

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

**Trustees' Annual Report and Accounts**

**For the Year Ended 31 August 2008**

## **Trustees' report for the year ended 31st August 2008**

**Company Number: 4589451**

**Charity Number: 1095322**

The trustees are pleased to present their report together with the audited financial statements of the charity for the year ended 31st August 2008.

### **Reference and administrative details**

Absolute Return for Kids (ARK) is a company limited by guarantee, registered in England no. 4589451, and is a UK registered charity, number 1095322.

#### **Directors**

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

The following individuals served as trustees during the year:

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

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

#### **Managing Director**

Paul Bernstein

#### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF  
T: +44 20 7951 2000

#### **Bankers**

HSBC Private Bank (UK) Limited  
78 St James's Street  
London SW1A 1JB  
T: +44 20 7860 5000

#### **Solicitors**

McDermott Will & Emery UK LLP  
7 Bishopsgate,  
London EC2N 3ARA  
T: +44 20 7577 6900

#### **Registered Office**

15 Adam Street  
London WC2N 6AH  
T: +44 20 7395 2050

## **Trustees' report for the year ended 31st August 2008**

### **Foreword**

#### **Post balance sheet events**

Since the financial year of ARK closed on 31 August 2008, the global economic and financial climate has clearly changed.

Whilst ARK is unlikely to be immune from these developments, its sources of income have broadened considerably over recent years and these accounts are a testament to the gradually reduced reliance on a single event each year, as well as the success of ARK's model and its projects in attracting funding from other sources. The trustees are both grateful for the continued support and generosity of existing donors through these difficult times and optimistic that the outstanding work by ARK's teams in the field will continue to attract new supporters.

The trustees' determination to continue to deliver ARK's existing programme goals remains undiminished, if not increased, by the likely impact of the harsh economic climate. They are mindful of the need to balance delivery of the most impactful and cost-effective programmes with the achievement of longer-term objectives, and remain cautiously optimistic that ARK's model of underwriting programme expenditure up front will allow continuing commitment of substantial resources over the years ahead without the threat of interruption of funding for existing programmes.

## Trustees' report for the year ended 31st August 2008

### Objectives and principal activities

ARK is an international charity whose purpose is to transform children's lives.

ARK was founded in 2002 by a group of senior figures in the alternative investment industry, pooling their skills and resources to improve the life chances of children. With a shared vision of collective philanthropy, ARK delivers high social returns on philanthropic investment.

ARK brings together passionate experts with the best talent from business. It has developed a strong results-driven model to identify, create and deliver innovative programmes addressing critical issues affecting children.

Programmes are highly focused on meeting pre-defined strategic goals in the areas of HIV/AIDS (Southern Africa), Education (UK, India) and Children in Care (Eastern Europe) and are delivered by ARK staff and partners. The programme themes are built on partnership with governments to maximise the chances of success, leverage their resources and ensure sustainability.

ARK's **HIV/AIDS** programme in Southern Africa aims to:

- Save lives - rapidly and effectively providing antiretroviral treatment (ART) to the parents and carers of children, and to children themselves, and;
- Build capacity – ensuring that governments and communities are able, through ARK's involvement, to provide HIV treatment in an effective and sustainable way, with the appropriate resources, processes and systems.

ARK's programme is focused on, and delivered through, government clinics. ARK works to build the human resource and physical capacity of these clinics to enable them to gain accreditation to enrol patients from their local communities onto ART. ARK initially helps run treatment programmes in clinics, building systems and processes to ensure sustainable quality of care prior to hand over to local government. The Clinton-ARK Initiative for Mozambique (CAIM) is training medical technicians to support this work and is also focusing on increasing the number of children receiving specialist HIV treatment.

ARK recently launched a pilot study to enhance the ART programme by improving the prevention of mother to child transmission (PMTCT) of HIV.

In South Africa, ARK also supports families affected by AIDS to access the social grants to which they are entitled through its Grant Access Programme.

ARK's **education** programme is creating a culture of aspiration and opportunity.

In the UK, ARK Academies is developing a network of non-selective, non-denominational schools delivering high aspiration education in challenging, inner city areas. Its aim is to give all children a real opportunity to attain good academic results and the self-confidence to move into higher education or pursue the career of their choice. ARK's UK Education programme also provides services to the academies that support educational success, such as extended schools, as well as funding for projects that seek to remove the key barriers to success, such as school leadership and school exclusions.

In India, ARK recently launched a pilot programme that aims to transform the educational opportunities of deprived children. By training head teachers with real potential, School Leaders India seeks to improve the quality of education and pupil retention in low income primary schools.

The focus of the **Children in Care** programme in Eastern Europe is to reduce the number of children living in, and entering, institutional care through the closure of large-scale institutions and the development of alternative care services.

## Trustees' report for the year ended 31st August 2008

With a small core team in Bulgaria, and its partner Hope and Homes for Children in Romania, ARK provides overall programme management, targeted capacity building and infrastructure support to local government to support the closure of institutions, the reintegration of children with their biological parents or extended family, and the development of adoption, foster care and small-scale residential services. Prevention of abandonment work, to stop future generations from being institutionalised, is also central to the programme.

### Achievements, performance and future plans

In the following section the standard text states programmatic targets, while italicised text relates to specific achievements in the year.

#### HIV/AIDS

Since 2003 ARK has benefited over 75,000 children helping to shield them from the worst effects of the AIDS crisis.

- In South Africa ARK's target to enrol over 32,000 mothers, caregivers and children onto life-saving ART by 2012 was met ahead of time in June 2008, with 32,963 HIV+ carers and children on treatment.
- ARK's Grant Access Programme plans to assist 21,000 children to access social grants in South Africa by September 2010. As of June 2008, ARK had supported the submission of over 10,400 grant applications.
- In Mozambique ARK's ART Programme plans to enrol 4,500 mothers and caregivers, and 500 children on HIV treatment over four years. In July 2008 the programme began at three sites in Maputo province with two doctors and four (volunteer) community workers.
- The Clinton-ARK Initiative for Mozambique has supported the government in training medical staff to deliver ART to 6,000 children and is funding the redevelopment of the Chicumbane Training Centre enhancing the capacity of the Mozambican Government to train medical students locally.
- In August 2008, ARK launched a pilot study on the prevention of mother to child transmission of HIV (PMTCT) in South Africa. The study will provide improved treatment and care to 7,000 mother and baby pairs, with the aim of reducing transmission rates to less than 5%.

#### Education

ARK will open 12 inner city Academy Schools in the UK by 2012, aiming to transform the opportunities of over 12,000 young people.

