



Absolute Return for Kids (ARK)
Company limited by guarantee registration number: 04589451
Charity registration number: 1095322

Annual Report and Accounts

For the year ended 31 August 2022

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Legal, reference and administrative details

Absolute Return for Kids (ARK) (referred to throughout as ‘Ark’, or ‘the charity’) is a company limited by guarantee, registered in England and Wales, number 04589451, and is a UK registered charity, number 1095322.

Directors	<p>The directors of the charity are its trustees for the purposes 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:</p> <p>Ian Wace (Chairman) Anthony Clake Lord Fink Sir Paul Marshall</p> <p>None had any beneficial interest in the charity and remuneration of trustees is neither paid by the charity nor permitted under its Articles of Association.</p>
Company Secretary	Elizabeth Dawson
Senior Management	Lucy Heller, Chief Executive Michael Clark, Deputy Chief Executive Jacqueline Russell, Chief Operating Officer
Registered Office	The Yellow Building 1 Nicholas Road London, W11 4AN T: +44 20 3116 0800
Auditor	Buzzacott LLP 130 Wood Street London, EC2V 6DL T: +44 20 7556 1200
Bankers	Lloyds Bank plc 95 George Street Croydon CR9 2NS
Solicitors	Stone King LLP Boundary House 91 Charterhouse St London EC1M 6HR T: +44 20 7796 1007
Investment Managers	Aurum Funds Limited Ixworth House 37 Ixworth Place London SW3 3QH T: +44 20 7589 1130

Overall approach

Ark is an education charity that aims to make sure that all children, regardless of their background, have access to a great education and real choices in life.

Ark supports Ark Schools, a separate legal entity that is a successful academy network, with 39 schools and around 30,000 pupils.

Ark also runs Ark Ventures, which aims to improve education beyond our schools. We want Ark to be a home for people with great ideas that have the potential to improve education. Many of these ideas started in Ark's schools, while others have come from partners outside Ark. We incubate, launch, and scale ventures that share our mission.

Working in partnership with different organisations around the world has allowed us to spread our expertise through initiatives designed to support and improve education systems in a number of different ways.

Ark Schools, Ambition Institute, Frontline, Now Teach, STiR and Peepul were all incubated and supported by Ark as ventures and are now separate legal entities, not included in the financial statements in this report. Assembly, also an Ark Venture, was acquired in 2019 by Groupcall, a leading provider of data, identity management and communication solutions for schools. During the 2021/22 financial year, Global Schools Forum (GSF) spun out to become an independent organisation (Charity No. 1195542). Mathematics Education for Social Mobility and Excellence (MESME) also spun out to become an independent charity on 1 September 2022 (Charity No. 1199281).

Trustees' Report including Strategic Report

Activities, achievements and performance

Ark Schools

Ark Schools is a network of academies. We opened our first school in 2006 and now run 39 academies in London, Birmingham, Portsmouth, and Hastings. Today, 30,000 students and 3,000 staff make up the Ark Schools network.

Achievements and performance

In 2021/22, our students outperformed the national average at every age and stage. That's despite our students being twice as likely to be eligible for free school meals.

- At Primary, Ark students are 14 percent more likely to leave school on track in their reading, writing and maths.
- At Secondary, three of our schools were in the top 35 schools nationally for progress made by students eligible for free school meals.
- When leaving school, 80 percent of Ark sixth form students progress to higher education compared to 55 percent nationally.

Ark Ventures

Ark Ventures provides a home to mission-aligned organisations, helping them to grow into sustainable entities, often resulting in them becoming independent organisations. Below is a summary of the ventures that are currently being supported.

Activities, achievements and performance (continued)

Ark Curriculum Plus

Ark Curriculum Plus (AC+) was formed in 2019 following the merger of Mathematics Mastery, a venture since 2012, and English Mastery, a venture since 2017, and has since launched new programmes in Science, History, and Geography.

AC+ partners with schools to create high quality curricula that empower teachers to ensure that every child has the subject knowledge to succeed. It provides research-based and coherent curricula, teaching resources, and pedagogical training and support for teachers to help improve the quality of curriculum design and delivery. Our curriculum programmes are having the greatest impact in schools with a high proportion of inexperienced teachers helping them reach proficiency as quickly as possible.

Achievements and performance:

- The number of programmes in use rose from 750 to 1,000 in 2021/22, driven by the launch of new programmes (including key stage 3 Science and primary programmes).
- Funding was gained to develop two new programmes (key stage 4 Maths and Science) and to help scale the Maths Mastery Primary programme.
- AC+'s existing programmes did not grow as fast as planned due to: (a) uncertainty around the future of the Government-funded Oak National Academy's free, online resources; and (b) the significant challenge on schools as they sought to find a post-pandemic equilibrium addressing drops in attendance and other significant problems leading to a deprioritisation on curriculum.

Ark Start

Ark Start was founded to transform early education for disadvantaged children. It provides high-quality, teacher-led, early education with a focus on working with parents to improve the home learning environment for pre-school children.

Ark Start is creating a new model of flexible, affordable nursery education and aims to create an exemplar group of nurseries that will accelerate outcomes for the most disadvantaged children and transform the funding of early years so that the pupils who need the most support attract the most funding.

Achievements and performance:

- Ark Start continued to fill the two open nurseries (Ark Start John Archer in Clapham Junction and Ark Start Oval in East Croydon).
- Ark Start developed a growing coalition of partners advocating for increased funding in disadvantaged areas.
- Given the early success and the need to maximise our impact on policy makers, Ark Start is pursuing plans to expand to eight nurseries to strengthen its proof of concept.

Activities, achievements and performance (continued)

Mathematics Education for Social Mobility and Excellence (MESME)

Mathematics Education for Social Mobility and Excellence (MESME) exists to support students from all backgrounds to achieve mathematical excellence, so that they go on to have a greater and richer range of future personal, employment, and economic choices. It has developed and launched Maths Circles across the country for students aged 11-16. A Maths Circle is a group of students who come together to be mathematicians collectively. In Maths Circles, students grapple with intriguing questions, discover and explore exciting ideas and learn to think like mathematicians.

Maths Circles aim to develop students' mathematical thinking and expand their mathematical curiosity. They are out-of-class maths clubs featuring a ratio of at least one mentor for every six students. Sessions include a mixture of group and independent work and aim to engage students as they follow a carefully sequenced and structured curriculum.

Achievements and performance:

- MESME completed a year-long pilot of the Maths Circles programme in collaboration with Ark Schools and 10 partner schools and organisations.
- During the pilot, 1,806 young people took part in Maths Circles, including 37 secondary students from eight Ark Schools. Of the total, 44 percent of participants were eligible for Pupil Premium.
- Feedback from students was overwhelmingly positive across enjoyment, engagement, and building confidence.
- MESME became an independent charity on 1 September 2022 (Charity No. 1199281) with charitable objectives to grow the impact of Maths Circles and similar programmes.

EdCity

EdCity is a £150m not-for-profit project in White City, London. EdCity will bring social and educational benefits to the local community, and will include:

- A rebuilt two-form Ark primary academy, which will benefit from modern teaching environments, new outdoor learning spaces, improved IT, and sports and performing arts facilities. Students will start attending from September 2023.
- A newly redeveloped Harmony Nursery, nearly doubling its current capacity.
- A rebuilt Adult Community Education Centre, which will offer an extended service to adults taking their first steps back into education, training, and employment. The centre will provide training and life-long learning opportunities for local residents, with the main aim of supporting people back into employment.
- A new c.100,000sqft office building which will include office space for Ark, mission-aligned organisations, and commercial tenants.
- 132 affordable homes, with a mix of social tenures including an allocation for local teachers.
- An OnSide Youth Zone, offering after-school, weekend, and evening activities and opportunities for people in the local community aged between 8 and 19, together with those aged up to 25 with a disability. Facilities and activities will include a climbing wall, 3G pitch, boxing room, a fully equipped gym, music, art, dance, mentoring, a training kitchen, a four-court Sports Hall, and a multimedia suite.
- A new public square and a pedestrian and cycle route, which will halve the time it takes to walk from the White City Estate to the underground station and other amenities.

Activities, achievements and performance (continued)

EdCity (continued)

The project is a partnership between Ark, the London Borough of Hammersmith and Fulham, and the charity OnSide Youth Zone. Ark has incorporated three Special Purpose Vehicles to oversee the construction and ongoing management of the venture: EdCity Office (also a registered charity), EdCity Development Ltd and EdCity Management Company Ltd. Construction started in Summer 2021, and the scheme will be completed in two phases, with the first due to complete in Autumn 2023, and the whole scheme finished by the end of 2025.

