

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

**Trustees' Annual Report and Accounts**

**For the Year Ended 31 August 2010**

## **Trustees' report for the year ended 31st August 2010**

**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 2010.

### **Reference and administrative details**

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

#### **Directors**

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

The following individuals served as trustees during the year:

Lord Stanley Fink (Chairman to 28 September 2010)

Ian Wace (Chairman from 28 September 2010)

Arpad Busson

Paul Dunning

David Gorton (resigned 15 March 2010)

Kevin Gundle

Paul Marshall

Jennifer Moses

Lord Paul Myners (appointed 30 November 2010)

Michael Platt

Blaine Tomlinson

Anthony Williams (appointed 28 September 2010)

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

#### **Auditors**

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#### **Bankers**

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## Trustees' report for the year ended 31st August 2010

### Objectives and principal activities

ARK is an international charity whose purpose is to transform children's lives. It was founded in 2002 by senior figures in the alternative investment industry. With a shared vision of collective philanthropy, ARK delivers high social returns on philanthropic investment.

ARK has a highly committed board of trustees who use their skills and experience to support ARK's activities. Along with ARK's patrons, the trustees ensure that administrative costs are covered, so that 100% of donations go directly to deliver ARK's programmes for children.

ARK identifies, creates and delivers innovative and highly effective programmes in the areas of **Health** (Mozambique, Zambia, Zimbabwe, South Africa), **Education** (UK, India) and **Child Protection** (Eastern Europe) that are transformative, scalable and sustainable. ARK applies the same principles and disciplines to managing the charity as it would to running a business, focusing on the transformation of children's lives through rigorous research, monitoring and evaluation.

### Health

ARK's Health programmes in sub-Saharan Africa aim to give children a better chance of survival by providing access to improved healthcare that will keep them and their caregivers alive.

ARK is currently active in four countries, with regards to its health programmes:

#### Mozambique

The goal of ARK's programme in Mozambique is to support children whose caregivers are HIV+ by strengthening the healthcare system in five clinics in Maputo province to provide quality HIV treatment, within an integrated model of care, by the end of 2012.

Specific objectives of the programme include:

- Enrolling new patients on treatment, especially children;
- Building the capacity of government healthcare workers at ARK-supported sites;
- Improving quality of care through training, mentoring, technical support and developing monitoring and evaluation systems;
- Strengthening local relationships, including government, and establishing partnerships with other NGOs to maximise impact and leverage synergies.

Also in Mozambique, ARK launched the Young Doctors/Students Programme in partnership with the University of Eduardo Mondlane and the provincial Ministry of Health to help build capacity at ARK sites, while providing practical, on-site experience for first and second year students at the primary health care level. The Clinton-ARK Initiative for Mozambique (CAIM) is a partnership with the Clinton Foundation HIV/AIDS Initiative (CHAI), seeking to enhance training and mentoring of health care workers in Mozambique, with particular focus on HIV/AIDS. CAIM is expanding the Chicumbane medical training centre in Maputo to enable it to increase its capacity for teaching medical technicians and other essential health-care workers.

CAIM has also launched a pilot programme to test the viability of new Point of Care Technologies (POCT) for HIV/AIDS treatment management (including CD4, blood chemistry and hematology testing) to provide a viable solution in addressing the over-burdened centralised testing capacity, thereby increasing access while improving quality of care and patient adherence.

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### **Zambia**

In the summer of 2010, the ARK Board agreed to fund a comprehensive diarrhoeal disease prevention and treatment programme in Zambia. The Centre for Infectious Disease Research in Zambia, (CIDRZ), our implementing partner in Zambia, will be accountable for delivering the programme in Zambia while ARK will play a wider influencing role both in Zambia and internationally, ensuring sustainability of the programme, working towards leveraging ARK funds, and increasing the visibility of the programme and diarrhoeal disease more broadly.

The Zambia programme includes three core elements:

- the introduction of rotavirus vaccine;
- improved clinical management of diarrhoea;
- public health awareness and education for mothers and caregivers in the community.

All aspects of the programme are being planned and implemented in close collaboration with the Zambian Government and other national stakeholders such as UNICEF and the World Health Organisation (WHO). ARK and CIDRZ are also in discussion with other potential funders in order to leverage ARK's commitment and enable the programme to scale up in Zambia and possibly also in other sub-Saharan African countries that have a high incidence of under-five diarrhoea mortality and morbidity. Achieving this would be a major milestone for ARK, CIDRZ and Zambia, as the programme aims to have a catalytic impact on the prevention and treatment of diarrhoea, a disease that kills more children than AIDS, malaria and measles combined. With this accelerated programme, Zambia is now in line to be one of the first countries in Africa to roll out the rotavirus vaccine,

### **Zimbabwe**

In Zimbabwe, one in every 140 pregnant women dies as a result of pregnancy complications. A previously strong healthcare system has collapsed and conditions for pregnant women and new mothers are now among the worst in the world.

The impact of a failing system is worsened by high rates of HIV/AIDS infection and a lack of trained staff. Less than two thirds of deliveries are attended by a trained midwife, clinic based deliveries have decreased to around 60% and only 24% of clinics are properly equipped and staffed for basic emergency obstetric care - all of which put the mother and newborn at significant risk.

In 2010 ARK has been exploring a new programme in Zimbabwe that aims to support the strengthening of the health system to reduce the number of maternal deaths and improve the survival rate of newborns. ARK seeks to create long-term impact focusing on training new and existing health care workers, in addition to a programme that provides the tools and equipment to allow frontline healthcare workers to adequately provide maternal and newborn care at the clinic level.

### **South Africa**

An agreement was successfully concluded on 1 October 2009 to transfer the majority of the ARK programmes in South Africa to Kheth'Impilo, a local non-governmental organisation formed by ex-ARK employees.