- *Two new ARK schools opened during the year - Walworth Academy and King Solomon Academy.*
- *Three more (ARK Academy, Globe Academy and Evelyn Grace Academy) progressed through the feasibility stage during the year and opened in September 2008 immediately after the year end. Three further schools are under development.*
- ARK's six schools currently enrol 3,000 pupils.
- Future Leaders is an accelerated school leadership programme run by ARK, the National College of School Leadership (NCSL) and the Specialist Schools and Academies Trust. *Future Leaders was expanded to enrol an additional 52 participants in 2008, bringing the total currently on the programme up to 101.*
- *Teaching Leaders, a two year development programme for middle leaders (Heads of Department or Heads of Year) developed in partnership with NCSL, Future Leaders and Teach First, launched in August 2008 with a pilot cohort of 32 participants.*
- *In July 2008, ARK launched its pilot School Leaders for India Programme. The programme aims to train over 200 exceptional high impact head teachers by 2011 to transform the quality of primary education for 92,800 of the poorest children in India. The initial pilot cohort of 12 participants will test and refine the training curriculum.*

## Trustees' report for the year ended 31st August 2008

### Children in Care

ARK has supported the closure of a total of 11 institutions across Eastern Europe and plans to facilitate the closure of a total of 26 by 2010, moving thousands of children into family-focused environments.

- *During the year ARK completed the first ever quality institutional closure in Bulgaria and established the first independent foster care and small group home services in the country. Over 130 children have been moved from institutions and were reintegrated with their families, adopted or taken into foster care families. 40 children moved into the five Small Group Homes established by ARK.*
- ARK continued to support its long-term partner Hope and Homes for Children (HHC) to close institutions and develop alternative care services in Belarus, Bosnia, Moldova and Ukraine.
- *In June 2008, the new HHC-ARK Partnership for Romania was launched. Working in two counties of Romania, the partnership will close the six remaining institutions, and move 495 children into new homes. By completing the closure of institutions in one county, HHC-ARK will create a benchmark for child care reform in Central and Eastern Europe.*

### Financial review

ARK's income continued to grow in the year to 31 August 2008, increasing 23% to £40.3m (2007 £32.7m).

ARK continues to raise the majority of its funds through its annual Gala Dinner. In 2008 this was held at The Old Royal Naval College in Greenwich with a keynote speech by Tony Blair. Thanks to the generosity of ARK's supporters £26.0m was raised through the Dinner and associated Gift Aid reclaims (see note 3) (2007 £26.1m). The trustees are delighted that, despite the economic downturn, ARK's supporters maintained their support of the event in 2008, but anticipate that the continuing adverse economic climate will make fundraising very difficult in the year ahead, and plan to scale down the 2009 Gala Dinner accordingly. To mitigate the affect of the anticipated drop in revenue, they have begun to diversify the charity's sources of income.

In 2008, excluding the Gala Dinner, income grew steadily.

- Donations received to cover core costs increased 45% to £1.9m (2007 £1.3m) reflecting the expansion of ARK's Patrons programme.
- Grants received directly by ARK South Africa increased 152% to £1.8m (2007 £0.8m), as ARK's 4 year track record in-country attracted growing interest from institutional donors.
- Other grants and donations increased 134% to £9.3m (2007 £4.0m).
- Investment income increased 90% to £1.3m (2007 £0.7m).

As a result of these changes, income from the Gala Dinner fell from 80% of total income in 2007 to 64% in 2008.

Expenditure by the group also increased during the year by 34% to £29.5m (2007 - £22.0m).

The largest component of this, 82%, was direct charitable expenditure on grants and project operating costs which increased 40% to £24.3m (2007 £17.4m). Note 6 contain details of how this was spent by programme.

The cost of generating funds represents the cost of the Gala Dinner plus a proportion of the cost of the Donor Relations team based upon the percentage of staff time spent on the event. This increased by 15% to £4.7m (2007 £4.1m). The trustees believe this is reasonable given the 23% increase in income during the year and the fact that expenditure on fundraising remains below 12% of income.

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

## Trustees' report for the year ended 31st August 2008

costs) for the charity, whereas for the group the value of funds actually spent by the subsidiary is shown, as all intergroup transactions are eliminated.

During the period expenditure at the charity level on grants and project operating costs increased by 22% to £25.7m (2007 £21.1m). The table below summarises these new investments.

Theme	New commitments		Summary of commitments
HIV/AIDS	£ 3.1m	12%	£3m to ARK South Africa for a 3 year study into triple therapy Prevention of Mother To Child Transmission (PMTCT) £0.1m direct expenditure developing a new Southern Africa regional office to provide a platform for future growth
Children in Care	£ 2.4m	10%	£0.5m to extend the work of ARK Bulgaria to December 2009 £1.9m over 30 months to long-term partner Hope and Homes for Children for a programme of orphanage closures in Romania
International Education	£ 3.2m	12%	£3.2m over 3 years to the School Leaders for India pilot programme, applying the learning from the Future Leaders programme in the UK
UK Education	£ 16.9m	66%	£8.5m toward the Academy programme to cover sponsorship of 3 new Academies, and a significant investment in the central team required to run ARK's portfolio of 6 schools £5.2m in Future Leaders to cover the 3 years to 2011 £3.2m in a range of grants to ARK Schools including £1.0m piloting the Teaching Leaders programme, £0.6m for the Extended Schools Programme, and £0.6m for the Numeracy Programme
Other	£ 0.1m	0%	£0.07m feasibility study on a potential new theme, Economic Development
<b>Total</b>	<b>£ 25.7m</b>	<b>100%</b>	

The allocation of new commitments by theme is inevitably volatile due to the large value of individual commitments. 2008 was largely a period of consolidation for the HIV/AIDS theme following significant investment in 2007 of £12.0m or 57% of total new commitments. Similarly, 2008 was a period of significant investment in the UK Education theme at £16.9m or 66% of new commitments in year, and the trustees anticipate that this proportion will fall in 2009.

### Central administrative costs

The trustees and patrons continue to ensure that the central administrative costs of the charity (referred to as core costs throughout these accounts) are met through funds specifically set aside for that purpose. The income and expenditure relating to core costs in the period are shown in the table below.

## Trustees' report for the year ended 31st August 2008

	2008 £ '000	2007 £ '000
Contributions arranged by trustees & patrons	1,344	866
ARK Masters fee rebates	553	438
Return on investments	550	1,042
<b>Total income raised for core cost</b>	<b>2,447</b>	<b>2,346</b>
<b>LESS Expenditure on core costs</b>	<b>(1,884)</b>	<b>(1,351)</b>
<b>Surplus on core costs for the year</b>	<b>563</b>	<b>995</b>
Balance brought forward	1,223	228
<b>Balance carried forward</b>	<b>1,786</b>	<b>1,223</b>

The trustees understand that the charity's growth could require a gradual expansion of core cost expenditure in the years ahead. As the above table shows at 31 August 2008 they have established a reserve to cover core costs equivalent to £1.8m or 11 months expenditure at the 2008 level (2007 £1.2m – 11 months). They are confident that these funds together with ARK's existing sources of core income will cover core cost expenditure in the period ahead, and have collectively agreed to cover any shortfall on a year to year basis.