Achievements and performance:

- The Master Development Agreements and the Design and Build contract were signed in November 2021 with all funding secured, ensuring a strong, long-term partnership for the site.
- Construction remains on track for the completion of the new Ark White City Primary and the WEST Youth Zone, the new purpose built Onside Youth Zone, in Autumn 2023.
- The practical completion of the Office, the remaining building in phase one, which will be the new home for Ark, Ark Schools, Ark Ventures and other mission aligned charities and commercial tenants will follow in Spring/Summer 2024.

Education Partnerships Group

Education Partnerships Group (EPG) is one of Ark's international ventures. It provides advisory services and delivery support to governments in low and middle income countries to help them shape and strengthen their education systems. EPG believes that supporting governments to design and implement contextually relevant, evidence-based, and results-focused public policy is one of the best ways to achieve sustainable progress towards high quality education for all. There is significant demand from ministries of education for EPG's embedded advisory approach to supporting the development and implementation of policy reforms across education systems.

Achievements and performance:

- EPG is working in partnership with ministries of education in Côte d'Ivoire, Sierra Leone, South Africa, and Zambia on a wide-range of projects.
- EPG put in place a three-year business plan in March 2022 which outlines a strategy for growth to meet demand from governments across Sub-Saharan Africa.
- EPG is focused on new strategic partnerships to facilitate growth and sustainability as funding to execute this plan has been challenging in the context of a global downturn in aid spending and a retraction of national budgets for education.

Global Schools Forum

Global Schools Forum (GSF) is a not-for-profit membership organisation of education entrepreneurs who are running and supporting innovative and inclusive schools across the developing world. GSF was launched in 2015. Having grown to include 65 members from 51 countries across Sub-Saharan Africa, Asia, and Latin America (representing more than 30,000 schools, and reaching over 5 million children), GSF became an independent charity (Charity No. 1195542) in October 2021 and has been reflected as a discontinued operation for the purposes of these financial statements.

Activities, achievements and performance (continued)

Future developments

As well as continuing to support AC+, Ark Start, EdCity, and EPG, Ark Ventures will launch two new programmes in 2022/23:

- Martingale Foundation, a post-graduate scholarship programme, whose mission will be to find, fund, and support a new generation of Science, Technology, Engineering, and Maths (STEM) postgraduates for whom family income would otherwise be a barrier to the pursuit of academic excellence. The Foundation will begin by focusing on Masters and PhD scholarships in Maths.
- A venture builder focused on addressing education and engagement challenges across STEM subjects.

It is our intention that the STEM Venture Builder and the Martingale Foundation will move to a new entity outside of Ark UK Programmes on 1st September 2023 (see Note 22).

Principal risks and uncertainties

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 the risks that relate to individual programmes as part of the annual review of business plans. In addition, the Finance and Risk Committee (FRC) reviews the risk register to monitor and manage risks and to report to the Board. The FRC meets regularly and at least three times per year. The main risks and mitigating actions are described below.

Operational risks

The principal operational risk relates to a decline in income which, in turn, could limit the ability of the organisation to fund programmes and to cover central administrative costs. To limit this risk, we develop long term relationships with a diverse group of donors, including individuals, trusts and foundations, and corporates. Typically, donated funds are restricted to specific programmes and can be both annual and multi-year support.

The disruption to the education sector in the aftermath of the Covid-19 pandemic continues to make it more difficult to sell the charity's new and existing products. To mitigate the risk of this, we have fundraised to secure support for the ventures and their programme delivery.

Financial risks

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:

- The effect of increasing costs, as a result of inflation, especially in staffing. Salary budgets are reviewed and controlled as part of the annual budget setting process. Any in year increases in salaries or new positions are subject to strict review and approval processes.
- Market price risk, arising over the future value of the charity's investments. The charity engages professionals to manage the investment portfolios and ensures that they are suitably diversified and consistent with the trustees' investment strategy.
- Market price risk relating to the cost of materials for the EdCity project. The charity is limiting this risk having entered into a design and build agreement which transfers most of the risk to the contractor.
- Currency risk, arising over the future value of the charity's investments, which are partly US denominated. The FRC considers the portfolio of foreign currency assets and liabilities as a whole and has adopted a policy whereby forward currency contracts cover the majority of any net imbalance. The risk may be further managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency of overseas operating programmes.
- Credit risk, representing 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 not recognised as income in the accounts of the charity until cash is received.

Principal risks and uncertainties (continued)***Financial risks*** (continued)

- Liquidity risk, representing the ability of the charity to 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.
- Supplier fraud, especially due to the increased sophistication of attempts, continues to concern the trustees. Multi-factor authentication has been implemented to further protect the organisation, with strict new supplier checks imposed.

Financial instrument risks

Ark invests the majority of liquid funds in a portfolio that is mostly comprised of hedge fund investments. The majority of these investments are denominated in US Dollars and hence there is both a currency risk and a market risk on the performance of these investments. The risk is limited through diversification of the portfolio across investment strategies and across investment funds. The investment objective is to outperform cash without significantly increasing risk and historically this portfolio has proved to be significantly less volatile than global equity markets, with positive returns in each of the last 10 calendar years. Currency risk is managed by monitoring the net imbalance of foreign currency assets and liabilities and the Board has approved the use of forward foreign currency contracts to limit currency gains and losses where the imbalance is regarded as excessive. The forward contracts in place effectively offset most of the foreign currency risk.

Law and regulation risks

There are currently no significant legal or regulatory non-compliance risks perceived by the charity and its subsidiaries.

Financial review

Ark recorded a net surplus of £2.4m for the year, largely due to funding received in advance for the EdCity project as reported in the consolidated Statement of Financial Activities (SoFA), compared to a £13.6m surplus in the previous year. As a result, group reserves increased to £35.0m at 31 August 2022 (2020/21 - £32.6m).

Ark's consolidated income in the year to 31 August 2022 totalled £24.4m (2020/21 - £35.0m).

The cost of raising funds, at £0.9m, was slightly higher than previous years (2020/21 - £0.6m). The cost of raising funds includes a proportion of the cost of the Development Team incurred by the charity based upon the percentage of staff time spent on fundraising.

Group expenditure during the year was £1.1m lower at £24.2m (2020/21 - £25.3m). The largest component of this was direct charitable expenditure on grants and project operating costs, representing 96% (2020/21 - 95%) of total expenditure excluding reserves transfers and discontinued activities.

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. The charity makes grants to subsidiary companies and programmes to support their charitable activities. The aims and objectives of the programmes supported by the charity are consistent with its own and so support of these programmes contributes to the achievement of the charity's own aims and objectives.

During the period, expenditure at the charity level on grants and project operating costs was £10.6m (2020/21 - £29.5m). This includes support costs of £2.0m (2020/21 - £1.6m).

Core Fund income and expenditure

	2022	2021
	£'000	£'000
Contributions arranged by trustees and patrons	2,063	1,047
Investment fee rebates	321	122
Return on investments	1,963	2,553
Other income	31	36
Total income raised for core costs	4,378	3,758
Less: Expenditure on core costs	(2,782)	(2,176)
Surplus on core funds for the year	1,596	1,582
Balance at 1 September	2,486	904
Balance at 31 August	4,082	2,486

The Core Fund is a designated fund within the unrestricted fund of the charity and group balance sheets. The income and expenditure in this fund is included in the unrestricted section of the charity and group SoFAs and is further supported by Note 4 to the accounts. It has been established by trustees to meet the central, or core, administrative costs of the charity. Trustees are major supporters of the charity and make donations to support the core costs. £2.0m was donated in the year for this purpose (2020/21 - £1.0m). The trustees are confident that these funds, together with investment income and Ark's other sources of core income, will be more than sufficient to cover core cost expenditure in the period ahead.

Core Fund income and expenditure (continued)

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. As the above table shows, at 31 August 2022, a reserve of £4.1m (2020/21 - £2.5m) has been established to cover core costs.

Investment fee rebates, included within core income, arise from funds that rebate their fees as a donation to Ark. Where capital is invested in a fund controlled by trustees of Ark, 100% of fees are donated in this way.

Ark also maintains a general programme fund for funding certain projects in Ark Schools. At 31 August 2022, a balance of £79k was held in this fund (2020/21 - £nil).

Balance Sheet

The typical life cycle 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 group 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 group balance sheet at 31 August 2022 was £2.5m (2020/21 - £2.6m).

In addition to the core costs fund, the group also holds an additional amount of £30.9m (2020/21 - £30.1m): £6.1m as endowment funds (2020/21 - £6.3m) held for the benefit of individual academies within Ark Schools, £24.8m as restricted funds (2020/21 - £23.8m) and £0.1m as unrestricted funds held in its General Programme Fund (2020/21 - £nil).