#### ***AIDS Treatment Programme***

Between December 2003 and September 2009, ARK ran an Antiretroviral Treatment (ART) programme in South Africa that:

- Extended the lives of HIV+ caregivers through the provision of ART, thereby preventing children from becoming orphaned;

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- Provided treatment at a primary level of healthcare thereby making access easier for those people receiving care and treatment through Government supported facilities.

The agreement with Kheth'Impilo provided ARK minority funding of the ART programme for 12 months to September 2010 to ensure that the inherited operations could be maintained and developed as originally planned.

### **Grant Access**

ARK's Grant Access Strategy (GAS) supports vulnerable children in AIDS-affected communities by assisting their parents or caregivers to access government-funded social care grants.

When ARK handed over its programme to Kheth'Impilo on 1 October 2009 it provided funding to cover a portion of operational costs from October 2009, to September 2011. ARK therefore continues to be a minority funder of these important ART and GAS programmes, alongside the majority funder, PEPFAR (the US President's Emergency Plan for AIDS Relief).

### **Prevention of Mother to Child Transmission (PMTCT)**

In September 2008, ARK launched a study into PMTCT. The aim of the study is to provide rigorous data and an operational model that demonstrates that it is possible to roll out triple therapy to pregnant mothers who do not qualify for life-long ART at a primary level of care.

## **Education**

### **UK**

ARK's education programme is designed to help close the educational achievement gap between children from rich and poor backgrounds. To achieve this, in partnership with the UK government, ARK is creating a network of highly effective academy schools that focus on raising attainment and is training school leaders and senior teachers for inner city schools, predominantly in areas of economic disadvantage.

### **ARK Schools**

ARK Schools (formerly ARK Academies) was created in 2004 to develop a network of non-selective academies delivering high achievement education in challenging, inner city areas. Its aim is to enable all its pupils to achieve the academic qualifications, skills and confidence they need to move into higher education or pursue the career of their choice.

ARK Schools now runs eight academies in London, Portsmouth and Birmingham and will open a new academy in Redbridge in 2012. ARK's academies are generally situated in deprived urban areas – almost half the pupils at ARK secondary schools are on free school meals.

ARK Schools receives ARK funding but is a separate legal entity from ARK and does not form part of the ARK group accounts.

ARK's UK education programmes also provide services to the academies to support educational success, such as extended schools, literacy and music programmes, as well as funding projects which work to eradicate barriers to success, by improving school leadership and reducing school exclusions. These programmes operate under the umbrella of ARK UK Programmes (formerly ARK Schools).

These include two leadership programmes for UK inner city schools. **Future Leaders** is an accelerated school leadership programme launched by ARK, with the support of the National College and the Specialist Schools and Academies Trust. Its aim is to develop the next generation of head teachers for challenging secondary schools in disadvantaged areas. **Teaching Leaders** is a two year development programme for middle leaders (Heads of

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Department or Heads of Year) developed with the National College, Future Leaders and Teach First that was launched in August 2008.

### **India**

ARK's international education mission is to get more children into school and to raise the quality of their education. ARK believes this will transform the lives of millions of underprivileged children and provide them a passport to future opportunities.

In India, ARK will achieve this by developing replicable and scalable programme delivery models:

- Access – support increased access to both public and low cost, privately-run, quality schools;
- School Improvement – reduce drop outs by introducing programmes that address the specific needs of underprivileged children; improve long term outcomes by regularly assessing schools and awarding them quality ratings;
- Systemic Impact – establish models that the government could replicate at scale to deliver its 2009 Right to Education (RTE) Act.

### **Child Protection**

The focus of the Child Protection programme in Eastern Europe is to reduce the number of children living in, and entering, institutional care through the development of preventative and alternative care services, closure of large-scale institutions and the reform of child protection systems.

### **Romania**

In collaboration with Hope and Homes for Children in Romania, ARK provides programme management, targeted capacity building and infrastructure support to local government to enable the closure of institutions, the reintegration of children with their birth 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.

### **Bulgaria**

Between March 2006 and December 2009, ARK had a partnership agreement to implement a deinstitutionalisation programme in the Municipality of Stara Zagora – home to the highest number of institutionalised children in Bulgaria. This was the first time the government had ever explicitly committed to such a programme and marked a huge breakthrough for both ARK and the future of childcare in Bulgaria.

ARK's programme was designed with sustainability and exit in mind, including through:

- focus on building the capacity of child care professionals
- supporting partner organisations to plan and deliver services rather than ARK engaging in direct service delivery
- planning the handover of services from their start and involving partners in all decision-making
- designing services with budgets in line with those of the state
- providing input to Government work on financial and quality standards for services
- influencing wider policy and legislative developments

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### **Achievements, performance and future plans**

#### **Health**

##### **Mozambique**

ARK has invested in building its organisation and team to create a foundation for sustainable and longer term work in the country.

By adding a new site and providing additional ARK clinical support at its other four sites, ARK was able to substantially increase access to its antiretroviral programme and in FY 09/10, ARK had enrolled 4,114 patients onto antiretrovirals (ARVs), benefiting nearly 9,000 children. This was 65% ahead of FY 09/10 targets.

As part of our mentoring strategy, ARK's two doctors have reduced the amount of time spent on consultations (previously 100%, now 55% of their time) and are instead focusing on improving the skills of medical technicians and nurses on HIV case management, thereby building sustainable capacity at the clinics.

ARK has also improved patient tracking systems, established regular meetings at the health centres to discuss complicated cases and provided training on specific topics, introduced Point of Care Technology (POCT) CD4 machines, and improved the infrastructure of the clinics.