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

### Balance Sheet

ARK's year end balance sheet is considered to reflect the financial position of the company not the operating model.

The typical project lifecycle is 3 to 5 years, and ARK underwrites the full cost and sets asides reserves at the outset. In the charity balance sheet these programme commitments are shown as grant creditors, and the total value at 31 August was £47.6m (2007 £31.0m).

The charity also holds an additional amount of £16.5m to invest in new programmes (2007 £11.1m), £9.6m as restricted funds (2007 £2.7m) and £6.9m as unrestricted funds held in its General Programme Fund (2007 £8.5m).

These programme commitments will in part be covered from match funding pledges - a mechanism whereby significant individual donors agree to provide multi-year funding in line with the working capital needs of a specific project. At 31 August 2008 the total value of outstanding match funding pledges was £21.7m (2007 - £12m see note 10). These pledges are drawn down against schedules agreed at the time they are made, and all pledges due for payment by 31 August have been received by the charity.

This funding model results in an apparently high level of outstanding pledges relative to income as well as significant balances of cash and funds under investment as shown in the table below.



## Trustees' report for the year ended 31st August 2008

### Summary of Charity Balance Sheet position relating to programme funds

	£'000	
Grant creditors	47,612	
Unrestricted funds - General programme fund	6,945	
Restricted funds	9,560	
<b>Total programme funds</b>	<b>64,117</b>	
Match funding pledges	21,725	34%
Other programme related debtors	6,590	10%
Cash	23,998	38%
Investment	11,804	18%
<b>Total programme funds</b>	<b>64,117</b>	<b>100%</b>

The level of outstanding donor pledges is considered to be one of the charity's key risks, and is regularly reviewed by the Financial Stewardship Committee (FSC) on behalf of the trustees. Based on the fact that to date all match funding pledges due for payment have been received and on their knowledge of the individual donors who have pledged, the FSC feel it is unlikely that any material portion of these funds will not be received.

The FSC also oversees the charity's cash management. Currently 100% of the charity's cash is held with HSBC Private Bank (UK) Limited, and the FSC believes that although this is not a diversified position, in the current economic climate which has seen funds held by the bank increase significantly as part of the "flight to safety", it is an appropriately low risk approach.

The trustees believe that the value of this funding model has been demonstrated during the year. Although the adverse economic climate may affect the charity's future income, and thereby reduce its ability to develop and launch new programmes, as the above table shows, ARK has the resources to cover existing programmes through to planned exit.

### Risk Management

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

### Funds and Reserves

#### Restricted funds

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

The typical project lifecycle is 3 to 5 years. At launch ARK underwrites the full cost of this programme with a transfer of unrestricted funds from the General Programme Fund (GPF) to the relevant restricted fund. This allows the project to be launched with full funding in place, without

## Trustees' report for the year ended 31st August 2008

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 resource.

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

The value of restricted funds held by the group at 31st August 2008 was £33.9m (2007 - £22.7m) which is equivalent to 17 months expenditure on charitable activities from restricted funds at 2008 levels (2007 - 16 months). The trustees consider this to be in line with the organisation's policy.

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

### **Unrestricted funds – general programme fund**

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

In the balance sheet these funds are shown as unrestricted funds – general programme fund. The balance held in this fund was £6.9m at 31st August 2008 (2007 £8.5m). ARK anticipates that all these 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**

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

In the balance sheet these funds are shown under unrestricted funds - core costs. The balance held on this fund was £1.8m at 31st August 2008 (2007 - £1.2m) which is equivalent to 11 months expenditure on core costs at 2008 levels (2007 - 11 months). The trustees consider this to be in line with the organisation's policy.

## **Structure, Governance and Management**

### **Governing Document**

Absolute Return for Kids (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 ten members, oversees the charity. The board meets at least four times a year. There are also seven sub-committees: four covering thematic programme areas (HIV/AIDS, UK Education, International Education, and Children in Care), one dealing with strategy, one dealing with donor relations and the seventh dealing with finance and audit. The sub-committees each report back to the board and make recommendations on policy and practice in their respective areas of jurisdiction.

A Managing Director is appointed by the trustees to oversee the day to day operations of the charity. To facilitate effective operations, the Managing Director has delegated authority for operational matters including finance and employment.

## Trustees' report for the year ended 31st August 2008

### Related Parties

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

ARK Academies is responsible for ARK's work in inner city schools in the UK. ARK Academies is registered in England as a charitable company limited by guarantee (company number 5112090; charity number 1111608). ARK Academies 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 Schools is responsible for ARK's work in UK Education beyond the Academies programme. ARK Schools is registered in England as a company limited by guarantee (company number 5932797).

ARK (South Africa) Limited, an association incorporated in South Africa under section 21 (registration number 2004/003952/10) and registered in England as a charitable company limited by guarantee (company number 4957091; charity number 1108175) runs the charity's programmes in South Africa.

ARK Mozambique (an NGO registered in Mozambique as a branch of the central charity) runs the charity's programmes in Mozambique.

ARK Bulgaria (a private foundation incorporated in Bulgaria) runs the charity's programmes in Bulgaria.

ARK India which runs the charity's programmes is in the process of registering as a charitable company in India.

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

ARK holds a maximum of 35% of its funds in the ARK Masters Fund (AMF), an investment unit trust (see note 7). The AMF was set up by supporters of ARK in 2005. It is managed by ARK Masters Management Limited (AMML), a company registered in the Cayman Islands in which the charity owns the only beneficial share but none of the voting shares, and receives investment advice from ARK Masters Advisers Limited (AMAL), a company registered in England (number 5443569) which is a wholly owned subsidiary of AMML. In these accounts AMML and AMAL do not form part of the group.

Note 15 to the financial statements include a summary of transactions with each of these organisations.

## **Trustees' report for the year ended 31st August 2008**

### **Statement of trustees' responsibilities in respect of the accounts**

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In preparing those accounts, the directors are required to:

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

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

### **Disclosure of information to the Auditors**

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

### **Auditors**

Ernst & Young LLP were reappointed as auditors by the members at the Annual General Meeting on 3 July 2008.

This report was approved by the trustees on 20 May 2009.

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)

# **Independent auditors' report**

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

We have audited the charitable group and company's financial statements for the period ended 31 August 2008 which comprises the consolidated and charity Statement of Financial Activities (SOFA), the consolidated and charity Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of trustees and auditors**

As described in the Statement of Trustees' Responsibilities the charitable company's trustees' are responsible for the preparation of the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' report is consistent with the financial statements.

