i>	12	4,460	(4,460)	-	-
<i>Net movement in funds</i>	8	8,841	170	9,011	3,633
<i>Funds at 1 September</i>		3,244	465	3,709	76
<i>Funds at 31 August</i>		12,085	635	12,720	3,709

The notes on pages 20 to 35 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 August 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			Restated
Tangible fixed assets	9	1,654	1,250
		<u>1,654</u>	<u>1,250</u>
Current assets			
Investments	7	20,636	21,041
Debtors	10	1,108	1,138
Cash at bank and in hand		13,798	13,846
		<u>35,542</u>	<u>36,025</u>
Creditors: amounts falling due within one year	11	(9,038)	(9,253)
Net current assets		<u>26,504</u>	<u>26,772</u>
Total assets less current liabilities		28,158	28,022
Creditors: amounts falling due after one year	11	(3,351)	(7,178)
Net assets		<u>24,807</u>	<u>20,844</u>
Funds			
Unrestricted funds:			
General Programme Fund		9,289	603
Core costs		2,796	2,641
Restricted funds		12,722	17,600
Total funds	12	<u>24,807</u>	<u>20,844</u>

The notes on pages 20 to 35 form an integral part of these financial statements.

Approved by the Board of Directors on 12th December 2013 and signed on its behalf by:



Ian Wace
Chairman, ARK

Charity Balance Sheet

As at 31 August 2013

	Notes	2013 £'000	2012 £'000 Restated
Fixed assets			
Tangible fixed assets	9	587	652
		<u>587</u>	<u>652</u>
Current assets			
Investments	7	14,435	15,204
Debtors	10	822	829
Cash at bank and in hand		12,564	12,081
		<u>27,821</u>	<u>28,114</u>
Creditors: amounts falling due within one year	11	(10,844)	(15,837)
Net current assets		<u>16,977</u>	<u>12,277</u>
Total assets less current liabilities		17,564	12,929
Creditors: amounts falling due after one year	11	(4,844)	(9,220)
Net assets		<u>12,720</u>	<u>3,709</u>
Funds			
Unrestricted funds:			
General Programme Fund		9,289	603
Core costs		2,796	2,641
Restricted funds		635	465
Total funds	12	<u>12,720</u>	<u>3,709</u>

The notes on pages 20 to 35 form an integral part of these financial statements.

Approved by the Board of Directors on 12th December 2013 and signed on its behalf by:


 Ian Wace
 Chairman, ARK

Consolidated Statement of Cash Flows

For the year ended 31 August 2013

	<i>Notes</i>	<i>Year ended 31-Aug-13 £'000</i>	<i>Year ended 31-Aug-12 £'000 Restated</i>
<i>Net cash outflow from operating activities</i>	18	(1,892)	(2,150)
<i>Returns on investments and servicing of finance</i>			
Interest received		188	243
<i>Capital expenditure</i>			
Purchase of fixed assets		(556)	(681)
Redemption of investment in ARK Masters Fund		1,935	1,901
Investment made during the year		-	(28)
Endowment investment during the year		276	64
Decrease in cash		<u>(48)</u>	<u>(651)</u>

Reconciliation to net funds:

	<i>Year ended 31-Aug-13 £'000</i>	<i>Year ended 31-Aug-12 £'000 Restated</i>
Decrease in cash	(48)	(651)
Cash at beginning of year	13,846	14,497
Cash at end of year	<u>13,798</u>	<u>13,846</u>

The notes on pages 20 to 35 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2013

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.

The policy related to income recognition changed from 2012/13 and the prior year has been restated. Note 1a explains the policy change and the impact on the prior year accounts.

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. The operational treatment of the policy related to grant expenditure recognition changed from 2012/13.

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 2013

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 and executive members of staff 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. Where the charity makes a grant to a subsidiary the value of funds actually spent by the subsidiary is shown rather than the value of the grant.

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

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

Operating lease

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

Notes to the Accounts

For the year ended 31 August 2013

1a Prior Year Adjustment

The Trustees have changed an accounting policy during the year, relating to income recognition, and the prior year accounts for the year to August 2012 have been restated to reflect the amended policy.