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. Due to funding for programmes received in the year, the total of cash and investments in the group balance sheet is £3.4m higher than the prior year at £53.6m (2020/21 - £50.3m).

The FRC oversees the charity's cash management. During the year, the charity's main bank accounts were held with Lloyds Banking Group. At 31 August 2022, 100% of the charity's cash was invested in the Lloyds accounts (2020/21 - 100%). The profile of the charity's cash holdings is dependent on the working capital needs of Ark's programmes.

At 31 August 2022, the non-cash investments held by the charity represented 56% of total cash and invested funds (2020/21 - 68%) and the FRC has approved this as reasonable. The objective for Ark's investments is to outperform cash without significantly increasing risk. The investment portfolio managed by Aurum includes 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.

The trustees consider that the investments, which are largely US dollar denominated, provide a foreign currency match for programme grant liabilities denominated in foreign currency. In the event that foreign currency assets and liabilities do not match, a currency hedge contract is in place to largely mitigate currency risk.

Funds and Reserves

Total reserves at the year end amounted to £35.0m (2020/21 - £32.6m) for the group and £4.7m (2020/21 - £3.5m) for the charity. Ark's policy on reserves is to maintain an unrestricted fund (General Programme Fund and Core Costs Fund) at a level that ensures Ark is able to meet its financial commitments and obligations as they fall due, fund unexpected expenditure when unplanned events or programmes occur, and safeguard the charity from uncertainty over future income. The appropriate level of reserves is set at an amount sufficient to cover unfunded expenditure from unrestricted funds for a minimum period of six months in the event of a significant fall in income. The value of six months' core (unrestricted) operating expenditure approximates to £1.4m with the year-end unrestricted reserves standing at £4.2m.

Costs are closely monitored to ensure that unrestricted reserves remain sufficient to meet financial commitments and obligations.

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. At the launch of a new programme, Ark may underwrite a portion of the cost with a transfer of unrestricted funds from the General Programme Fund 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.

Note 14 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). Where income is not committed to a specific project at the point of receipt, it is credited to Ark's General Programme Fund and stays there until such time as it is committed to a specific project.

Ark anticipates that the balance of General Programme Funds will be committed to specific programmes within the next 12 months. The trustees consider this to be in line with the organisation's policy.

Unrestricted funds – Core Costs Fund

The trustees ensure that the central administrative costs of the charity are met through funds set aside specifically for that purpose. In the balance sheet, these funds are shown under unrestricted funds - core costs. The balance held on this fund is equivalent to 17 months' expenditure on core costs at 2021/22 levels (2020/21 – 13 months).

Investment Policy

The Ark charity had a portfolio of investments with a market value as at 31 August 2022 of £23.4m (2020/21 - £28.0m). Ark invests in order to further the charity's charitable aims, taking into consideration the environmental, social, and governance aspects of the investments in line with our values. There are no restrictions on the charity's power to invest. The investment strategy is set by the trustees and takes into account income requirements, with the risk profile and the investment manager's view of the market prospects in the medium term. The overall investment policy is to outperform cash without significantly increasing risk.

Grant-Making Policy

The trustees apply the funds of Ark at their discretion and in accordance with the charitable purposes and objectives of the charity. Grants are made to programmes mostly operated within the Ark family of organisations. Grants are awarded based on the strategic and financial requirements of each programme. Requests are reviewed by the Board and are subject to regular reviews of performance against the grant. Expenditure on grant-making is recognised annually in the Consolidated Statement of Financial Activities.

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 2011. 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.

Approach to fundraising

Ark fundraises from a defined list of individuals, companies, and charitable trusts and foundations. Ark do not conduct mass mailing or telephone campaign fundraising and have no plans to start this kind of fundraising activity. Ark's network of schools conduct their own fundraising and may use fundraising platforms to promote specific school campaigns, including Just Giving. Ark has a small team of professional fundraisers and support staff. We do not out-source fundraising activities. Donor data is handled with care – information is held on a secure database and files managed by Ark. Ark is a paid member of the Fundraising Regulator and we comply with advice and guidance set by the body. We have not received any fundraising complaints.

Trustees' assessment of going concern status

The trustees have considered the risks facing the charity, the forecast of cash flows, and the level of reserves and are satisfied that Ark will be able to meet all financial obligations as they fall due over the next 12 months following approval of the accounts and therefore conclude that the charity is a going concern.

Governance

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 12 members, oversees the charity. The Board meets at least two times a year. There is also a programme board to oversee each venture, and a Finance and Risk Committee (FRC). The sub-committees report to the Board and make recommendations in their areas of responsibility. Trustee vacancies are advertised and prospective candidates will meet with members of the Ark Management Team and the Chair of the Board of Trustees as part of the appointment process. New trustees undergo an induction programme that includes meeting the Executive Team and briefing on their role and responsibilities, and meetings with existing trustees and our advisors.

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

Remuneration statement

Pay and benefits for the Chief Executive Officer (CEO) are determined by the Chair of the Board in consultation with other Board members and the Advisor to the Board. When deciding pay and benefits for the rest of the organisation, including the Executive team (except the CEO), salary survey information and other relevant data is used as a benchmark to compare against similar organisations in the voluntary sector.

Ark's key management salaries are set on appointment and reviewed annually in accordance with pay review procedures. The CEO of Ark approves all salaries on appointment and any base salary in excess of £75,000 per annum is also approved by Ark's Advisor to the Board, who is an employee of the charity and has delegated authority from the Ark Board.

Related parties

The charity has established a number of companies to implement its programmes. Subsidiaries are listed in Note 17.

Ark Schools is a multi-academy trust that is responsible for the schools that Ark runs in the UK. Ark is sole member of Ark Schools. Ark Schools is registered in England and Wales as a company limited by guarantee (company number 05112090) and an exempt charity. It has the same registered address as Ark. 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 Ark Schools. Ark UK Programmes is registered in England and Wales as a company limited by guarantee (company number 05932797; charity number 1137932). It is wholly owned by Ark and consolidated in these accounts. It has the same registered address as Ark.

Governance (continued)**Related parties** (continued)

The EdCity project will be delivered out of three Special Purpose Vehicles (SPVs):

- EdCity Office, incorporated 1 October 2018, is a registered charity and company limited by guarantee (charity number 1184547; company number 11596797). It is responsible for receiving and disbursing project funds, oversight and commissioning of marketing, leasing and fit out activity to EdCity Development Ltd, and running an office once construction is completed.
- EdCity Development Ltd, incorporated 10 August 2018, is a company limited by guarantee (company number 11511870). It is responsible for construction delivery and implementing marketing, leasing activity and fit out commissioned by EdCity Office and the other development partners.
- EdCity Management Company Ltd, incorporated 21 August 2018, is a company limited by guarantee (company number 11528726). It is responsible for the Estate Management of EdCity on behalf of the owners and tenants including managing the public realm and energy centre.

All EdCity SPVs are wholly owned subsidiaries of Ark and are consolidated in these accounts. They are all registered in England and Wales at the same address as Ark.

Ark (South Africa) Limited, an association incorporated in South Africa under section 21 (registration number 2004/003952/10) and registered in England and Wales as a charitable company limited by guarantee (company number 04957091; charity number 1108175), runs the charity's programmes in Sub-Saharan Africa and is part of these Group accounts. Its registered address is 4th Floor, Sunclare Building, 21 Dreyer Street, Claremont, Capetown, 7708.

Ark is also affiliated to Absolute Return for Kids US, Inc. (Ark US), a US philanthropic organisation which shares Ark's mission, and which supports the work of the charity through grants. This entity is therefore not included as part of the group accounts.

Statement of Trustees' Responsibilities

The trustees (who are also the directors of Absolute Return for Kids (Ark) for the purposes of company law) are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the charitable company and of the income or expenditure of the group for that period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: statement of recommended practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- 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 charitable company and group will continue in operation.

The trustees are responsible for keeping proper accounting records and disclosing with reasonable accuracy at any time the financial position of the group and charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

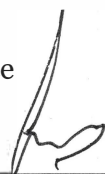
Each of the trustees confirms that:

- so far as the trustee is aware there is no relevant audit information of which the charitable company's auditors are unaware;
- the trustee has 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.

The confirmation is given and should be interpreted in accordance with the provision of 418 of the Companies Act 2006. The trustees are responsible for the maintenance and integrity of information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

This report was Approved by the Board of Trustees on 18 May 2023 and signed on its behalf by:

Ian Wace
Trustee



Independent auditor's report to the members of Absolute Return for Kids (Ark)

Opinion

We have audited the financial statements of Absolute Return for Kids (Ark) (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 August 2022 which comprise the group and charitable parent company statement of financial activities, the group and charitable parent company balance sheets and consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 August 2022 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and charitable parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report including the strategic report.