We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable group is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion

- The financial statements give a true and fair view of the state of affairs of the charity able company and of the group as at 31 August 2008 and of the incoming resources and application of resources of the group, including its income and expenditure, for the year then ended
- The financial statements have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Trustees Report is consistent with the financial statements

Ernst & Young LLP  
Registered Auditor  
London

## Consolidated Statement of Financial Activities

### For the year ended 31 August 2008

	<i>Notes</i>	<i>Unrestricted £'000</i>	<i>Restricted £'000</i>	<i>Year ended 31-Aug-08 Total £'000</i>	<i>Period ended 31-Aug-07 Total £'000</i>
<b><i>Incoming Resources</i></b>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	13,180	19,563	32,743	24,882
Activities for generating funds:					
Fundraising events	3	5,590	617	6,207	7,114
Investment income	4	1,227	116	1,343	705
<b><i>Total Incoming Resources</i></b>		<b>19,997</b>	<b>20,296</b>	<b>40,293</b>	<b>32,701</b>
<b><i>Resources Expended</i></b>					
Cost of generating funds:					
Charitable Activities	6	4,683	-	4,683	4,079
Grants and project operating costs	5 & 6	940	23,325	24,265	17,385
Governance costs	5 & 6	509	-	509	540
<b><i>Total resources expended</i></b>		<b>6,132</b>	<b>23,325</b>	<b>29,457</b>	<b>22,004</b>
<b><i>Net incoming/(outgoing) resources before other recognised gains and losses</i></b>		<b>13,865</b>	<b>(3,029)</b>	<b>10,836</b>	<b>10,697</b>
Unrealised gains on investment assets	7	578	-	578	173
Realised (losses)/gains on foreign currency transactions		(1,247)	31	(1,216)	193
<b><i>Net incoming/(outgoing) resources before transfers</i></b>		<b>13,196</b>	<b>(2,998)</b>	<b>10,198</b>	<b>11,063</b>
<b><i>Gross transfers between funds</i></b>	12	(14,183)	14,183	-	-
<b><i>Net movement in funds</i></b>	8	<b>(987)</b>	<b>11,185</b>	<b>10,198</b>	<b>11,063</b>
<b><i>Funds at 1 September 2007</i></b>		9,719	22,681	32,400	21,337
<b><i>Funds at 31 August 2008</i></b>		<b>8,732</b>	<b>33,866</b>	<b>42,598</b>	<b>32,400</b>

## Charity Statement of Financial Activities

### For the year ended 31 August 2008

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended</i> <i>31-Aug-08</i>	<i>Period ended</i> <i>31-Aug-07</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>Total</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b><i>Incoming Resources</i></b>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	13,180	17,802	30,982	24,029
Activities for generating funds:					
Fundraising events	3	5,590	617	6,207	7,114
Investment income	4	1,227	-	1,227	671
<b><i>Total Incoming Resources</i></b>		<u>19,997</u>	<u>18,419</u>	<u>38,416</u>	<u>31,814</u>
<b><i>Resources Expended</i></b>					
Cost of generating funds:	6	4,683	-	4,683	4,079
Charitable Activities					
Grants and project operating costs	5 & 6	940	25,702	26,642	21,747
Governance costs	5 & 6	509	-	509	540
<b><i>Total resources expended</i></b>		<u>6,132</u>	<u>25,702</u>	<u>31,834</u>	<u>26,366</u>
<b><i>Net incoming/(outgoing) resources before other recognised gains and losses</i></b>					
		<u>13,865</u>	<u>(7,283)</u>	<u>6,582</u>	<u>5,448</u>
Unrealised gains on investment assets	7	578	-	578	173
Realised (losses)/gains on foreign Currency swap		(1,247)	-	(1,247)	197
<b><i>Net incoming/(outgoing) resources before transfers</i></b>		<u>13,196</u>	<u>(7,283)</u>	<u>5,913</u>	<u>5,818</u>
<b><i>Gross transfers between funds</i></b>	12	(14,183)	14,183	-	-
<b><i>Net movement in funds</i></b>	8	<u>(987)</u>	<u>6,900</u>	<u>5,913</u>	<u>5,818</u>
<b><i>Funds at 1 September 2007</i></b>		9,719	2,660	12,379	6,561
<b><i>Funds at 31 August 2008</i></b>		<u>8,732</u>	<u>9,560</u>	<u>18,292</u>	<u>12,379</u>

## Consolidated Balance Sheet

As at 31 August 2008

	<i>Notes</i>	<i>2008</i> £'000	<i>2007</i> £'000
<b>Fixed assets</b>			
Tangible fixed assets	<b>9</b>	125	88
		<u>125</u>	<u>88</u>
<b>Current assets</b>			
Debtors	<b>10</b>	28,737	16,561
Cash at bank and in hand		27,319	20,402
Investment in ARK Masters Fund	<b>7</b>	12,830	8,697
		<u>68,886</u>	<u>45,660</u>
<b>Creditors:</b> amounts falling due within one year	<b>11</b>	(14,646)	(8,110)
		<u>54,239</u>	<u>37,550</u>
<b>Net current assets</b>			
		54,364	37,638
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after one year	<b>11</b>	(11,769)	(5,238)
		<u>42,595</u>	<u>32,400</u>
<b>Net assets</b>			
<b>Funds</b>			
Unrestricted funds:			
General Programme Fund		6,945	8,496
Core costs		1,786	1,223
Restricted funds		33,864	22,681
<b>Total funds</b>	<b>12</b>	<u>42,595</u>	<u>32,400</u>

Approved by the Board of Directors on 20 May 2009 and signed on its behalf by:

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)



## Charity Balance Sheet

As at 31 August 2008

	<i>Notes</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
<b>Fixed assets</b>			
Tangible fixed assets	<b>9</b>	30	49
		<u>30</u>	<u>49</u>
<b>Current assets</b>			
Debtors	<b>10</b>	28,670	16,624
Cash at bank and in hand		26,086	18,660
Investment in ARK Masters Fund	<b>7</b>	12,830	8,697
		<u>67,586</u>	<u>43,981</u>
<b>Creditors:</b> amounts falling due within one year	<b>11</b>	(25,502)	(16,494)
<b>Net current assets</b>		<u>42,083</u>	<u>27,487</u>
<b>Total assets less current liabilities</b>		42,113	27,536
<b>Creditors:</b> amounts falling due after one year	<b>11</b>	(23,822)	(15,157)
<b>Net assets</b>		<u>18,291</u>	<u>12,379</u>
<b>Funds</b>			
Unrestricted funds:			
General Programme Fund		6,945	8,496
Core costs		1,786	1,223
Restricted funds		9,560	2,660
<b>Total funds</b>	<b>12</b>	<u>18,291</u>	<u>12,379</u>

Approved by the Board of Directors on 20 May 2009 and signed on its behalf by:

Arpad Busson  
Chairman  
Absolute Return for Kids (ARK)