Income from donors was previously recognised when pledges were made, resulting in a timing difference between income being reported in the accounts and cash being received. Increasingly the charity's donors and institutional funders are entering into scheduled payment agreements to match the programme expenditure that is being funded and the trustees therefore believe it is more appropriate to match income and expenditure by recognising income when received and deferring any receipts which clearly relate to future period expenditure. As a result of this change donor pledges at August 2012 of £12.1m have been reversed resulting in a reduction in debtors and a corresponding reduction in restricted and unrestricted funds of £3.9m and £8.2m respectively, as shown in the table below.

Group

	2011/12 As reported (£'000)	PYA (£'000)	2011/12 Restated (£'000)
SoFA:			
– income from grants, donations and fundraising events	19,891	973	20,864
- funds brought forward	29,643	(13,093)	16,550
- funds carried forward	32,964	(12,120)	20,844
Balance Sheet:			
- Debtors	13,258	(12,120)	1,138
- General Programme Funds	8,813	(8,210)	603
- Restricted Funds	21,510	(3,910)	17,600

Charity

	2011/12 As reported (£'000)	PYA (£'000)	2011/12 Restated (£'000)
SoFA:			
– income from grants, donations and fundraising events	16,833	973	17,806
- funds brought forward	13,169	(13,093)	76
- funds carried forward	15,829	(12,120)	3,709
Balance Sheet:			
- Debtors	12,949	(12,120)	829
- General Programme Funds	8,813	(8,210)	603
- Restricted Funds	4,375	(3,910)	465

1b Change in operational treatment of programme grant expenditure

The accounting policy relating to programme expenditure grant recognition remains unchanged, with grants recorded as expenditure when a legal or constructive obligation is made. However, grants relating to the funding of UK education programmes have historically been recorded in the year prior to the actual expenditure. From 2012/13 the trustees no longer award grants in advance of the year of expenditure and hence grants for 2013/14 are not recognised in advance and only become constructive obligations at the start of the year to which the grant relates. The financial statements therefore include no such grant expenditure in 2012/13.

If the Charity SoFA was restated to record UK education programme grants as expenditure in the year to which the grant relates the charitable grants and project operating costs would increase by £5.6m in 2012/13 with a corresponding reduction in the surplus for the year. The prior year, 2011/12, would include an additional £0.7m cost in the category, being the 2011/12 grant of £6.3m recorded in 2010/11 less the £5.6m grant relating to 2012/13. The brought forward charity reserves at 1 September 2011 would be correspondingly £6.3m higher at £10.0m

Notes to the Accounts

For the year ended 31 August 2013

2. Grants and donations

	<i>Group 2013 £'000</i>	<i>Charity 2013 £'000</i>	<i>Group 2012 £'000 Restated</i>	<i>Charity 2012 £'000 Restated</i>
Contributions to core costs	1,066	1,066	1,119	1,119
General Donations	2,809	2,809	3,114	3,114
Grants & restricted donations	8,328	7,553	8,859	6,006
	<u>12,203</u>	<u>11,428</u>	<u>13,092</u>	<u>10,239</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and Gifts in Kind includes £1.179m (2012 £1.326m) raised for this purpose.

3. Fundraising events

The charity did not hold a major fundraising event in 2012/13. Income stated in the SoFA under incoming resources from fundraising events related to gala dinners held in previous years 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 £0.192m (2012 £0.243m) for the group and £0.164m (2012 £0.207m) for the charity.

5. Allocation of support costs

Group and Charity

	<i>Charitable activity £'000</i>	<i>Cost of generating funds £'000</i>	<i>Governance costs £'000</i>	<i>Total £'000</i>
Head office costs	978	675	333	1,986
Total	<u>978</u>	<u>675</u>	<u>333</u>	<u>1,986</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.

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

Notes to the Accounts

For the year ended 31 August 2013

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 2013 £'000</i>	<i>Total 2012 £'000</i> Restated
Charitable expenditure					
Health - Africa HIV/AIDS	696	(2,104)	156	(1,253)	1,436
DDC - Zambia	76	342	98	517	202
DDC - Uganda	-	1,853	20	1,873	-
MNC - Zimbabwe	671	-	98	769	(1,772)
Health - Africa Other	164	-	78	242	161
Child Protection - Romania	78	1,712	98	1,888	257
Child Protection - Other	66	78	-	144	195
Intl Education - India	630	-	128	758	574
Intl Education - Uganda -PEAS	186	-	-	186	313
Intl Education - USA	-	(6)	117	111	-
Intl Education - Other	600	-	29	629	321
UK Education	2,860	1,294	156	4,310	10,931
Teaching Leaders - transfer of reserves	-	1,069	-	1,069	-
	6,027	4,238	978	11,243	12,618
Cost of generating funds	27	-	675	702	5,518
Governance costs	-	-	333	333	311
Total resources expended	6,054	4,238	1,986	12,278	18,447

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.