A key success has been the buy-in and support of the Mozambique Ministry of Health to ARK's strategy to build clinic capacity, strengthening the sustainability of ARK's work.

ARK has continued to build and expand its relationship with the University of Eduardo Mondlane Medical School (Young Doctors Programme) and developed a new programme where doctors-in-training receive practical experience at ARK-supported sites with the aim of addressing the skills gap in human resources for health in the country.

ARK has developed a relationship with a community-based NGO (APFUKANE) to implement a defaulter tracing system to follow up with ARV patients with missed appointments. ARK also developed a new partnership with Population Services International (PSI) to provide community HIV counselling and testing in areas surrounding ARK-supported sites – a vital link between the community and health centre services.

Going forward, ARK will continue to deliver the ARV programme at five ARK-supported sites, and will support these sites to maintain systems, including supply chain/equipment and blood transport. It will also up-skill the human resources and improve systems to retain a maximum number of patients in care. Importantly, ARK will also build and take initial steps towards exit of this programme, including lobbying local stakeholders to take over some site activities such as data capturing

##### **Clinton-ARK Initiative for Mozambique (CAIM)**

This partnership has focused on two initiatives. Firstly, there is the Chicumbane project, whose overall goal is to improve the quality of care for HIV patients by supporting the expansion of the Chicumbane Training Centre in order to train more mid-level healthcare workers. In August 2010, the building work was completed and CAIM successfully handed over 3 new classrooms and 4 dormitories to the government. The challenge now is for the Ministry of Health to access the approved funds from the Global Fund for soft components and equipment for the new buildings.

Secondly, the Point of Care Technologies (POCT) programme continues on track. Overall, more than 24,000 POCT tests (CD4 counts, chemistry and hematology) were provided across the pilot sites during the second quarter of the year, enabling a large number of patients to be placed on ARVs earlier than would otherwise have been possible. The impact of the POCT CD4 machines at 2 ARK sites is clear: in the fourth quarter the time between HIV diagnosis to

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enrolment for eligible patients at ARK-supported sites was between 22-25 days (versus the national average of 89 days). This can be attributed to the combined result of various improvements at the sites, but the reduced turn-around time for CD4 test results is a key factor.

The Ministry of Health presented the evaluation and impact of the POCT programme at IAS 2010 in Vienna where it generated a great deal of interest. The Ministry of Health is now planning to support the expansion of the programme in 2011.

### **Zambia**

ARK and its local partner, the Centre for Infectious Disease Research in Zambia (CIDRZ), are focused on ensuring the programme is sustainable and that it is fully integrated into Zambia's existing Expanded Programme on Immunisation (EPI). Working with the Zambian Ministry of Health (MoH), the World Health Organisation (WHO), UNICEF and other partners, ARK's ambition is to ensure that all the elements of the programme (rota vaccine, improved clinical management and public health awareness) are integrated fully into the primary health care priorities of the Zambian government.

#### ***National scope***

The programme will work in partnership with the MoH Child Health Unit to support an expanded paediatric vaccine roll-out through the Global Alliance for Vaccines and Immunisation (GAVI) as well as partnerships to improve frontline clinician skills and to develop an awareness programme.

#### ***International scope***

This diarrhoea prevention and management programme has scope to go beyond Zambia and into other sub-Saharan Africa countries. ARK will collaborate closely with regional and global partners on programme planning and design as well as keeping them apprised of the programmatic and scientific data collected as it will inform public health policy throughout the region. ARK will work with and support partners in lobbying for additional funding for vaccines and diarrhoea prevention and treatment internationally, and support the broader ambition of the global movement around the 'Decade of Vaccines'.

### **Zimbabwe**

ARK is at the very early stages of planning in Zimbabwe and is working closely with the Zimbabwean government to identify the optimal structure for its programme.

The aim is to develop a national in-service training programme for midwives providing them with the skills to deliver emergency obstetric care and life-saving treatment for newborn babies. In addition, ARK is developing a training programme aimed at Clinic Officers.

ARK will be in a position to announce more details around this programme in 2011.

### **South Africa**

Through the Antiretroviral Treatment (ART) programme, ARK successfully:

- Supported the enrolment of over 100,000 people onto ART;
- Supported 71 primary health care and 22 secondary/tertiary level facilities;
- Supported the accreditation of 37 primary health care sites to initiate ART;
- Employed 780 people to support the programme (directly and indirectly);
- Delivered a quality of care that was superior to the majority of cohorts reviewed from Africa and low-income countries;

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- Provided Community Access and Adherence (CAA) support to 70 primary care sites;
- Worked in four provinces, three of which are especially resource poor in the South African context and have high HIV prevalence;
- Processed over 60,000 grants, of which 24,389 grants were processed between October 2009 and June 2010.

Through its programme ARK contributed to the well-being of over 115,000 children either by providing their parents/primary caregivers with life-saving ART or providing paediatric ART to HIV+ children through the ART programme. The rapid expansion of the programme was made possible by the partnership ARK developed with PEPFAR, the US President's Emergency Plan for AIDS Relief, and its grant management partner, PACT.

### ***PMTCT***

The study was carried out at two sites and, by July 2009, approximately 135 mothers were enrolled on triple therapy. AIDS research is developing very quickly and it became apparent that the ARK study did not need to be extended. The decision was therefore taken to wind down the study whilst continuing to care for the 135 mothers.

### **Education**

ARK supports three major programmes in the UK - ARK Schools, Future Leaders and Teaching Leaders - and two programmes in India.

#### **UK**

##### **ARK Schools**

By 2012 ARK aims to be running twelve academies eventually providing places for more than 15,000 pupils.