## Consolidated Statement of Cash Flows

For the year ended 31 August 2008

		<i>Year ended</i>	<i>Period ended</i>
		<b>31-Aug-08</b>	<b>31-Aug-07</b>
		<i>Total</i>	<i>Total</i>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
<b><i>Net cash inflow from operating activities</i></b>	<b>17(a)</b>	10,457	9,460
<b><i>Returns on investments and servicing of finance</i></b>			
Interest received		1,343	705
Realised foreign currency gains / (losses)		(1,216)	193
<b><i>Capital expenditure and financial investment</i></b>			
Purchase of fixed assets		(111)	(85)
Disposal of fixed assets		1	
Investment made in ARK Masters Fund		(3,557)	(3,907)
<b><i>Increase in cash</i></b>	<b>17(b)</b>	6,917	6,366

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

## Notes to the Accounts

For the year ended 31 August 2008

### 1. Accounting policies

#### Basis of preparation

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

The accounts consolidate Absolute Return for Kids (ARK) and its project implementing subsidiaries, ARK (South Africa) Limited, ARK Schools, ARK Bulgaria, and ARK Mozambique.

#### Fund accounting

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

Unrestricted funds are those which the donor gives to the charity without stipulating a specific purpose. They are to be used for the furtherance of the objects of the charity in general and may be applied to specific projects at the discretion of the trustees. Within unrestricted funds the charity maintains 2 separate funds; Core Costs, and the General Programme Fund (GPF). The Core Costs fund covers income and expenditure relating to the central administrative costs of the charity. The GPF holds income which must be used to fund charitable projects (i.e. cannot be used to cover the organisation's core costs) but is not committed to a specific project at the point of receipt. The relevant income is credited to the GPF and when the Board commits funds to a specific project the required amount of funding is transferred from the GPF to the relevant restricted fund.

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

#### Incoming resources

Income is accounted for on an accruals basis, and is recognised once the charity has entitlement to the income, is certain that it will be received, and is able to measure its monetary value with sufficient reliability.

#### Resources expended

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

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

Resources expended on charitable activities comprise expenditure related to the direct furtherance of the charity's objectives.

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

#### Allocation of overhead and support costs

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

#### Tangible fixed assets and depreciation

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

## Notes to the Accounts

### For the year ended 31 August 2008

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

Computer equipment – 50% per annum

#### Investments

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

#### Foreign currencies

##### Company

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.

In preparing the financial statements for the current year, the Company has adopted FRS23 “The effects of Changes in Foreign Exchange Rates”. The adoption of this standard did not materially affect the results or financial position of the Company.

##### Group

The income and expenditure of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the relevant period. Where a grant is made to a subsidiary company the value of funds actually spent by the company is shown rather than the value of the grant.

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

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

## 2. Grants and Donations

	<i>Group</i> <b>2008</b> <b>£'000</b>	<i>Charity</i> <b>2008</b> <b>£'000</b>	<i>Group</i> <b>2007</b> <b>£'000</b>	<i>Charity</i> <b>2007</b> <b>£'000</b>
Contributions to core costs	1,897	1,897	1,304	1,304
General Donations	11,283	11,283	7,635	7,635
Grants & restricted donations	19,563	17,802	15,943	15,090
	<u>32,743</u>	<u>30,982</u>	<u>24,882</u>	<u>24,029</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £1.897m (2007 £1.304m) raised for this purpose.

## 3. Fundraising events

The charity held its annual Gala Dinner in June 2008. No other fundraising events were held during the year. The £6.207m (2007 - £7.114m) income stated in the SOFA under incoming resources from fundraising events relates solely to the Gala Dinner.

In addition to this, the 2008 dinner generated donations and associated Gift Aid claims shown in the SOFA under voluntary income of £19.749m. The total income generated by the event was therefore £25.955m (2007 £26.062m)

## Notes to the Accounts

### For the year ended 31 August 2008

Of this £14.929m had been received by 31 August 2008, and £11.026m was outstanding. The outstanding amounts are shown in note 11 as follows;

<b>Due in less than one year</b>	
Charity evening pledges	£5.403m
HMRC - Gift Aid	£0.398m
Match funding pledges	£1.807m
<b>Due in more than one year</b>	
Match funding pledges	£3.418m

The level of outstanding donor pledges is considered to be one of the charity's key risks, and is regularly reviewed by the Financial Stewardship Committee (FSC) on behalf of the trustees. Based on the fact that to date all match funding pledges due for payment have been received and on their knowledge of the individual donors who have pledged, the FSC feel it is very unlikely that any material portion of these funds will not be received.

#### 4. Investment Income

Investment income arises from interest receivable on funds held in interest bearing bank accounts and on fixed term deposit.

During the year investment income was £1.343m (2007 £0.705m) for the group, and £1.227m (2007 £0.671m) for the charity.

#### 5. Allocation of Support

	<i>Charitable activity</i> £'000	<i>Cost of generating funds</i> £'000	<i>Governance costs</i> £'000	<i>Total</i> £'000
Head office costs	940	435	509	1,884
Total	<u>940</u>	<u>435</u>	<u>509</u>	<u>1,884</u>

Support costs relate entirely to ARK's core staff team and the London office. As well as finance, fundraising, and administrative staff, this includes programme management and monitoring and evaluation costs some or all of which would be considered by many charities as programmatic cost rather than administrative cost and charged to programme budgets.

ARK uses this broad definition of core cost 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 3 broad categories required under the Charities SORP 2005, and is based upon an allocation of the time spent by individual members of staff. Note 6 further apportion the charitable activities element between individual programmes undertaken directly by the ARK group.

## Notes to the Accounts

For the year ended 31 August 2008

### 6. Analysis of Resources Expended

#### Group

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total £'000</i>
<b>Charitable expenditure</b>				
HIV/AIDS - South Africa ARV's	4,428	-	160	4,588
HIV/AIDS - South Africa Children Affected by Aids (CABA)	676	-	28	704
HIV/AIDS - Mozambique ARV's	120	-	132	252
HIV/AIDS - Mozambique CHAI	-	-	38	38
HIV/AIDS - SA PMTCT	-	-	28	28
HIV/AIDS - Global PMTCT	33	-	19	52
HIV/AIDS - Strategy	38	-	19	57
Children in Care – Bulgaria	711	-	56	767
Children in Care - Romania	9	1,922	28	1,959
Children in Care - Strategy	28	-	19	47
Economic Development	76	-	19	95
IE – India	337	-	94	431
UK – Pupil Referral Unit	8	-	9	17
UK – Academies	-	8,526	94	8,620
UK – Schools	56	-	47	103
UK - Future Leaders	-	5,203	56	5,259
UK - Teaching Leaders	352	-	94	446
UK - Extended Schools	104	242	-	346
UK - Schools Music	48	-	-	48
UK - Schools Literacy	21	103	-	124
UK - Schools Numeracy	31	153	-	184
UK - Education Small Grants	-	100	-	100
	<u>7,076</u>	<u>16,249</u>	<u>940</u>	<u>24,265</u>
<b>Cost of generating funds</b>	4,248	-	435	4,683
<b>Governance costs</b>	-	-	509	509
<b>Total resources expended</b>	<u>11,324</u>	<u>16,249</u>	<u>1,884</u>	<u>29,457</u>

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

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

Support costs relate to ARK's core staff team and the London office and are covered by the core costs fund.