The negative grant funding of £2.104m is primarily due to the reclassification of third party grants of £1.853m to a new diarrhoea control programme in Uganda that is being implemented by the Clinton Health Access Initiative (CHAI), with a corresponding reduction in grant to CHAI for programmes in Mozambique. The balance of the negative grant reflects the reversal of unspent grants to General Programme Funds.

The transfer of Teaching Leaders reserves of £1.069m related to the transfer of accumulated reserves on the separation of Teaching Leaders from the ARK Group from 1 September 2012.

Notes to the Accounts

For the year ended 31 August 2013

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 2013 £'000</i>	<i>Total 2012 £'000</i> Restated
Charitable expenditure					
Health - Africa HIV/AIDS	40	(2,156)	156	(1,960)	285
DDC - Zambia	51	367	98	516	202
DDC - Uganda	-	1,853	20	1,873	-
MNC - Zimbabwe	37	24	98	159	252
Health - Africa Other	136	29	78	243	184
Child Protection - Romania	78	1,712	98	1,888	258
Child Protection - Other	66	78	-	144	204
Intl Education - India	135	160	128	423	170
Intl Education - Uganda -PEAS	160	-	-	160	303
Intl Education - Leading Educators	-	(6)	-	(6)	-
Intl Education - Other	120	503	29	652	444
UK Education	-	(464)	156	(308)	6,978
	823	2,100	861	3,784	9,280
Cost of generating funds	27	-	675	702	5,518
Governance costs	-	-	333	333	311
Total resources expended	850	2,100	1,869	4,818	15,109

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 2013

7. Investments

	<i>Group 2013 £'000</i>	<i>Charity 2013 £'000</i>	<i>Group 2012 £'000</i>	<i>Charity 2012 £'000</i>
Investments b/fwd	17,812	12,109	19,334	13,567
Additional investment in the year	-	-	28	28
Redemption	(1,413)	(1,413)	(1,486)	(1,486)
Endowment investment in the year	(276)	-	(64)	-
Investments c/fwd	<u>16,123</u>	<u>10,696</u>	<u>17,812</u>	<u>12,109</u>
Unrealised gains b/fwd	3,229	3,095	2,641	2,690
Unrealised gains in the year	1,284	644	588	405
Market value at 31 August	<u>20,636</u>	<u>14,435</u>	<u>21,041</u>	<u>15,204</u>

Investment Income

	<i>Group 2013 £'000</i>	<i>Charity 2013 £'000</i>	<i>Group 2012 £'000</i>	<i>Charity 2012 £'000</i>
Unrealised gains in the year	1,284	644	588	405
Realised gains in the year	<u>522</u>	<u>522</u>	<u>415</u>	<u>415</u>
	<u>1,806</u>	<u>1,166</u>	<u>1,003</u>	<u>820</u>

8. Net movement in funds

Operating lease charges	<u>400</u>	<u>390</u>	<u>411</u>	<u>390</u>
Depreciation	<u>147</u>	<u>105</u>	<u>303</u>	<u>290</u>
Auditors' remuneration				
- current year audit	<u>28</u>	<u>21</u>	<u>28</u>	<u>18</u>

Notes to the Accounts

For the year ended 31 August 2013

9. Fixed assets

Group	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 September 2012	801	548	597	50	1,996
Additions	40	514	2		556
Disposals	-		-	(18)	(18)
At 31 August 2013	841	1,062	599	32	2,534
Depreciation:					
At 1 September 2012	171	8	558	9	746
Disposals	-	-	-	(12)	(12)
Charge for the year	88	26	23	9	146
At 31 August 2013	259	34	581	6	880
Net Book Value:					
At 31 August 2013	582	1,028	18	26	1,654
At 31 August 2012	630	540	39	41	1,250

Charity	<i>Leasehold Improvements</i>	<i>Land & Building</i>	<i>Equipment, fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 September 2012	801	-	571	-	1,372
Additions	40	-		-	40
At 31 August 2013	841	-	571	-	1,412
Depreciation:					
At 1 September 2012	171	-	549	-	720
Charge for the year	88	-	17	-	105
At 31 August 2013	259	-	566	-	825
Net Book Value:					
At 31 August 2013	582	-	5	-	587
At 31 August 2012	630	-	22	-	652