- ARK has now opened eight academies, which are currently impacting the lives of nearly 5,000 pupils.
- Two academies (Charter Academy, Portsmouth and St Alban's Academy, Birmingham) opened in September 2009. Just after the year end, in September 2010, Ark Academy opened its secondary school and Walworth Academy opened its sixth form. Evelyn Grace Academy, Globe Academy and Ark Academy all moved into new buildings in September 2010 and Walworth Academy moved into its new building in January 2010.
- ARK is now working on the preparations for a new secondary academy to open in Ilford in 2012.

To help tackle the problem of limited prior attainment that holds back many children from poorer communities ARK Schools is expanding its primary schools programme. Under the new government's Free Schools programme ARK has been approached by a number of parents' groups seeking to open new schools. ARK Schools is working with groups in Hammersmith and Fulham and Westminster to open primary schools in the White City (Hammersmith) and north Westminster areas, where there are significant shortages of primary places.

ARK's academies achieved a fourth year of improvement in GCSE performance. The percentage of pupils achieving five GCSEs at A\*- C including English and mathematics rose to 70% at Burlington Danes Academy (2009, 50%), 60% at Walworth Academy (2009, 45%), 41% at Globe Academy, (2009, 35%), 50% at St Alban's Academy (2009, 31%, predecessor school) and 25% at Charter Academy (2009, 21%, predecessor school).

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From 2009 – 2010 the average GCSE pass rate (pupils achieving five A\* - C passes including English and mathematics) across the five ARK academies with pupils of GCSE age increased by 13 percentage points making ARK the top performing multi-academy sponsor for a second year.

In 2010, 51% of ARK pupils achieved five GCSEs including English and mathematics, a dramatic improvement from the 20% achievement across the same schools in 2006, the year ARK's first academy opened.

In 2009/10 ARK ran an innovative pilot programme, **ARK Plus**, to provide academic intervention for under-attaining Year 7 students with acute behavioral and emotional needs. Students on the programme were identified as being at risk of exclusion but with potential to respond positively to a six month off-site intervention to improve their academic attainment and their resilience and ability to thrive in their school. The pilot involved 12 pupils from two academies each of whom has now returned to their academy for year 8, with continuing support from the ARK Plus team to help them reintegrate to their classes.

In just six months, participating pupils all made at least one year's progress in English and mathematics and all reintegrated effectively into their home school with a significantly reduced number of behavioural incidents.

The pilot programme demonstrates the significant opportunity to prevent exclusions and the disruption they cause to children's education and long-term prospects. The ARK Plus pilot is now being evaluated to assess the best long term structure for the programme.

### Future Leaders

- The Future Leaders programme, launched in 2006 with a Cohort of 20 participants, is currently training 217 Future Leaders, who are working across some 150 challenging schools.
- The programme operates in five regions – London, the North West, the Midlands, Yorkshire and the Humber and the South Coast.
- This year, a further five participants gained headteacher status (from competitive fields) - at least one year ahead of schedule, making a total of nine headteachers.
- The first three headteachers all delivered improved outcomes at GCSE level in their first year. One participant nearly doubled the percentage of pupils achieving five A\*-C grades including English and Maths – a result that would be impressive for a seasoned school leader, let alone a headteacher new in the post.

### Teaching Leaders

- The Teaching Leaders programme, launched in 2008, now has recruited 147 middle leaders across 83 complex urban schools and aims to train more than 300 middle leaders in each cohort by 2014.
- The programme is set to launch in the northwest in August 2011, recruiting 30 new participants from the region
- 70% of the first cohort of middle leaders were promoted during the two years of the programme.
- The pupils being targeted by participants in the first two cohorts are significantly outperforming the school expected grades.

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### India

Fluency in written and spoken English is critical if children are to have good prospects and drive socio-economic development in their communities.

To address this need, in 2010 ARK developed and launched *ASPIRE* (Allow Synthetic Phonics to Improve Results in English), an English literacy programme for Class 1 students (aged 5 and 6) in a relatively deprived area of New Delhi. The programme aims to:

- Train and mentor teachers to deliver quality English language teaching
- Influence the teaching of English in schools across Delhi by demonstrating the impact of the programme using evidence from the first year of the programme
- Deliver an effective English literacy programme within the local school curriculum which also provides additional incentives for children to remain in school.

ARK's year-long programme has already trained 50 teachers in government and low-cost private schools (charging fees of between £4 – 9 a month) to teach 1,500 children English using the Jolly Phonics, Genki English and Read Write techniques – all proven, evidence-based methodologies commonly used in UK schools. This approach teaches letter sounds, conversational English, reading and writing in an enjoyable and multi-sensory way. Children are quickly empowered to speak, read and write in English with confidence and fluency.

The programme is being rigorously monitored and evaluated. The information gathered is being used to develop a scalability plan and to ensure the programme is sustainable in both government and private schools.

ARK's work in Delhi has identified many communities where children are facing multiple social and economic challenges which put them at greater risk of being excluded, dropping out of school or never attending school. To address this, ARK has partnered with the Centre for Civil Society (CCS) to design a new programme providing scholarships to underprivileged children.

ENABLE (Ensure Access to Better Learning Experiences) will give 1,000 children access to good, low-cost, private school education and will fund their education for a period of five years or more. The programme aims to develop models and approaches that can be taken to scale through government as it implements some of the clauses in its recently passed Right to Education Act.

The programme is currently in the design stage and will be launched in the 2011 academic year.

### Child Protection

#### Romania

ARK and Hope and Homes for Children (HHC) have built up a strong and unique partnership. ARK has supported HHC with two major grants since 2002 including the current HHC-ARK Partnership for Romania, 2008-2011.