## Notes to the Accounts

For the year ended 31 August 2008

### 6. Analysis of Resources Expended (cont)

#### Charity

	<i>Activities undertaken directly £'000</i>	<i>Grant funding of activities £'000</i>	<i>Support costs £'000</i>	<i>Total £'000</i>
<b>Charitable expenditure</b>				
HIV/AIDS - South Africa ARV's	-	-	160	160
HIV/AIDS - South Africa Children Affected by Aids (CABA)	-	-	28	28
HIV/AIDS - Mozambique ARV's	-	-	132	132
HIV/AIDS - Mozambique CHAI	-	-	38	38
HIV/AIDS - SA PMTCT	-	2,994	28	3,022
HIV/AIDS - Global PMTCT	33	-	19	52
HIV/AIDS - Strategy	38	-	19	57
Children in Care - Bulgaria	-	513	56	569
Children in Care - Romania	9	1,922	28	1,959
Children in Care - Strategy	28	-	19	47
Economic Development	76	-	19	95
International Education - India	-	3,179	94	3,273
UK - Pupil Referral Unit	8	-	9	17
UK - Academies	-	8,526	94	8,620
UK - Schools	-	506	47	553
UK - Future Leaders	-	5,203	56	5,260
UK - Teaching Leaders	-	963	94	1,057
UK - Extended Schools	-	610	-	610
UK - Schools Music	-	80	-	80
UK - Schools Literacy	-	280	-	280
UK - Schools Numeracy	-	634	-	634
UK - Education Small Grants	-	100	-	100
	<u>192</u>	<u>25,510</u>	<u>940</u>	<u>26,642</u>
<b>Cost of generating funds</b>	4,248	-	435	4,683
<b>Governance costs</b>	-	-	509	509
<b>Total resources expended</b>	<u><u>4,440</u></u>	<u><u>25,510</u></u>	<u><u>1,884</u></u>	<u><u>31,834</u></u>

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

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

Support costs relate to ARK's core staff team and the London office and are covered by the core costs fund.

## Notes to the Accounts

### For the year ended 31 August 2008

#### 7. Investments

	2008 £'000	2007 £'000
Investment in ARK Masters Fund b/f	8,510	4,603
Additional investment in Fund during the year	3,557	3,909
	<u>12,067</u>	<u>8,512</u>
Total cost of investment in ARK Masters		
Unrealised gains on investment assets	763	185
	<u>12,830</u>	<u>8,697</u>
Market value at 31 August		

ARK invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The mix of investment instruments and the maximum total investment in each is broadly in line with independent advice obtained by the trustees. In accordance with this policy ARK held a maximum of 35% of its funds in the ARK Masters Fund (AMF) during the period under review. The objective for ARK's investment in the AMF is to outperform cash without significantly increasing risk.

The balance of funds were held as cash in interest bearing bank accounts and on fixed term deposits, with the profile of the cash holdings dependant on the working capital needs of ARK's projects.

The AMF was set up by supporters of ARK in 2005. It is a fund of funds that invests in a range of investment strategies aiming to ensure an absolute return on investment that is not correlated to the UK equity market. Having taken independent advice on this investment strategy, the trustees believe this is an appropriate investment of the charity's funds, especially given the fact that ARK's donor base is almost exclusively drawn from the hedge fund industry and its supporters would expect to see the funds they have given to the charity invested in this way.

The return on investment (which consists of the realised gain/loss on the foreign currency swap that hedges ARK's investment in the fund and the unrealised value of gains in the fund itself) in the 12 months under review was -7.2% (2007 +8%).

ARK also benefits from the ARK Masters Fund in that many of the management companies in whose funds AMF invests voluntarily rebate their fees either directly to the AMF or as a donation to ARK. Where the capital is invested in a fund controlled by the trustees of ARK, 100% of fees are donated in this way. During the period this resulted in donations of £0.553m (2007 £0.438m). This additional return was equivalent to a 6% (2007 8%) of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on it's investment in AMF was -1.2% during the 12 month period (2007 19%). The trustees consider this to be a satisfactory performance in an extremely difficult economic climate.

#### Post balance sheet note

The investment return from AMF showed modest losses in the period immediately following the balance sheet date. The trustees consider that this loss is not material as the AMF investment, the only risk investment of the charity, is capped at 35% of liquid assets, and at the balance sheet date constituted only 18% of resources available for programme investment (see balance Sheet section of Trustees Report on page 7 of these accounts).



## Notes to the Accounts

### For the year ended 31 August 2008

#### 8. Net movement in funds

This is stated after charging

	<b>Group 2008 £'000</b>	<b>Charity 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Charity 2007 £'000</b>
Operating lease charges	<u>69</u>	<u>-</u>	<u>93</u>	<u>-</u>
Depreciation	<u>73</u>	<u>34</u>	<u>62</u>	<u>17</u>

Ernst & Young LLP undertake the audit of the ARK group on a pro bono basis.

#### 9. Fixed Assets

	<b>Group Total £'000</b>	<b>Charity Total £'000</b>
<b>Cost:</b>		
At 1 September 2007	234	103
Additions	111	16
Disposals	(1)	(1)
At 31 August 2008	<u>344</u>	<u>118</u>
<b>Depreciation:</b>		
At 1 September 2007	146	54
Disposals	-	-
Charge for the year	73	34
At 31 August 2008	<u>219</u>	<u>88</u>
<b>Net Book Value:</b>		
At 31 August 2008	<u>125</u>	<u>30</u>
At 31 August 2007	<u>88</u>	<u>49</u>

## Notes to the Accounts

### For the year ended 31 August 2008

#### 10. Debtors

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Receivable within 1 year</b>				
Charity evening pledges	5,403	5,403	4,201	4,201
Match funding pledges	7,557	7,557	1,750	1,750
Grant debtors	304	304	213	213
HMRC	613	613	-	-
Inter-company debtors				
ARK South Africa	-	5	-	28
ARK Bulgaria	-	26	-	-
Related company debtors				
Future Leaders	6	6	10	10
ARK US	15	15	-	-
ARK Masters Advisers Ltd (AMAL)	141	141	-	-
ARK Masters Management Ltd (AMML)	147	147	-	-
ARK Academies	-	-	14	84
Trade debtors	-	-	12	-
Prepayments & other debtors	113	15	77	54
	<u>14,299</u>	<u>14,232</u>	<u>6,277</u>	<u>6,340</u>
<b>Receivable after 1 year</b>				
Grant debtors	270	270	34	34
Match funding pledges	14,168	14,168	10,250	10,250
	<u>28,737</u>	<u>28,670</u>	<u>16,561</u>	<u>16,624</u>