Notes to the Accounts

For the year ended 31 August 2013

10. Debtors

	<i>Group</i> <i>2013</i> <i>£'000</i>	<i>Charity</i> <i>2013</i> <i>£'000</i>	<i>Group</i> <i>2012</i> <i>£'000</i>	<i>Charity</i> <i>2012</i> <i>£'000</i>
Receivable within 1 year			Restated	Restated
HMRC - Gift Aid	304	304	288	288
Related company debtors	82	82	157	157
Prepayments and other debtors	722	436	693	384
	1,108	822	1,138	829

11. Creditors

	<i>Group</i> <i>2013</i> <i>£'000</i>	<i>Charity</i> <i>2013</i> <i>£'000</i>	<i>Group</i> <i>2012</i> <i>£'000</i>	<i>Charity</i> <i>2012</i> <i>£'000</i>
Amounts falling due within 1 year			Restated	Restated
Trade Creditors	236	89	761	26
Related company creditors	750	-	837	-
Grant creditors	7,006	9,806	7,087	15,289
Other creditors	810	713	568	522
Deferred Income	236	236	-	-
	9,038	10,844	9,253	15,837
Amounts falling due after 1 year				
Grant creditors	3,351	4,844	7,178	9,220

Notes to the Accounts

For the year ended 31 August 2013

12. Analysis of charitable funds

Group

	<i>31 Aug 2012 £'000</i>	<i>Incoming £'000</i>	<i>Transfers in / (out) £'000</i>	<i>Outgoing £'000</i>	<i>31 Aug 2013 £'000</i>
Restricted funds					
Health - Africa HIV/AIDS	936	110	(2,237)	1,411	220
DDC - Zambia	-	267	151	(418)	-
DDC - Gen	465	171	-	-	636
DDC - Uganda	-	-	1,853	(1,853)	-
MNC - Zimbabwe	2,053	223	(119)	(671)	1,486
Health - Africa Other	-	-	165	(164)	1
Child Protection - Romania	-	30	1,760	(1,790)	-
Child Protection - Other	-	51	93	(144)	-
Intl Education - India	1,392	210	84	(630)	1,056
Intl Education - Uganda -PEAS	2,077	1,006	(846)	(186)	2,051
Intl Education - Other	98	607	8	(592)	121
UK Education	10,583	7,172	(5,372)	(5,228)	7,155
Other	(4)	-	-	-	(4)
	17,600	9,847	(4,460)	(10,265)	12,722
Unrestricted funds					
Core funds	2,641	2,141	-	(1,986)	2,796
General programme funds	603	4,253	4,460	(27)	9,289
	3,244	6,394	4,460	(2,013)	12,085
Total	20,844	16,241	0	(12,278)	24,807

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

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

Outgoing is the amount spent by the group or granted to partner entities outside the group. The UK Education 'outgoing' total includes £1.069m relating to the transfer of accumulated reserves on the separation of Teaching Leaders from ARK Group from 1 September 2012.

Notes to the Accounts

For the year ended 31 August 2013

12. Analysis of charitable funds (cont.)

Charity

	<i>31 Aug 2012 £'000</i>	<i>Incoming £'000</i>	<i>Transfers in / (out) £'000</i>	<i>Outgoing £'000</i>	<i>31 Aug 2013 £'000</i>
Restricted funds					
Health - Africa HIV/AIDS	-	120	(2,237)	2,117	-
DDC - Zambia	-	267	151	(418)	-
DDC - Gen	465	170	-	-	635
DDC - Uganda	-	-	1,853	(1,853)	-
MNC - Zimbabwe	-	180	(119)	(61)	-
Health - Africa Other	-	-	165	(165)	-
Child Protection - Romania	-	30	1,760	(1,790)	-
Child Protection - Other	-	51	93	(144)	-
Intl Education - India	-	210	84	(295)	-
Intl Education - Uganda -PEAS	-	1,006	(846)	(160)	-
Intl Education - Other	-	608	8	(615)	-
UK Education	-	4,911	(5,372)	461	-
	465	7,553	(4,460)	(2,923)	635
Unrestricted funds					
Core funds	2,641	2,141	-	(1,986)	2,796
General programme funds	603	4,253	4,460	(27)	9,289
	3,244	6,394	4,460	(2,013)	12,085
Total	3,709	13,948	-	(4,936)	12,720