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

- ◆ adequate accounting records have not been kept by the charitable parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent company 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the charitable parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company and group through discussions with trustees and other management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Charities Act 2011, Companies Act 2006, data protection legislation, anti-bribery, employment, health and safety legislation, and, in respect of the EdCity projects, the CIS scheme in relation to taxation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- used data analytics to investigate the rationale behind any significant or unusual transactions.

Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at ww.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

26 May 2023



Katharine Patel (Senior Statutory Auditor)
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Consolidated Statement of Financial Activities (including income and expenditure account) For the year ended 31 August 2022

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Endowments</i>	<i>Year ended</i> <i>31-Aug-22</i> <i>Total</i>	<i>Year ended</i> <i>31-Aug 21</i> <i>Total</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Income and endowments from:</i>						
Donations and legacies						
Donations	2	2,313	9,048	-	11,361	28,144
Donated services	2	293	-	-	293	1,516
Charitable activities		-	2,365	-	2,365	3,177
Investment income	3a	321	295	-	616	549
Non-charitable trading funds	3b	-	-	-	-	790
Other	3c	31	9,613	-	9,644	217
Continuing operations		2,958	21,321	-	24,279	34,393
Discontinued operations	2 & 22	-	109	-	109	619
Total		2,958	21,430	-	24,388	35,012
<i>Expenditure on:</i>						
Raising funds	4	823	-	62	885	640
Charitable activities	4 & 5	1,959	21,197	-	23,156	23,147
Transfers to Now Teach		-	-	-	-	706
Continuing operations		2,782	21,197	62	24,041	24,493
Discontinued operations	4 & 22	-	109	-	109	812
Total		2,782	21,306	62	24,150	25,305
Net income (expenditure) before gains on investment and losses on foreign exchange		176	124	(62)	238	9,707
Net gains (losses) on investments	6 & 9	1,536	443	(224)	1,755	4,070
Gains (losses) on foreign currency transactions		427	-	-	427	(155)
Net income/ (expenditure)		2,139	567	(286)	2,420	13,622
Fund transfers	14	(464)	464	-	-	-
Net movement in funds	7	1,675	1,031	(286)	2,420	13,622
<i>Reconciliation of funds</i>						
Total funds brought forward		2,486	23,788	6,341	32,615	18,993
Total funds carried forward		4,161	24,819	6,055	35,035	32,615

The notes on pages 27 to 53 form an integral part of these financial statements.
There are no recognised gains and losses other than those shown above.

Consolidated Statement of Financial Activities (including income and expenditure account) (continued)
For the year ended 31 August 2022

	Continuing operations	Discontinued operations	Year ended	Continuing operations	Discontinued operations	Year ended
	2022	2022	2022	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Total income	24,279	109	24,388	34,393	619	35,012
Total expenditure	(23,979)	(109)	(24,088)	(24,434)	(812)	(25,246)
Net income (expenditure) for the year	300	-	300	9,959	(193)	9,766

The income and expenditure account above excludes the movement on the endowments fund. It is stated before losses/gains on investments and transfers.

The summary income and expenditure account is derived from the statement of financial activities on page 20 which, together with the notes to the financial statements on pages 27 to 53, provides full information on the movements during the year on all the funds of the charity.

Total income of £24,388k (2020/21 - £35,012k) comprises £2,958k (2020/21 - £4,371k) in relation to unrestricted funds and £21,430k (2020/21 - £30,641k) in relation to restricted funds. A detailed analysis of income and expenditure by source is provided in the statement of financial activities and the notes to the financial statements.

Net income for the year of £300k (2020/21 – net income of £9,766k) comprises net income of £176k (2020/21 - £2,195k net income) in relation to unrestricted funds and net income of £124k (2020/21 – net income of £7,571k) in relation to restricted funds, as shown in the statement of financial activities.

Charity Statement of Financial Activities (including income and expenditure account)

For the year ended 31 August 2022

				<i>Year ended 31-Aug-22</i>	<i>Year ended 31-Aug-21</i>
	<i>Notes</i>	<i>Unrestricted £'000</i>	<i>Restricted £'000</i>	<i>Total £'000</i>	<i>Total £'000</i>
<i>Income from:</i>					
Donations and legacies					
Donations	2	2,313	7,593	9,906	27,422
Donated services	2	293	-	293	1,481
Charitable activities		-	-	-	64
Investment income	3a	321	-	321	122
Other	3c	31	2	33	215
Continuing operations		2,958	7,595	10,553	29,304
Discontinued operations	2 & 22	-	109	109	619
Total		2,958	7,704	10,662	29,923
<i>Expenditure on:</i>					
Raising funds	4	823	-	823	581
Charitable activities	4 & 5	1,959	8,599	10,558	29,541
Continuing operations		2,782	8,599	11,381	30,122
Discontinued operations	4 & 22	-	109	109	812
Total		2,782	8,708	11,490	30,934
Net income (expenditure) before gains on investment and losses on foreign exchange					
		176	(1,004)	(828)	(1,011)
Net gains on investments	6	1,536	-	1,536	2,696
Gains (losses) on foreign currency transactions		427	(2)	425	(155)
Net income/ (expenditure)		2,139	(1,006)	1,133	1,530
<i>Fund transfers</i>	14	(464)	464	-	-
Net movement in funds	7	1,675	(542)	1,133	1,530
<i>Reconciliation of funds</i>					
Total funds brought forward		2,486	1,054	3,540	2,010
Total funds carried forward		4,161	512	4,673	3,540

The notes on pages 27 to 53 form an integral part of these financial statements.

There are no recognised gains and losses other than those shown above.

Consolidated Balance Sheet

As at 31 August 2022

Company number 04589451

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	8	11,374	2,954
Investment property	9	656	746
Investments	6	29,753	34,291
		<u>41,783</u>	<u>37,991</u>
Current assets			
Debtors	10	15,079	4,695
Cash at bank and in hand		23,891	15,967
		<u>38,970</u>	<u>20,662</u>
Liabilities			
Creditors: amounts falling due within one year	12	(36,641)	(23,378)
Net current assets (liabilities)		<u>2,329</u>	<u>(2,716)</u>
Creditors: amounts falling due after one year	12	(9,077)	(2,660)
Total net assets		<u>35,035</u>	<u>32,615</u>
Total Funds of the Group			
Endowment funds		6,055	6,338
Restricted income funds		24,819	23,791
Unrestricted funds:			
General Programme Fund		79	-
Core costs fund		4,082	2,486
Total Group funds	14	<u>35,035</u>	<u>32,615</u>

The notes on pages 27 to 53 form an integral part of these financial statements.

Approved by the Board of Trustees on 17 May 2023 and signed on its behalf by Ian Wace



Trustee

Absolute Return for Kids (ARK)

Charity Balance Sheet

As at 31 August 2022

Company number 04589451

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments	6	23,711	28,009
		<u>23,711</u>	<u>28,009</u>
Current assets			
Debtors	10	8,950	1,330
Cash at bank and in hand		989	6,563
		<u>9,939</u>	<u>7,893</u>
Liabilities			
Creditors: amounts falling due within one year	12	(24,932)	(29,828)
Net current liabilities		<u>(14,993)</u>	<u>(21,935)</u>
Creditors: amounts falling due after one year	12	(4,045)	(2,534)
		<u>(4,045)</u>	<u>(2,534)</u>
Total net assets		<u><u>4,673</u></u>	<u><u>3,540</u></u>
Total Funds of the Charity			
Restricted income funds		512	1,054
Unrestricted funds:			
General Programme Fund		79	-
Core costs fund		4,082	2,486
		<u>4,673</u>	<u>3,540</u>
Total charity funds	14	<u><u>4,673</u></u>	<u><u>3,540</u></u>

The notes on pages 27 to 53 form an integral part of these financial statements.