This joint work has demonstrably transformed the lives of several thousand children. To date, HHC and ARK have:

- piloted a model for the direct and indirect closure of institutions;
- developed a replicable model of effective family support, successfully preventing children from being institutionalised;
- directly closed 9 institutions and indirectly contributed to the closure of 7 institutions; by the end of the current partnership a further 2 institutions will have been closed indirectly;
- enabled 1,908 children to leave institutions; by the end of the current partnership a further 242 children will have been moved out of institutions;

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- prevented 5,339 children from being institutionalised; by the end of the current partnership we are expecting to prevent a further 166 children from being institutionalised.

Through the current HHC-ARK Partnership for Romania reform of the childcare system in Maramures County will be completed with the closure of its last remaining institution – the first quality, county-wide deinstitutionalisation in Romania. The partnership will also accelerate deinstitutionalisation in Bacau county, one of the most deprived areas of Romania, in order to improve the lives of children in care and support families where children are at risk of being removed.

### ***Future plans***

Building on their experience and success to date, HHC and ARK have the historic opportunity to support Romania to become the first country in Eastern Europe and the Former Soviet Union to bring an end to institutional care. Implementation of an ambitious national plan will transform thousands of childrens' lives, bringing lasting sustainable change to the Romanian child protection system and having an impact throughout the region and internationally by demonstrating that such comprehensive reform is possible.

The Romanian Government's National Strategy for Children (2008-2013) explicitly commits to the closure of all institutions and reform of the child protection sector. The Romanian Government has reaffirmed its commitment to closing the remaining old style institutions. A ten-year plan to 2020 is under development by HHC and ARK to fulfil this goal and to kick-start implementation. A major prevention programme will be implemented in parallel with this in partnership with Romanian counties and UNICEF.

### **Bulgaria**

Between March 2006, when ARK began operations in Bulgaria, and December 2009 it:

- supported direct work with 570 children including:
  - o 107 successful prevention cases;
  - o placement of 207 children out of institutions: 84 re-integrations, 61 adoptions, 16 children placed in foster care and 46 in small group home service;
  - o training of 35 older children in institutions and 228 prevention cases opened and still being monitored at time of programme closure;
- planned and implemented the first closure of an institution in Bulgaria;
- provided training, technical assistance and supervision to 227 professionals;
- facilitated the restructuring of Stara Zagora Child Protection Department;
- developed a network of prevention service providers including hospital Maternity Ward;
- oversaw establishment of an independent foster care team: UNICEF now financing rollout of ARK's model;
- created a model for and established the first comprehensive small group home service in Bulgaria; and
- played a key role in national and European level discussions regarding de-institutionalisation.

However, the programme faced many obstacles, including: a lack of Government commitment to de-institutionalisation, despite supportive national policy and legislation; no understanding of or engagement from the Ministry of Health, directly responsible for infant institutions – the entrance route to the system; and inadequate resourcing of Child Protection Departments that are responsible for supporting families and placing children in care.

Whilst ARK overcame these problems at a local level they prevented scale-up and it was decided not to extend the programme beyond its first phase and the programme was closed at the end of 2009.

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ARK leaves a strong legacy in Bulgaria: its work has been pioneering in demonstrating for the first time what 'quality de-institutionalisation' means. The series of publications and short films produced by ARK Bulgaria have been disseminated throughout the country, providing guidance for Government, NGOs and donors on how alternative services can be developed and comprehensive de-institutionalisation programmes designed and implemented.

ARK's work has provided a model for systemic change in Bulgaria. Some of the limitations ARK faced when setting up the programme are now falling away. Using ARK's experience, the Government and others now have the opportunity to continue to reform and transform the lives of thousands more children.

### Financial review

In a second year of severe global recession that has seen many charities forced to restrict their charitable programmes due to a loss of fundraising income, ARK's funding and investment model has proved particularly resilient. No committed programmes have been adversely affected because ARK ensures funding is fully in place for the full duration of the programme prior to commencement. Furthermore, the policy of maintaining at least 40% of liquid investments in interest earning cash deposits has proved to be secure, and the balance of investments held in the ARK Masters Fund recorded a net increase of 3%.

ARK's consolidated income in the year to 31 August 2010 totalled £14.5m, compared to £23.9m in 2009. £4.0m of this decline is due entirely to the non-consolidation of third party grant income in the ARK South Africa subsidiary. The successful transfer of the majority of charitable activities in South Africa to another non-governmental organisation with effect from 1 October 2009, in line with ARK's philosophy of achieving sustainability, resulted in this programme being excluded from the consolidated accounts for 11 months of the year.

The charity continues to raise the majority of its funds through its annual Gala Dinner. In 2010 this was held at Waterloo International rail terminal with a keynote speech by Her Majesty Queen Rania of Jordan. Thanks to the generosity of ARK's supporters £12.4m was raised through the Dinner and associated Gift Aid reclaims (see note 3) (2009 £15.6m). Despite being in the grip of economic recession ARK's supporters maintained their support of the event in 2010.

Group expenditure during the year was 33% higher at £25.4m (2009 - £19.1m). The largest component of this, at 78%, was direct charitable expenditure on grants and project operating costs which increased 22% to £19.7m (2009 £16.2m). Note 6 contains 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. In 2010 this totalled £5.4m (2009 £2.6m).

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

During the period expenditure at the charity level on grants and project operating costs was £5.6m (2009 £9.9m). This excludes support costs of £0.6m (2009 £0.8m). The allocation of new commitments by theme is inevitably volatile due to the large value of individual commitments that often cover funding for a period of up to three years. The trustees anticipate that one or more new international programmes may be granted significant funding in 2011, but trustees are concerned to ensure programmes are fully researched, and trialled where appropriate, before committing funds for a number of years.