#### 11. Creditors

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within 1 year</b>				
Trade creditors	113	61	249	91
Inter-company creditors				
ARK South Africa	-	26	-	70
Related company creditors				
AMML	324	324	186	186
ARK Academies	73	3	-	-
Grant creditors	12,463	23,790	7,345	15,853
Other creditors	1,673	1,297	330	294
	<u>14,646</u>	<u>25,502</u>	<u>8,110</u>	<u>16,494</u>
<b>Amounts falling due after 1 year</b>				
Grant creditors	<u>11,769</u>	<u>23,822</u>	<u>5,238</u>	<u>15,157</u>

## Notes to the Accounts

For the year ended 31 August 2008

### 12. Analysis of charitable funds Group

	<b>1 Sept 2007 2008</b>	<b>Incoming 2008</b>	<b>Transfers in / (out) 2008</b>	<b>Outgoing 2008</b>	<b>31 Aug 2008 2008</b>
<b>Restricted Funds</b>					
HIV/AIDS - South Africa ARV's	11,338	1,918	(83)	4,428	8,745
HIV/AIDS - CABA	3,075	750	(750)	676	2,399
HIV/AIDS - Mozambique ARV's	3,889	1,053	(1,050)	120	3,772
HIV/AIDS - SA PMTCT	-	-	2,994	-	2,994
HIV/AIDS - Global	-	1,232	-	-	1,232
HIV/AIDS - Global PMTCT	-	-	33	33	-
HIV/AIDS - Other	-	-	38	38	-
Children in Care - Bulgaria	1,049	67	511	711	916
Children in Care - Romania	-	984	1,173	1,931	226
Children in Care - Other	-	-	28	28	-
Economic Development	-	-	76	76	-
IE - India	-	2,425	754	337	2,842
UK - Pupil Referral Unit	-	-	8	8	-
UK - Academies	1,400	4,750	4,876	8,526	2,500
UK - Schools	321	6	506	56	777
UK - Future Leaders	747	550	3,906	5,203	-
UK - Teaching Leaders	-	-	963	352	611
UK - Extended Schools	234	-	610	346	498
UK - Schools Music	114	-	212	48	278
UK - Schools Pastoral	129	-	-	-	129
UK - Teens & Toddlers	-	380	(380)	-	-
UK - Schools Library	-	1,117	-	-	1,117
UK - Schools Literacy	-	280	-	124	156
UK - Schools Numeracy	-	634	-	184	450
UK - Education Small Grants	-	-	100	100	-
Other	385	4,182	(342)	-	4,225
	<u>22,681</u>	<u>20,328</u>	<u>14,183</u>	<u>23,325</u>	<u>33,867</u>
<b>Unrestricted funds</b>					
Core Funds	1,223	2,454	(7)	1,884	1,786
General Programme Funds	8,496	16,873	(14,176)	4,248	6,945
	<u>9,719</u>	<u>19,327</u>	<u>(14,183)</u>	<u>6,132</u>	<u>8,731</u>
<b>Total</b>	<u>32,400</u>	<u>39,655</u>	<u>-</u>	<u>29,457</u>	<u>42,598</u>

*Incoming* is the amount received as income for each fund during the year.

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

*Outgoing* is the amount spent by the group or granted to partner entities outside the group.

## Notes to the Accounts

For the year ended 31 August 2008

### 12. Analysis of charitable funds (cont)

#### Charity

	<i>1 Sept 2007</i>	<i>Incoming</i>	<i>Transfers in / (out)</i>	<i>Outgoing</i>	<i>31 Aug 2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Restricted Funds</b>					
HIV/AIDS - South Africa ARV's	-	83	(83)	-	-
HIV/AIDS - CABA	-	750	(750)	-	-
HIV/AIDS - Mozambique ARV's	-	1,050	(1,050)	-	-
HIV/AIDS - SA PMTCT	-	-	2,994	2,994	-
HIV/AIDS - Global	-	1,232	-	-	1,232
HIV/AIDS - Global PMTCT	-	-	33	33	-
HIV/AIDS - Strategy	-	-	38	38	-
Children in Care - Bulgaria	-	3	510	513	-
Children in Care - Romania	-	984	1,173	1,931	226
Children in Care - Strategy	-	-	28	28	-
Economic Development	-	-	76	76	-
IE - India	-	2,425	754	3,179	-
UK - Pupil Referral Unit	-	-	8	8	-
UK - Academies	1,400	4,750	4,876	8,526	2,500
UK - Schools	-	-	506	506	-
UK - Future Leaders	747	550	3,907	5,203	-
UK - Teaching Leaders	-	-	963	963	-
UK - Extended Schools	-	-	610	610	-
UK - Schools Music	-	-	212	80	132
UK - Schools Pastoral	128	-	-	-	129
UK - Teens & Toddlers	-	380	(380)	-	-
UK - Schools Library	-	1,117	-	-	1,117
UK - Schools Literacy	-	280	-	280	-
UK - Schools Numeracy	-	634	-	634	-
UK - Education Small Grants	-	-	100	100	-
Other	385	4,182	(342)	-	4,225
	<u>2,660</u>	<u>18,420</u>	<u>14,183</u>	<u>25,702</u>	<u>9,561</u>
<b>Unrestricted funds</b>					
Core Funds	1,223	2,454	(7)	1,884	1,786
General Programme Funds	8,496	16,873	(14,176)	4,248	6,945
	<u>9,719</u>	<u>19,327</u>	<u>(14,183)</u>	<u>6,132</u>	<u>8,731</u>
<b>Total</b>	<u>12,379</u>	<u>37,747</u>	<u>-</u>	<u>31,834</u>	<u>18,292</u>

*Incoming* is the amount received as income for each fund during the year.

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

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

## Notes to the Accounts

For the year ended 31 August 2008

### 13. Staff costs and numbers

	<i>Group</i> <b>2008</b> <i>£'000</i>	<i>Charity</i> <b>2008</b> <i>£'000</i>	<i>Group</i> <b>2007</b> <i>£'000</i>	<i>Charity</i> <b>2007</b> <i>£'000</i>
Salaries and wages	5,277	1,377	2,973	847
Social security costs	254	159	142	91
	<u>5,531</u>	<u>1,536</u>	<u>3,115</u>	<u>938</u>

The average number of staff employed during the period was

<u>336</u>	<u>25</u>	<u>232</u>	<u>18</u>
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The number of staff whose emoluments were in excess of £60,000 during the year were as follows;

	<i>Group</i> <b>2008</b>	<i>Charity</i> <b>2008</b>	<i>Group</i> <b>2007</b>	<i>Charity</i> <b>2007</b>
£140,001 - £150,000	2	2		
£130,001 - £140,000			1	1
£110,001 - £120,000			1	1
£90,001 - £100,000	2	2	1	1
£80,001 - £90,000	2	2		
£70,001 - £80,000	1	1		
£60,001 - £70,000	1		2	2

### 14. Directors' remuneration and expenses

The charity did not pay to its trustees any remuneration or reimbursement of expenses during the period.