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

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

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

Notes to the Accounts

For the year ended 31 August 2013

13. Staff costs and numbers

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Salaries and wages	3,800	1,962	4,317	1,717
Social security costs	515	317	529	356
Pension costs	246	194	149	67
	<u>4,561</u>	<u>2,473</u>	<u>4,995</u>	<u>2,140</u>

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

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Programmes	59	-	78	-
Support services	37	26	42	23
Fundraising	6	6	9	9
	<u>102</u>	<u>32</u>	<u>129</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:

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
£140,001 - £150,000	1	1	1	1
£130,001 - £140,000	1	-	3	2
£120,001 - £130,000	1	1	-	-
£100,001 - £110,000	1	1	-	-
£80,001 - £90,000	4	2	7	3
£70,001 - £80,000	7	2	5	1
£60,001 - £70,000	2	-	5	4

Payments to voluntary defined contribution pension schemes in the year in respect of employees included in the bandings above £60,000 were nil (2012 nil).

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 2013

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 £0.500m to its sister charity ARK Schools (2012 £5.490m) to cover the core costs of the charity to 31 August 2013. At the year end the unpaid grant allocated to ARK Schools was £2.986m (2012 £6.900), 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 Limited (Future Leaders) is a charitable company in which ARK holds one third of the voting rights on the Board of Directors. During the year ARK made no new grant (2012 nil). At the year end the unpaid grant allocated to Future Leaders was £0.709m (2012 £0.824m), £0.270m of which is due in less than one year (2012 £0.270m). ARK also provides office space which Future Leaders pays for in proportion to the resources used.

Teaching Leaders is a charitable company in which ARK holds one third of the voting rights on the Board of Directors. Its operations were accounted for through ARK UK Programmes, a wholly owned subsidiary, until 1 September 2012 when it commenced operations through an independent charitable company. At the point of transfer accumulated reserves of £1.069m were transferred and this has been recorded as grant expenditure in the accounts of the group. During the year ARK made no new grant (2012 nil). At the year end the unpaid grant allocated to Teaching Leaders was £0.956m (2012 £1.533m), £0.480m of which is due in less than one year (2012 £0.300m). 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 £0.175m (\$0.277m) from ARK-US (2012 £2.193m (\$3.426m)).

During the year ARK redeemed \$3.000m (2012 \$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 £0.122m from AMML (2012 £0.125m). 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 £0.122m from AMAL (2012 £0.125m).

Notes to the Accounts

For the year ended 31 August 2013

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>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
One year	-	-	19	-
Between two and five years	675	634	1,114	1,110
	<u>675</u>	<u>634</u>	<u>1,133</u>	<u>1,110</u>

18. Notes to the consolidated cash flow statement.

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

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
		Restated
Net incoming resources	2,302	3,493
Depreciation	146	303
Write off of book value on disposal of tangible fixed assets	18	-
Unrealised gains on foreign currency transactions	(157)	(202)
Interest received	(188)	(243)
Decrease in debtors	30	693
Decrease in creditors	(4,043)	(6,194)
Net cash outflow from operating activities	<u>(1,892)</u>	<u>(2,150)</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.

(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.

Notes to the Accounts

For the year ended 31 August 2013

(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 2013 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:

	<i>Group</i>	<i>Charity</i>	<i>Group</i>	<i>Charity</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
			<i>Restated</i>	<i>Restated</i>
Investment in ARK Masters & Eureka	14,435	14,435	15,204	15,204
Endowment investment	6,201	-	5,837	-
Cash at bank and in hand	13,798	12,564	13,846	12,081
Receivables	1,108	822	309	829
	<u>35,542</u>	<u>27,821</u>	<u>35,196</u>	<u>28,114</u>

(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.

Notes to the Accounts

For the year ended 31 August 2013

(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 2013					
Trade Creditors	236	-	-	-	236
Related company creditors	750	-	-	-	750
Grant creditors	243	2,422	4,341	3,351	10,357
Other creditors	-	810	-	-	810
Total	1,229	3,232	4,341	3,351	12,153

Charity

	<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 2013					
Trade Creditors	89	-	-	-	89
Grant creditors	290	3,076	6,440	4,844	14,650
Other creditors	226	487	-	-	713
Total	605	3,563	6,440	4,844	15,452