Approved by the Board of Trustees on 17 May 2023 and signed on its behalf by Ian Wace



Trustee

Absolute Return for Kids (ARK)

Consolidated Statement of Cash Flows

For the year ended 31 August 2022

	Notes	Year ended 31-Aug-22 Total £'000	Year ended 31-Aug-21 Total £'000
Net cash provided by operating activities	20	4,339	5,243
Cash flows from financing activities:			
New Borrowings		<u>5,000</u>	-
Net cash used in financing activities		<u>5,000</u>	-
Cash flows from investing activities			
Dividends, interest and rent from investments		616	549
Purchase of property, plant, and equipment		(8,420)	(1,026)
Proceeds from sale of investments		8,585	8,056
Purchase of investments		(2,183)	(7,137)
Net cash (used in) provided by investment activities		<u>(1,402)</u>	442
Change in cash and cash equivalents due to exchange rate movements		331	-
Net change in cash and cash equivalents		<u>8,268</u>	<u>5,685</u>
Reconciliation of net funds		Year ended 31-Aug-22 Total £'000	Year ended 31-Aug-21 Total £'000
Cash and cash equivalents at 1 September		15,970	10,285
Change in cash and cash equivalents		8,268	5,685
Cash and cash equivalents at 31 August		<u>24,238</u>	<u>15,970</u>
Reconciliation of net funds		Year ended 31-Aug-22 Total £'000	Year ended 31-Aug-21 Total £'000
Cash at bank and in hand		23,891	15,967
Cash held by investment managers		347	3
Cash and cash equivalents at 31 August		<u>24,238</u>	<u>15,970</u>

Consolidated Statement of Cash Flows (continued)

For the year ended 31 August 2022

<i>Analysis of changes in net debt</i>	At 1 September 2021 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 August 2022 £'000
Cash at bank and in hand	15,967	7,593	331	23,891
Cash held by investment managers	3	344	-	347
Loans	(3,500)	(5,000)	-	(8,500)
	<u>12,470</u>	<u>2,937</u>	<u>331</u>	<u>15,738</u>
Finance lease obligations	(126)	94	-	(32)
Total	<u>12,344</u>	<u>3,031</u>	<u>331</u>	<u>15,706</u>

The notes on pages 27 to 53 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies

Basis of preparation

These financial statements have been prepared for the year to 31 August 2022.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Charities Act 2011 and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

The accounts consolidate Ark and its project implementing subsidiaries active during the year: Ark (South Africa) Limited, Ark UK Programmes, EdCity Development Limited, EdCity Management Company Limited and EdCity Office. It also consolidates its dormant subsidiaries Ark Mozambique and Ark Uganda. All intra-group balances, transactions, incomes, and expenses are eliminated on consolidation.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- Estimating the impact of inflation on the charity's income and expenditure, and assessing income from new sales and activities, for the purpose of preparing cash flow forecasts and budgets to assist in the assessment of going concern;
- Allocating support costs across charitable activities;
- Timing of income recognition for programme fees;
- Classification of leases as finance or operating;
- Measurement of fair values of the investment property.

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies (continued)

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees have considered the impact of the post pandemic environment and other cost pressures due to the wider economic challenges. The trustees have looked at the financial position, including income, expenditure, and reserves, and have acknowledged that some areas of work continue to be challenging for example the delivery of EPG activity overseas, and AC+ activity in UK schools. The trustees do not consider the post-pandemic impact to be a cause for material uncertainty in respect of the ability of the charity to continue as a going concern.

A number of significant areas of judgement that affect items in the accounts are detailed above. In addition, the most significant areas that affect the carrying value of the assets held by the charity in the next accounting period (the year ending 31 August 2023), are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information). Whilst this is likely to lead to a reduction in income, the trustees remain of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

The trustees have concluded that there are adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Fund accounting

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 objectives 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.

The endowment fund represents monies invested on behalf of individual Ark academies. Any returns generated on these funds can be used without restriction, but only by the academy in question, and are therefore recognised as restricted income. The initial capital can only be used with agreement of the Secretary of State for Education, unless it is spent on 'equipment, facilities, accommodation, landscaping and signage' at the relevant academy. The Ark All Saints Academy endowment is a permanent endowment for which Ark UK Programmes has been appointed as the trustee.

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

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies (continued)

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

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.

Donated services and facilities provided to the charity are recognised in the period when it is probable that the economic benefits will flow to the charity, provided they can be measured reliably. This is normally when the service is provided. An equivalent amount is included as expenditure.

Donated services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have to pay to obtain facilities or services of equivalent economic benefit on the open market.

Expenditure

Liabilities are recognised as expenditure once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis, and has been classified under headings that aggregate all costs related to the category.

Ark and Ark UK Programmes are registered as a VAT Group with Ark Schools and reclaim VAT on business-related expenditure. Irrecoverable VAT is included in expenditure when incurred.

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

Expenditure 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.

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies (continued)

Allocation of overhead and support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, payroll, and governance costs which support the charity's programmes and activities. Governance costs are those incurred in connection with the management of the charity's assets, organisational administration, and compliance with constitutional and statutory requirements.

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

Discontinued operations

Where a decision has been made to discontinue or terminate an activity in accordance with the definitions contained within FRS 102, income, costs and obligations associated with the discontinuing operation are recognised within the year. The income, costs and obligations are disclosed separately on the face of the statement of financial activities.

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:

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

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

A fair value hierarchy that prioritises the inputs to valuation techniques is used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The levels of fair value hierarchy are described below:

- Level 1 (listed investments) – Unadjusted quoted process in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 (unlisted investments) – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable either directly or indirectly; and
- Level 3 (unlisted investments) – Prices or valuation that requires inputs that are both significant to the fair value measurement and unobservable.

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies (continued)

Investments (continued)

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices for an identical instrument, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub-sectors.

The method of calculating realised gains on withdrawal of investments is on an average historical cost basis.

Investment Property

Investment property is held by Ark UK Programmes since May 2016 to earn rental income and for capital appreciation, rather than for use in the ordinary course of business. Investment properties are measured at cost and subsequently at fair value at the reporting date. Professional advice is sought as appropriate to determine the valuation of investment property. Changes in fair values are recognised in the statement of financial activities.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is recognised in the statement of financial activities when occurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the statement of financial activities.

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.

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. These are included in Charitable Activities expenditure in the Statement of Financial Activities.

Notes to the Accounts

For the year ended 31 August 2022

1. Accounting policies (continued)

Finance lease

A finance lease is recognised when it is determined that the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee.

At the commencement of the lease term, Ark recognises its rights of use and obligations under the finance lease as an asset and a liability in the balance sheet at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Where the implicit rate cannot be determined the charity's incremental borrowing rate is used.

Any initial direct costs are added to the amount recognised as an asset. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method, to produce a constant rate of change on the balance of the capital repayments outstanding.

Debtors and prepayments

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Accrued income

Accrued income is income which has been earned but not yet received. It must be recognised in the accounting period in which it arises rather than in the subsequent period in which it will be received.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Concessionary loans

Concessionary loans, i.e., philanthropic loans which have been received at below the prevailing market rate of interest, are initially recognised at the amount received. The balance outstanding at the reporting date includes any interest accrued as per the loan terms agreed.

Notes to the Accounts

For the year ended 31 August 2022

2. Donations and legacies

	Group 2022 £'000	Charity 2022 £'000	Group 2021 £'000	Charity 2021 £'000
Unrestricted funds				
Contributions to core costs	2,063	2,063	1,046	1,046
General donations	543	543	2,988	2,988
	2,606	2,606	4,034	4,034
Restricted funds				
Restricted grants & donations	9,048	7,593	25,626	24,869
Continuing operations	11,654	10,199	29,660	28,903
Discontinued operations (see note 21)	109	109	619	619
Total	11,763	10,308	30,279	29,522

The trustees ensure that the core costs of the charity are covered, either from grants and donations or in year investment returns. Grants and donations include £2.06m (2020/21 - £1.04m) raised for this purpose.

The Group received donated services in the amount of £0.3m (2020/21 - £1.5m), which related to pro bono services provided by Bain & Co in the form of UK education consultancy services.

3a. Investment income

Investment income arises from dividend income from investments, fee rebates and interest receivable on funds held in interest bearing bank accounts and on fixed term deposits. During the year, investment income was £616k (2020/21 - £549k) for the group and £321k (2020/21 - £122k) for the charity.

3b. Non-charitable trading funds

Non-charitable trading funds represents the turnover generated by EdCity Development Limited through charges made to third parties for the delivery of the EdCity development project.

3c. Other

Other income includes recharges from various group entities. Ark charges each of its group entities for central resources such as Finance, Human Resources, IT, and a desk charge for the use of space within its office.