## Trustees' report for the year ended 31st August 2010

Theme	New Commitments	Summary of commitments
Health Africa - HIV/AIDS	£(6.7)m	Reversal of part of grant previously awarded to ARK South Africa programmes but no longer required due to transfer of the majority of activities to Kheth'Impilo with effect from 1 October 2009, and reduction in grant to PMTCT programme due to early closure of study.
Health Africa – Other	£4.2m	£3.8m relates to a 3-year grant to introduce a rotavirus vaccine in Zambia and an associated diarrhoea management programme.
Economic Development	£0.2m	Research into future programme opportunities.
International Education	£0.4m	Small grants to third party programmes.
UK Education	£7.5m	£4.2m towards the sponsorship of academies and investment in the central team supporting the 8 ARK schools; £3.0m to ARK's charitable subsidiary, ARK Schools, including £1.3m to Teaching Leaders and £1.2m for the Extended Schools and Music programmes; £0.3m to Future Leaders.

### 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 following table.

	2010	2009
	£'000	£'000
Contributions arranged by trustees and patrons	766	1,267
ARK Masters fee rebates	510	675
Return on investments	813	860
<b>Total income raised for core costs</b>	<b>2,089</b>	<b>2,802</b>
Less: Expenditure on core costs	(1,516)	(1,644)
<b>Surplus on core costs for the year</b>	<b>573</b>	<b>1,158</b>
Less: Transfer to fund new programme development costs	(448)	0
	125	1,158
<b>Balance 1 September</b>	<b>2,944</b>	<b>1,786</b>
<b>Balance 31 August</b>	<b>3,069</b>	<b>2,944</b>

The trustees recognise 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 2010 they have established a reserve to cover core costs equivalent to £3.1m or 24 months expenditure at the 2010 level (2009 £2.9m – 21 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.

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.

## Trustees' report for the year ended 31st August 2010

### Balance Sheet

The typical project lifecycle is 3 to 5 years and ARK underwrites the full cost and sets aside reserves at the outset. In the charity balance sheet these programme commitments are shown as grant creditors, and the total value at 31 August was £28.6m (2009 £41.5m).

The charity also holds an additional amount of £21.8m to invest in new programmes (2009 £20.3m), £9.2m as restricted funds (2009 £6.8m) and £12.6 m as unrestricted funds held in its General Programme Fund (2009 £13.5m).

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 specific projects. At 31 August 2010 the total value of outstanding match funding pledges was £10.0m (2009 £13.3m) - see note 10. These pledges are drawn down against agreed schedules, and all pledges due for payment by 31 August 2010 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 following table.

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

	<b>£'000</b>	
Grant creditors	28,567	
Unrestricted funds - General programme fund	12,568	
Restricted funds	9,248	
<b>Total programme funds</b>	<b>50,383</b>	
Match funding pledges	10,047	19%
Other programme related debtors	6,621	13%
Cash	20,330	40%
Investment	13,385	27%
<b>Assets matching programme funds</b>	<b>50,383</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 feels it is unlikely that any material portion of these funds will not be received.

The FSC also oversees the charity's cash management. During the year an account was opened with Barclays Corporate to provide some diversity for the charity's cash in addition to the existing HSBC Private Bank (UK) Limited and Lloyds Banking Corporation accounts. The FSC believes that this is an appropriate lower risk approach and at 31 August 75% of the charity's cash was invested in the Lloyds account with the balance in Barclays and HSBC accounts. The profile of the cash holdings is dependent on the working capital needs of ARK's programmes.

In June 2010 the trustees approved a revision to the investment policy to increase non-cash investments from a limit of 35% to a target range of 40-60% of total cash and investments. At 31 August the investment in ARK Masters Fund represented 39.7% of total invested funds (2009 31.3%) and was therefore in line with the approved policy. The US Dollar denominated ARK Masters Fund is a relatively low risk fund. The objective for ARK's investment in the AMF is to outperform cash without significantly increasing risk.

## Trustees' report for the year ended 31st August 2010

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. To eliminate virtually all currency risk on this US\$ denominated investment a forward sale currency contract, or swap, was taken out every 3 months until June 2010 for the value of the investment.

In June 2010 the trustees resolved that the US\$ denominated AMF provides a foreign currency match for programme grant liabilities denominated in foreign currency and uncommitted reserves that are expected to be committed to foreign currency denominated programmes in the next 12 months. Provided that foreign currency assets and liabilities match to within £5m no currency swap contract is required and at 31st August 2010 there was no contract in place. As a result future reported currency gains and losses are likely to be more significant.

The US\$ denominated AMF produced an investment return for the year of 2.6%. This compares with an average interest rate of 0.3% on 1-month US LIBOR during the year.

The reported return on investment in GBP terms (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 -0.7% (2009 -5.8%).

ARK also benefits from the AMF 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 £0.510m (2009 £0.676m). This additional return was equivalent to 3.6% (2009 5.1%) of ARK's average investment in AMF during the period.

Taking these 2 factors together ARK's total return on investment in AMF was 2.9% during the 12 month period (2009 -0.7%). The trustees consider this to be a satisfactory performance in an extremely difficult economic climate.

The trustees believe that the value of this funding model has been well demonstrated in recent years. ARK has the resources to cover existing programme commitments and has £21.8m of uncommitted funds available to finance future programmes.

### Risk Management

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

## Trustees' report for the year ended 31st August 2010

### Funds and Reserves

#### Restricted funds

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

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

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

The value of restricted funds held by the group at 31st August 2010 was £20.2m (2009 - £30.3m) which is equivalent to 13 months' expenditure on charitable activities from restricted funds at 2010 levels (2009 - 24 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 £12.6m at 31st August 2010 (2009 £13.5m). ARK anticipates that all these funds will be committed to specific programmes within the next 24 months. The trustees consider this to be in line with the organisation's policy.