### 15. Related party transactions

#### Group companies

During the year ARK made a grant of £2.994m to its charitable subsidiary ARK (South Africa) Limited, towards the implementation of its Prevention of Mother to Child Transmission (PMTCT) programme. At the year end, the cumulative balance of grant allocated to ARK South Africa was £13.644m, disbursement of which is expected to be spread over the 3 years to 2011.

During the year ARK made new grants totaling £3.073m to ARK Schools; £0.506m to cover the core costs of the company to 31 August 2009, £0.080m for the Schools Music programme, £0.610m for the Extended Schools programme, £0.280m for the Schools Literacy programme, £0.634m for the Schools Numeracy programme and £0.963m for the Teaching Leaders programme. ARK Schools implements that part of ARK's Education programme not directly related to running Academies. At the year end the cumulative balance of grant allocated to ARK Schools was £2.481m, £2.464m of which is due in less than one year.

During the year ARK made a grant of £0.513m to its charitable subsidiary ARK Bulgaria, to further develop the Children in Care programme. The charity also seconds a member of staff to

## Notes to the Accounts

### For the year ended 31 August 2008

ARK Bulgaria. At the year end the cumulative balance of grant allocated to ARK Bulgaria was £0.802m, £0.517m of which is due in less than one year.

During the year ARK made a grant of £3.179m to its new operating subsidiary in India, to implement the School Leaders India Programme. At the year end the balance of grant allocated was £2.842m, £0.750m of which is due in less than one year.

ARK also has an operating subsidiary in Mozambique. Although no new grants were made during the year, at the period end the balance of previous grants due was £3.731m, £0.962m of which is due in less than one year.

#### Other related parties

ARK made new grants of £8.526m to its sister charity ARK Academies; £5.5m to cover the sponsorship of 4 Academies and £3.026m to cover the core costs of the company to 31 August 2009. At the year end the cumulative balance of grant allocated to ARK Academies was £14.789m, £7.789m of which is due in less than one year. The charity also shares its office with ARK Academies, with each charity assuming a reasonable proportion of the costs, while a number of the charity's staff are seconded to ARK Academies at cost.

Future Leaders is a joint venture charitable company in which ARK, the National Council for School Leadership and the Specialist Schools and Academies Trust each hold one third of the voting rights. During the year ARK granted £5.203m to the company. At the year end the balance of grant allocated to Future Leaders was £4.275m, £2.025m of which is due in less than one year. ARK also provides office space, which Future Leaders pays for in proportion to the resources used.

ARK is also affiliated to Absolute Return for Kids, (ARK) US, a US philanthropic organisation that shares the charity's objectives. During the year ARK received a grant of £4.371m (\$8.6m) from ARK-US.

During the year the charity increased its investment in the ARK Masters Fund by £3.556m (\$7.0m) from £8.510m (\$16.5m) to £12.065 (\$23.5m). The AMF is managed by ARK Masters Management Limited (AMML). During the year the charity received a dividend of £0.147m from AMML. AMML receives investment advice from ARK Masters Advisers Limited (AMAL). During the year the charity received a donation of £0.141m from AMAL.

#### 16. Operating lease commitments

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

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
One year	84	-	43	-
Between two and five years	27	-	50	-
	<u>111</u>	<u>-</u>	<u>93</u>	<u>-</u>

## Notes to the Accounts

For the year ended 31 August 2008

### 17. Notes to the consolidated cash flow statement

#### (a) Reconciliation of net incoming resources to net cash inflow from operating activities.

	<i>Group</i> <b>2008</b>	<i>Group</i> <b>2007</b>
	£	£
Net incoming resources	10,836	10,697
Depreciation	73	62
Interest received	(1,343)	(705)
(Increase)/Decrease in debtors	(12,176)	(9,144)
Increase/(Decrease) in creditors	13,067	8,550
Net cash inflow from operating activities	<u>10,457</u>	<u>9,460</u>

#### (b) Reconciliation of cash flow to movement in net funds

	<i>At</i> <b>1 September</b> <b>2007</b>	<i>Cash</i> <i>Flows</i>	<i>At</i> <b>31 August</b> <b>2008</b>
	£	£	£
Cash at bank	<u>20,402</u>	<u>6,917</u>	<u>27,319</u>

### 18. Risk factors

As stated in note 7 above ARK invests its reserves to achieve the best return consistent with the stability of, and ease of access to, capital. The main risks arising from the charity's pursuit of its objectives and the policies agreed by the trustees for managing each of these risks are summarised below.

#### (a) Interest rate risk

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

#### (b) Market price risk

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

#### (c) Currency risk

Currency risk represents the potential financial loss that the charity might suffer through holding market positions in the face of currency movements.

Currency risk arises over the future value of the charity's investment in the AMF which is a US dollar-denominated fund. To mitigate this risk ARK currency hedges the investment by means of

## Notes to the Accounts

### For the year ended 31 August 2008

a rolling 3 monthly simultaneous spot purchase and forward sale of the amount of US dollars invested in the fund.

Currency risk also arises over the commitment to fund future programme work by the overseas group entities and partner organisations. At the point of making each grant the Board assesses whether or not it is necessary to hedge the grant commitment. From time to time the Financial Stewardship Committee further considers the portfolio as a whole and address specific risks on a case by case basis.

Currency risk also arises at the group level over the future value of assets held by overseas subsidiaries. The risk is managed by holding a maximum amount of 6 month's budgeted expenditure in each currency. The trustees do not believe it is cost-effective to hedge this risk.

#### (d) Credit Risk

Credit Risk represents the potential financial loss that the charity might suffer through its supporters failing to honour the financial pledges that they have made to it. The charity manages this risk by only recognising as debtors significant pledges (those over £10,000) resulting in a small number of high value pledges generally from supporters who are well known to the charity and the trustees.

#### (e) Financial assets

At the period end the Charity's financial assets comprised

	<b>Group 2008 £'000</b>	<b>Charity 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Charity 2007 £'000</b>
Investment in ARK Masters Fund	12,830	12,830	8,697	8,697
Cash at bank and in hand	27,318	26,085	20,402	18,661
Receivables	28,737	28,670	16,561	16,624

#### (f) Fair value

The Charity's assets and liabilities are stated at their fair values at the period-end. The fair value of the investment in the ARK Masters Fund is the published Net Asset Value of the fund.