Notes to the Accounts

For the year ended 31 August 2022

4. Analysis of expenditure

Group

	Unrestricted funds	Restricted funds		Total 2022	Total 2021
	Support costs (note 5) £'000	Activities undertaken directly £'000	Grant funding of activities £'000		
Expenditure on charitable activities					
UK Education					
UK Education – main fund	980	6,460	1,710	9,150	10,093
UK Education – Ark Schools Covid Appeal	-	-	-	-	3,863
UK Education – DCMS match funding	-	-	-	-	4,750
EdCity	490	9,441	-	9,931	1,439
International Education					
Education Partnerships Group	432	2,833	-	3,265	2,763
International Education - Other	57	-	753	810	239
Continuing operations	1,959	18,734	2,463	23,156	23,147
Global Schools Forum	-	-	109	109	812
Discontinued operations	-	-	109	109	812
Total	1,959	18,734	2,572	23,265	23,959
Endowment funds					
Cost of raising funds: Investment management fees	-	62	-	62	59
Unrestricted funds					
Cost of raising funds: Other	823	-	-	823	581
Total	823	62	-	885	640
Total expenditure	2,782	18,796	2,572	24,150	24,599

Notes to the Accounts

For the year ended 31 August 2022

4. Analysis of expenditure (continued)

Charity

	Unrestricted funds	Restricted funds		Total 2022 £'000	Total 2021 £'000
	Support costs (note 5) £'000	Activities undertaken directly £'000	Grant funding of activities £'000		
Expenditure on charitable activities					
UK Education					
UK Education – main fund	980	1,331	3,651	5,962	6,620
UK Education – Ark Schools Covid Appeal	-	-	-	-	3,863
UK Education – DCMS match funding	-	-	-	-	4,750
EdCity	490	-	413	903	11,672
International Education					
Education Partnership Group	432	-	2,451	2,883	2,397
International Education - Other	57	-	753	810	239
Continuing operations	1,959	1,331	7,268	10,558	29,541
Global Schools Forum	-	-	109	109	812
Discontinued operations	-	-	109	109	812
Total	1,959	1,331	7,377	10,667	30,353
Expenditure on raising funds					
Cost of raising funds	823	-	-	823	581
Total expenditure	2,782	1,331	7,377	11,490	30,934

Group activities undertaken directly represent programmatic work by the central charity and its operating subsidiaries. For the central charity, this represents where charitable expenditure (as opposed to the cost of raising 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. These costs are allocated to programmes to reflect the estimated share of staff time and related cost.

Notes to the Accounts

For the year ended 31 August 2022

5. Allocation of support costs

Group and Charity

	Management costs £'000	Finance £'000	Governance costs £'000	Other overheads & support staff £'000	Total 2022 £'000	Total 2021 £'000
Expenditure on charitable activities						
UK Education	220	220	129	411	980	718
EdCity	110	110	64	206	490	319
International Education						
Education Partnership Group	97	97	57	181	432	319
International Education - Other	13	13	8	23	57	239
Continuing activities	440	440	258	821	1,959	1,595
Expenditure on raising funds	293	50	-	480	823	581
Total expenditure	733	490	258	1,301	2,782	2,176

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 two broad categories required under the Charities SORP FRS102, i.e. charitable activities and raising funds, and is based upon an allocation of the time spent by individual members of staff.

Notes to the Accounts

For the year ended 31 August 2022

6. Investments

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Market value at 1 September	34,288	28,038	30,397	23,934
Additions to investments at cost	2,183	-	7,137	4,241
Disposals at market value	(8,585)	(6,276)	(8,056)	(4,269)
Net unrealised investment gains	1,520	1,626	4,810	4,132
Market value at 31 August	29,406	23,388	34,288	28,038
Cash held by investment managers for reinvestment	347	323	3	(29)
	29,753	23,711	34,291	28,009
Cost of listed investments at 31 August	16,701	11,070	20,010	14,590

Disposals are analysed as follows:

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Proceeds	(5,795)	(3,521)	(8,105)	(3,422)
Realised gain	(2,790)	(2,755)	49	(847)
Disposals at market value	(8,585)	(6,276)	(8,056)	(4,269)

All listed investments were traded on a recognised stock exchange. Investments held by the group at 31 August 2022 comprised the following:

	2022	2021
	£'000	£'000
Overseas equities	3,523	3,855
Fixed interest	1,889	1,756
Alternative assets	23,994	28,677
Cash and short term deposits	347	3
	29,753	34,291

Alternative assets include investments in hedge funds. These include foreign exchange forward contracts which are used to ameliorate the risk associated with holding investments in foreign currencies. These are held by the investment managers and form part of their strategy for managing risk.

Notes to the Accounts

For the year ended 31 August 2022

6. Investments (continued)

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Unrealised gains include above:				
On investments	12,705	12,318	14,278	13,448
	12,705	12,318	14,278	13,448
Reconciliation of movements in unrealised gains:				
Unrealised gains at 1 September	14,278	13,448	10,524	10,163
Less: in respect of disposals in the year	(3,093)	(2,756)	(49)	(847)
Add: net gains arising on revaluation in the year	1,520	1,626	3,803	4,132
Unrealised gains at 31 August	12,705	12,318	14,278	13,448

7. Net movement in funds

Net movement in funds is stated after charging:

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Operating lease charges	-	-	3	-
Auditors' remuneration				
- audit of consolidated accounts	33	33	27	27
- audit of subsidiaries	32	-	24	-
- other audit and tax fees	8	3	12	2
Total	73	36	63	29

Notes to the Accounts

For the year ended 31 August 2022

8. Fixed assets

Group

	Assets under construction £'000	Total £'000
Cost:		
At 1 September 2021	2,954	2,954
Additions	8,420	8,420
At 31 August 2022	<u>11,374</u>	<u>11,374</u>
Depreciation:		
At 1 September 2021	-	-
Charge in the year	-	-
At 31 August 2022	<u>-</u>	<u>-</u>
Net Book Value:		
At 31 August 2022	<u>11,374</u>	<u>11,374</u>
At 31 August 2021	<u>2,954</u>	<u>2,954</u>

During the year, £8,421k was incurred in respect of expenditure on EdCity. This expenditure was capitalised on 31 August 2022 as an asset under construction.

No fixed assets are held by the Charity (2020/21 - £nil).

9. Investment property

	£'000
Cost or valuation:	
At 1 September 2021	746
Decrease in fair value	<u>(90)</u>
At 31 August 2022	<u>656</u>

In the group, long leasehold investment property is held at fair value. As the property was purchased on 20 May 2016, the trustees of Ark UK Programmes have performed the valuation of the property based on publicly available information.

Included in the amount for investment property is £31,387 (2020/21 - £125,653) relating to assets held under a finance lease (note 13).

Notes to the Accounts

For the year ended 31 August 2022

10. Debtors

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Receivable within 1 year				
Trade debtors	712	92	696	217
Prepayments and other debtors	528	136	96	213
Agency Debtors (note 11)	10,166	-	271	-
Accrued income	1,532	1,169	3,472	540
VAT debtor	2,141	-	160	-
Related company debtors (EdCity Office)	-	7,518	-	43
Related company debtors (EdCity Development)	-	35	-	35
Related company debtors (Ark UK Programmes)	-	-	-	282
	15,079	8,950	4,695	1,330

11. Transactions undertaken as agent

As part of the wider EdCity project, Ark's subsidiary, EdCity Office is acting as a conduit for funding in respect of the Youth Zone, School, Nursery and Adult Education Centre. Cash contributions received in relation to these components of the project are being used to settle invoices charged by EdCity Development Limited in relation to those aspects of the build for and on behalf of third parties in line with a pre-agreed contractual arrangement. Neither EdCity Office nor its ultimate beneficiaries directly benefit from these cash contributions or have control over the use of those funds. For information, the following amounts have been received and paid during the year by EdCity Office on behalf of third parties:

	On behalf of Onside for the Youth Zone development £000	On behalf of Ark Schools for Ark Swift development £000	On behalf of LBHF for Nursery and Adult Education Centre development £000	Total £000
Balance held at 1 September 2021	(116)	(127)	(28)	(271)
Cash received during the year	-	-	-	-
Cash used to settle invoices on behalf of third party	(2,834)	(7,061)	-	(9,895)
Balance owed at 31 August 2022 (note 10)	(2,950)	(7,188)	(28)	(10,166)

EdCity Development Limited received a contribution in the year for Onside totalling £2,625,000. This will be passed onto EdCity Office to reduce this balance in the forthcoming financial year.

Notes to the Accounts

For the year ended 31 August 2022

12. Creditors

	Group	Charity	Group	Charity
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year				
Loan (see below)	-	-	1,500	1,500
Trade creditors	188	110	505	79
Related company creditors (Ark Schools)	15,062	14,793	16,343	16,163
Related company creditors (Ark UK Programmes)	-	616	-	-
Grant creditors	2,450	8,466	2,558	11,203
Tax and social security creditors	205	97	214	132
VAT creditor	2,648	-	-	-
Other creditors	12,607	850	1,588	751
Deferred income (see below)	3,481	-	670	-
	36,641	24,932	23,378	29,828

During the year, it was agreed that the loan from Ambition Institute will not be repayable within 12 months and as a result, the full amount is shown as falling due in more than one year (2020/21 - £1.5m due within one year, £2m due in more than one year).