#### Unrestricted funds – core costs

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

In the balance sheet these funds are shown under unrestricted funds - core costs. The balance held on this fund was £3.1m at 31st August 2010 (2009 - £2.9m) which is equivalent to 24 months' expenditure on core costs at 2010 levels (2009 - 21 months). The trustees consider this to be in line with the organisation's policy.

## Trustees' report for the year ended 31st August 2010

### 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 Child Protection), 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.

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

#### Related Parties

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

ARK 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; charity number 1137932).

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 India, which runs the charity's programmes in India, is registered as a Society in India.

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

ARK holds 40-60% of its funds in the ARK Masters Fund (AMF), an investment unit trust (see note 7). The AMF was set up by supporters of ARK in 2005. It is managed by ARK Masters Management Limited (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 16 to the financial statements includes a summary of transactions with each of these organisations.

## **Trustees' report for the year ended 31st August 2010**

### **Statement of public benefit**

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

### **Statement of trustees' responsibilities in respect of the financial statements**

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

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

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

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

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

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

This report was approved by the trustees on 18 January 2011.

Ian Wace  
Chairman, Absolute Return for Kids (ARK)

# **Independent auditors' report**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABSOLUTE RETURN FOR KIDS (ARK)**

We have audited the charitable group and company's financial statements of for the year ended 31 August 2010 which comprises the consolidated and charity Statement of Financial Activities, the consolidated and charity Balance Sheet, the consolidated Statement of Cash Flows and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

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

As in the Statement of Trustees' Responsibilities set out on page 18, the charitable company's trustees' (who are also the directors of ARK for the purposes of company law) are responsible for the preparation of the financial statements and the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted accounting Practice) and for being satisfied that the information gives a true and fair view.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees' Annual Report is consistent with those financial statements.

In addition, we report to you if, in our opinion, the charitable group and company has not kept adequate accounting records, if the charitable group and company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

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

# **Independent auditors' report**

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

### **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 judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable group and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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 charitable group and company as at 31 August 2010 and of their incoming resources and application of resources including their income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Michael-John Albert (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

## Consolidated Statement of Financial Activities

### For the year ended 31 August 2010

	Notes	Unrestricted £'000	Restricted £'000	Year ended 31-Aug-10 Total £'000	Year ended 31-Aug-09 Total £'000
<b>Incoming Resources</b>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	5,329	5,865	11,194	19,874
Activities for generating funds:					
Fundraising events	3	2,455	300	2,755	2,879
Investment income	4	346	16	362	1,132
Incoming Resources from charitable activities		-	175	175	-
<b>Total Incoming Resources</b>		<u>8,130</u>	<u>6,356</u>	<u>14,486</u>	<u>23,885</u>
<b>Resources Expended</b>					
Cost of generating funds:					
Charitable Activities					
Grants and project operating costs	5 & 6	645	19,078	19,723	16,236
Governance costs	5 & 6	240	-	240	286
<b>Total resources expended</b>		<u>6,323</u>	<u>19,078</u>	<u>25,401</u>	<u>19,120</u>
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<u>1,807</u>	<u>(12,722)</u>	<u>(10,915)</u>	<u>4,765</u>
Unrealised gains on investment assets	7	1,019	-	1,019	720
Realised/unrealised (losses)/gains on foreign currency transactions		(997)	26	(971)	(1,398)
<b>Net incoming/(outgoing) resources before transfers</b>		<u>1,829</u>	<u>(12,696)</u>	<u>(10,867)</u>	<u>4,087</u>
<b>Gross transfers between funds</b>	12	(2,597)	2,597	-	-
<b>Net movement in funds</b>	8	<u>(768)</u>	<u>(10,099)</u>	<u>(10,867)</u>	<u>4,087</u>
<b>Funds at 1 September</b>		16,405	30,277	46,682	42,595
<b>Funds at 31 August</b>		<u>15,637</u>	<u>20,178</u>	<u>35,815</u>	<u>46,682</u>

The notes on pages 26 to 42 form an integral part of these financial statements.

## Charity Statement of Financial Activities

For the year ended 31 August 2010

		<i>Unrestricted</i>	<i>Restricted</i>	<i>Year ended 31-Aug-10 Total</i>	<i>Year ended 31-Aug-09 Total</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b><i>Incoming Resources</i></b>					
Incoming Resources from generated funds					
Voluntary income:					
Grants and donations	2	5,329	5,163	10,492	15,514
Activities for generating funds:					
Fundraising events	3	2,455	300	2,755	2,818
Investment income	4	346	-	346	1,031
<b><i>Total Incoming Resources</i></b>		<u>8,130</u>	<u>5,463</u>	<u>13,593</u>	<u>19,363</u>
<b><i>Resources Expended</i></b>					
Cost of generating funds:					
Charitable Activities					
Grants and project operating costs	5 & 6	645	5,612	6,257	10,800
Governance costs	5 & 6	240	-	240	286
<b><i>Total resources expended</i></b>		<u>6,323</u>	<u>5,612</u>	<u>11,935</u>	<u>13,684</u>
<b><i>Net incoming/(outgoing) resources before other recognised gains and losses</i></b>					
		<u>1,807</u>	<u>(149)</u>	<u>1,658</u>	<u>5,679</u>
Unrealised gains on investment assets					
Realised/unrealised losses on foreign currency transactions	7	1,019	-	1,019	720
		(997)	-	(997)	(1,485)
<b><i>Net incoming/(outgoing) resources before transfers</i></b>		<u>1,829</u>	<u>(149)</u>	<u>1,680</u>	<u>4,914</u>
<b><i>Gross transfers between funds</i></b>	12	(2,597)	2,597	-	-
<b><i>Net movement in funds</i></b>	8	<u>(768)</u>	<u>2,448</u>	<u>1,680</u>	<u>4,914</u>
<b><i>Funds at 1 September</i></b>		16,405	6,800	23,205	18,291
<b><i>Funds at 31 August</i></b>		<u>15,637</u>	<u>9,248</u>	<u>24,885</u>	<u>23,205</u>

The notes on pages 26 to 42 form an integral part of these financial statements.