It is the intention of the charity to transfer the cash provided by this loan to its subsidiary EdCity Office with the associated legal obligations remaining with Ark. Interest payable on the loan is calculated at 0.25% above the Bank of England Base Rate.

Notes to the Accounts

For the year ended 31 August 2022

12. Creditors (continued)

Movements in deferred income are analysed below (note that there is a £nil deferred income balance in the charity).

Group	At 31 August 2021 £'000	Released from previous year £'000	Deferred in current year £'000	At 31 August 2022 £'000
Programme fees	621	(621)	628	628
Programme grant	-	-	2,853	2,853
Ark South Africa	49	(49)	-	-
Total deferred income	670	(670)	3,481	3,481

<i>Group</i>	<i>At 31 August 2020 £'000</i>	<i>Released from previous year £'000</i>	<i>Deferred in current year £'000</i>	<i>At 31 August 2021 £'000</i>
<i>Programme fees</i>	<i>1,078</i>	<i>(1,078)</i>	<i>621</i>	<i>621</i>
<i>Programme grant</i>	<i>33</i>	<i>(33)</i>	<i>-</i>	<i>-</i>
<i>Ark South Africa</i>	<i>-</i>	<i>-</i>	<i>49</i>	<i>49</i>
<i>Total deferred income</i>	<i>1,111</i>	<i>(1,111)</i>	<i>670</i>	<i>670</i>

Amounts falling due after 1 year	Group 2022 £'000	Charity 2022 £'000	Group 2021 £'000	Charity 2021 £'000
Finance lease liability (note 13)	32	-	126	-
Loan	8,500	3,500	2,000	2,000
Grant creditors	545	545	534	534
	9,077	4,045	2,660	2,534

The Charity holds a £3.5m loan from Ambition Institute. This loan accrues interest at 0.25% above base and is repayable in any amount on 3 months' notice. Confirmation has been obtained from the funder that this loan will not be recalled in the next 12 months.

Two philanthropic loans were received by EdCity Office in the year totalling £5m (2020/21 - £nil):

- Loan 1 - £3m – This loan was agreed with The Resolution Foundation at 3% interest. The loan is repayable in full on the earlier of the 31 July 2031 or the completion date of the refinancing on any Local Authority debt.
- Loan 2 - £2m – This loan was agreed with The Elba Foundation in October 2021 and drawn down during the year ended 31 August 2022. The loan is unsecured and interest free and repayable in full on the fifth anniversary of the agreement date, in October 2026.

Notes to the Accounts

For the year ended 31 August 2022

12. Creditors (continued)

EdCity Office has also entered into a loan agreement with London Borough of Hammersmith and Fulham (LBHF). Under the terms of the loan, a maximum facility of £39m has been made available to EdCity Office by LBHF in support of the EdCity project. Any amount drawn down from the available facility is repayable in full by the tenth anniversary of the practical completion of the project. The debt facility was agreed with the Local Authority in November 2021, and fixed at a rate of 4.94% in September 2022, significantly higher than had been anticipated in the original business plan due to changes in the wider economic environment. The loan is secured on the office building and Ark, EdCity Office's parent, has provided a guarantee in respect of the loan to the value of £10 million.

13. Finance Lease

	2022	2021
	£'000	£'000
Not later than one year	-	-
Later than one year and not later than five years	2	2
Later than five years	301	301
Total gross payment	303	303
Less: finance charges	(271)	(177)
Carrying amount of liability	32	126

Notes to the Accounts

For the year ended 31 August 2022

14. Analysis of charitable funds

Group

	31 Aug 2021 £'000	Income £'000	Gains/ (losses) and transfers £'000	Expenditure £'000	31 Aug 2022 £'000
Restricted funds					
UK Education					
UK Education – main fund	5,674	7,771	464	(8,171)	5,738
EdCity	19,546	9,963	443	(9,441)	20,511
International Education					
Education Partnership Group	(1,432)	2,834	-	(2,832)	(1,430)
International Education - Other	-	753	-	(753)	-
Continuing operations	23,788	21,321	907	(21,197)	24,819
Global Schools Forum	-	109	-	(109)	-
Discontinued operations	-	109	-	(109)	-
Total	23,788	21,430	907	(21,306)	24,819
Endowment Funds					
Endowment held for Ark Schools	6,341	-	(224)	(62)	6,055
	6,341	-	(224)	(62)	6,055
Unrestricted funds					
Core funds	2,486	2,415	1,963	(2,782)	4,082
General programme funds	-	543	(464)	-	79
Total	2,486	2,958	1,499	(2,782)	4,161
Total Group funds	32,615	24,388	2,182	(24,150)	35,035

Notes to the Accounts

For the year ended 31 August 2022

14. Analysis of charitable funds (continued)

Charity

	31 Aug 2021	Income	Expenditure	Gains/ (losses) and transfers	31 Aug 2022
	£'000	£'000	£'000	£'000	£'000
Restricted funds					
UK Education					
UK Education – main fund	1,054	3,976	(4,982)	464	512
EdCity	-	413	(413)	-	-
International Education					
Education Partnership Group	-	2,453	(2,451)	(2)	-
International Education - Other	-	753	(753)	-	-
Continuing operations	1,054	7,595	(8,599)	462	512
Global Schools Forum	-	109	(109)	-	-
Discontinued operations	-	109	(109)	-	-
Total	1,054	7,704	(8,708)	462	512
Unrestricted funds					
Core costs fund	2,486	2,415	(2,782)	1,963	4,082
General programme funds	-	543	-	(464)	79
Total	2,486	2,958	(2,782)	1,499	4,161
Total Charity Funds	3,540	10,662	(11,490)	1,961	4,673

Income is the amount receivable 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. Unrestricted funding transferred to programmes is agreed annually by the Board and is used to further the charitable aims of each programme. Unrestricted funds committed to programmes but not used in full are transferred back to the general programme fund unless there is an agreement with the Board to hold these funds for future use.

Expenditure is the amount expended or committed as grants to other entities including other group companies.

Notes to the Accounts

For the year ended 31 August 2022

15. Analysis of net assets between funds

Charity 2022	Unrestricted General fund £'000	Restricted funds £'000	2022 Total £'000	2021 Total £'000
Fund balances at 31 August 2022 are represented by:				
Investment assets	23,712	-	23,712	28,009
Current assets	9,480	458	9,938	7,893
Creditors: amounts falling due within one year	(6,236)	(18,695)	(24,931)	(29,828)
Creditors: amounts falling due in more than one year	-	(4,045)	(4,045)	(2,534)
Total net assets	26,956	(22,282)	4,674	3,540

Notes to the Accounts

For the year ended 31 August 2022

16. Staff costs and numbers

	Group 2022 £'000	Charity 2022 £'000	Group 2021 £'000	Charity 2021 £'000
Salaries and wages	5,699	2,905	5,546	2,915
Social security costs	627	338	594	333
Pension costs	563	279	572	292
Total salary costs	6,889	3,522	6,712	3,540
Other staff costs	88	49	71	37
Total staff cost	6,977	3,571	6,783	3,577

Other staff costs include an accrual for untaken annual leave in the financial year.

Included in salaries and wages were redundancy and ex-gratia severance payments totalling £51,580 (2020/21 – £35,873).

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

	Group 2022 No.	Charity 2022 No.	Group 2021 No.	Charity 2021 No.
Programmes	77	20	77	24
Support services	27	21	23	18
Fundraising	6	6	5	5
	110	47	105	47

Notes to the Accounts

For the year ended 31 August 2022

16. Staff costs and numbers (continued)

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

	Group 2022 No.	Charity 2022 No.	Group 2021 No.	Charity 2021 No.
£210,001 - £220,000	1	1	1	1
£150,001 - £160,000	1	1	1	1
£140,001 - £150,000	1	1	-	-
£110,001 - £120,000	3	2	2	1
£100,001 - £110,000	1	-	2	2
£90,001 - £100,000	1	-	1	-
£80,001 - £90,000	3	2	4	4
£70,001 - £80,000	8	6	6	3
£60,001 - £70,000	6	4	10	4

The pension contributions made on behalf of the above employees were £210.0k (2020/21 – £187.4k) in the group and £141.0k (2020/21 - £133.2k) in the charity. No benefit other than pension has been provided to employees.

Total remuneration paid to charity key management personnel was £625k (2020/21 – £652k). Key Management personnel comprise the CEO, Deputy CEO and COO.

17. Directors' remuneration and expenses

The charity did not pay any remuneration to its trustees (2020/21 – £nil). No expenses were reimbursed to or paid on behalf of trustees during the year.

Notes to the Accounts

For the year ended 31 August 2022

18. Investments in subsidiaries

<u>Subsidiary Undertaking</u>	<u>Country</u>	<u>Basis of Consolidation</u>	<u>Nature of activities</u>	<u>Status</u>
Ark UK Programmes	United Kingdom	100% ownership	Education	Trading
Ark (South Africa) Limited	South Africa	100% ownership	Health/Education	Trading
Ark Mozambique	Mozambique	100% ownership	Health	Dormant
Ark Uganda	Uganda	100% ownership	Education	Dormant
EdCity Development Limited	United Kingdom	100% ownership	Construction	Trading
EdCity Office Limited	United Kingdom	100% ownership	Real Estate Holding	Trading
EdCity Management Company Limited	United Kingdom	100% ownership	Real Estate Management	Trading

	Ark UK Programmes £'000	Ark (South Africa) Ltd £'000	EdCity Office £'000	EdCity Development Ltd £'000	EdCity Management Company Ltd £'000
2022					
Income	5,734	468	561	17,822	-
Expenditure	(5,191)	(467)	(35)	(17,822)	(3)
Net (losses) gains on investments	(224)	-	443	-	-
Net movement in funds	319	1	969	-	(3)
Total funds brought forward	9,437	20	19,622	-	(3)
Total funds carried forward	9,756	21	20,591	-	(6)
Fixed assets	6,697	-	15,793	-	-
Current assets	4,554	166	31,535	22,793	4
Liabilities	(1,495)	(145)	(26,737)	(22,793)	(8)
Share capital	-	-	-	-	(2)
Total funds	9,756	21	20,591	-	(6)

19. Related party transactions

Ark made no new grants to its sister charity Ark Schools (2020/21 - £nil) to cover the core costs of the charity to 31 August 2022. £6.3m grants were made by Ark in support of Ark Schools' programmes (2020/21 - £8.9m). £0.4m grants were made by Ark in support of Ark Schools' academies (2020/21 - £0.3m). At the year end, the unpaid grant allocated to Ark Schools was £13.6m (2020/21 - £14.6m), 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.

Notes to the Accounts

For the year ended 31 August 2022

19. Related party transactions (continued)

Ark holds investments in the MW Eureka Fund, a hedge fund managed by Marshall Wace LLP. Anthony Clake, Sir Paul Marshall and Ian Wace are members of Marshall Wace LLP and are also trustees of Ark. Ark Group received £483k fee rebates from MW Eureka Fund for its Core operations and EdCity (2020/21 - £456k). This was 100% of the fee charged for managing the investments.

In 2021/22, the charity was gifted Nil shares in the MW Eureka Fund from the Jagclif Charitable Trust. The carrying value of all shares gifted to the charity at 31 August 2022 was £11.5m (2020/21 - £14.4m). No shares were disposed outside of the group during the year.

£2.1m (2020/21 - £1.2m) income was received in the year from the Jagclif Charitable Trust. Ian Wace is a trustee of the Jagclif Charitable Trust and is also a trustee of Ark. This income was restricted to Ark Academy, an Ark Schools academy, and Ark unrestricted funds. Funds restricted to Ark Academy were transferred to the school during the reporting period.

£0.0m (2020/21 - £7.0m) income was received in the year from the Sequoia Trust. Sir Paul Marshall is a trustee of the Sequoia Trust and is also a trustee of Ark. £nil of this funding remained in Grant Creditors at year-end.

£0.0m (2020/21 - £1.2m) income was received in the year from the Eureka Charitable Trust. Anthony Clake, Sir Paul Marshall and Ian Wace are trustees of the Eureka Trust and are also trustees of Ark. The income was restricted to Ark Schools' programmes and Ark's bursaries programme. £0.3m was unspent at year-end

Marshall Wace Asset Management Ltd match funded £32k of donations made to Ark Schools (2020/21 - £37k). Anthony Clake, Sir Paul Marshall and Ian Wace are Directors of Marshall Wace Asset Management Ltd.

During the year, Ark spent £9k with Summer Isles Enterprises Limited (2020/21 - £nil). Ian Wace was a director of this Company until 12 January 2023. This amount was fully paid at year end.

There were no further trustee donations during the year ended 31 August 2022 (2020/21 - £0.1m).

Notes to the Accounts

For the year ended 31 August 2022

20. Notes to the consolidated statement of cash flows

Reconciliation of net movement in funds to net cash provided by operating activities:

	Group	Group
	2022	2021
	£'000	£'000
Net income as per the Statement of Financial Activities	2,420	13,622
Adjustments for:		
(Gains) on investments	(1,755)	(4,790)
Dividends, interest, and rents from investments	(616)	(549)
(Increase) decrease in debtors	(10,384)	87
Increase (decrease) in creditors (excluding endowment)	14,674	(3,127)
Net cash provided by operating activities	4,339	5,243

21. Taxation

Absolute Return for Kids (Ark) is a company limited by guarantee, registered in England, number 4589451, and is a UK registered charity, number 1095322. Given the nature of its activities, the charity will not be subject to income tax or corporation tax on income derived from its charitable activities, as it would fall within the various exemptions available to registered charities.

Notes to the Accounts

For the year ended 31 August 2022

22. Discontinued operations

Global Schools Forum

On 1 October 2021, Global Schools Forum became an independent charity and was included within Ark's accounts for the last time. Income and expenditure included in the accounts relating to Global Schools Forum in the current and prior years is shown below:

	Year ended 31 August 2022 Total £'000	Year ended 31 August 2021 Total £'000
Income from:		
Donations and legacies:		
Grants and donations	109	619
Total income	<u>109</u>	<u>619</u>
Expenditure on:		
Charitable activities		
Activities undertaken directly	109	812
Total expenditure	<u>109</u>	<u>812</u>
Net income	-	(193)
Fund transfers	-	193
Net movement in funds	<u>-</u>	<u>-</u>

23. Post balance sheet events

On 1 September 2022, MESME became an independent charity (Charity No. 1199281) with charitable objectives to grow the impact of Maths Circles and similar programmes. MESME will therefore not be included within the Ark Group's accounts in future years.

In December 2022, EdCity Office secured a further interest free loan of £17m with the Elba Charitable Foundation. Under the terms of the loan, £17m will be paid to EdCity Office by September 2023. The full loan amount will be repaid by the fifth anniversary of the agreement date in December 2027.

In response to the significant growth over recent years, the Board approved the spin-out of a new organisation that would enable Ark UK Programmes' non-schools ventures to become independent and continue to expand. Accordingly, as of 1 September 2023, the STEM Venture Builder and the Martingale Foundation will move to a new entity outside of Ark, alongside Ark employees who currently support these programmes. For clarity, Ark Curriculum Plus and Ark Start will remain part of Ark UK Programmes, and the Education Partnerships Group will remain part of Ark.

Notes to the Accounts

For the year ended 31 August 2022

24. Comparative consolidated statement of financial activities for the year ended 31 August 2021

		<i>Year ended</i>			
		<i>Unrestricted</i>	<i>Restricted</i>	<i>Endowments</i>	<i>31-Aug-21</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>Total</i>
					<i>£'000</i>
<i>Income and endowments from:</i>					
<i>Donations and legacies</i>					
Donations	2	2,553	25,591	-	28,144
Donated services	2	1,481	35	-	1,516
Charitable activities		-	3,177	-	3,177
Investment income	3a	122	427	-	549
Non-charitable trading funds	3b	-	790	-	790
Other	3c	215	2	-	217
Continuing operations		4,371	30,022	-	34,393
Discontinued operations	2 & 21	-	619	-	619
Total		4,371	30,641		35,012
<i>Expenditure on:</i>					
Raising funds	4	581	-	59	640
Charitable activities	4 & 5	1,595	21,552	-	23,147
Transfers to Now Teach		-	706	-	706
Continuing operations		2,176	22,258	59	24,493
Discontinued operations	4 & 21	-	812	-	812
Total		2,176	23,070	59	25,305
<i>Net income (expenditure) before gains on investment and losses on foreign exchange</i>		2,195	7,571	(59)	9,707
Net gains on investments	6	2,696	589	785	4,070
(Losses) on foreign currency transactions		(143)	(12)	-	(155)
Net income/ (expenditure)		4,748	8,148	726	13,622
Fund transfers	14	(3,218)	3,218	-	-
Net movement in funds	7	1,530	11,366	726	13,622
<i>Reconciliation of funds</i>					
Total funds brought forward		956	12,425	5,612	18,993
Total funds carried forward		2,486	23,791	6,338	32,615