## Consolidated Balance Sheet

As at 31 August 2010

	<i>Notes</i>	<i>2010</i> £'000	<i>2009</i> £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	627	88
		<u>627</u>	<u>88</u>
<b>Current assets</b>			
Debtors	10	17,120	21,945
Cash at bank and in hand		23,016	31,548
Investment in ARK Masters Fund	7	14,571	13,552
		<u>54,707</u>	<u>67,045</u>
<b>Creditors:</b> amounts falling due within one year	11	(14,402)	(17,624)
		<u>40,305</u>	<u>49,421</u>
<b>Net current assets</b>			
		40,932	49,509
<b>Creditors:</b> amounts falling due after one year	11	(5,117)	(2,827)
		<u>35,815</u>	<u>46,682</u>
<b>Net assets</b>			
		40,932	49,509
<b>Funds</b>			
Unrestricted funds:			
General Programme Fund		12,568	13,461
Core costs		3,069	2,944
Restricted funds		20,178	30,277
<b>Total funds</b>	12	<u>35,815</u>	<u>46,682</u>

The notes on pages 26 to 42 form an integral part of these financial statements.

Approved by the Board of Directors on 18th January 2011 and signed on its behalf by:

Ian Wace  
Chairman  
Absolute Return for Kids (ARK)

## Charity Balance Sheet

### As at 31 August 2010

	<i>Notes</i>	<i>2010</i> £'000	<i>2009</i> £'000
<b>Fixed assets</b>			
Tangible fixed assets	<b>9</b>	616	2
		<u>616</u>	<u>2</u>
<b>Current assets</b>			
Debtors	<b>10</b>	17,096	21,851
Cash at bank and in hand		22,132	29,682
Investment in ARK Masters Fund	<b>7</b>	14,571	13,552
		<u>53,799</u>	<u>65,085</u>
<b>Creditors:</b> amounts falling due within one year	<b>11</b>	(19,847)	(31,178)
		<u>33,952</u>	<u>33,907</u>
<b>Net current assets</b>			
		<u>34,568</u>	<u>33,909</u>
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after one year	<b>11</b>	(9,683)	(10,704)
		<u>24,885</u>	<u>23,205</u>
<b>Net assets</b>			
		<u>24,885</u>	<u>23,205</u>
<b>Funds</b>			
Unrestricted funds:			
General Programme Fund		12,568	13,461
Core costs		3,069	2,944
Restricted funds		9,248	6,800
<b>Total funds</b>	<b>12</b>	<u>24,885</u>	<u>23,205</u>

The notes on pages 26 to 42 form an integral part of these financial statements.

Approved by the Board of Directors on 18th January 2011 and signed on its behalf by:

Ian Wace  
Chairman  
Absolute Return for Kids (ARK)

## Consolidated Statement of Cash Flows

For the year ended 31 August 2010

	<i>Notes</i>	<i>Year ended 31-Aug-10 Total £'000</i>	<i>Year ended 31-Aug-09 Total £'000</i>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>18</b>	(7,049)	4,573
<b>Returns on investments and servicing of finance</b>			
Interest received		362	1,132
Realised losses on foreign currency transactions		(1,122)	(1,398)
<b>Capital expenditure</b>			
Purchase of fixed assets		(723)	(78)
(Decrease)/increase in cash		<u>(8,532)</u>	<u>4,229</u>
<b>Reconciliation to net funds:</b>			
		<i>Year ended 31-Aug-10 Total £'000</i>	<i>Year ended 31-Aug-09 Total £'000</i>
(Decrease)/increase in cash		(8,532)	4,229
Cash at beginning of year		<u>31,548</u>	<u>27,319</u>
Cash at end of year		<u>23,016</u>	<u>31,548</u>

The notes on pages 26 to 42 form an integral part of these financial statements.

## Notes to the Accounts

### For the year ended 31 August 2010

#### 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, ARK India and ARK Mozambique. All intra-group balances, transactions, incomes and expenses are eliminated on consolidation.

##### **Fund accounting**

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

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

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

##### **Incoming resources**

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. The Charity is typically able to do this when it receives credible written notification of a pledge or donation from a donor.

##### **Resources expended**

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

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

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

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

##### **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.

## Notes to the Accounts

For the year ended 31 August 2010

### 1. Accounting policies (continued)

#### Volunteers and donated services

With the exception of trustees, patrons and a small number of advisors who all provide their services on a voluntary basis, the charity and its subsidiaries do not rely upon volunteers or donated services in delivering services. Accordingly, no financial value for such services is recognised in these accounts.

#### Tangible fixed assets and depreciation

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

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

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

#### Investments

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

#### Foreign currencies

##### Charity

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

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

##### Group

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

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

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

#### Operating lease

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

## Notes to the Accounts

For the year ended 31 August 2010

### 2. Grants and donations

	<i>Group</i> <i>2010</i> <i>£'000</i>	<i>Charity</i> <i>2010</i> <i>£'000</i>	<i>Group</i> <i>2009</i> <i>£'000</i>	<i>Charity</i> <i>2009</i> <i>£'000</i>
Contributions to core costs	1,276	1,276	1,942	1,942
General Donations	4,053	4,053	9,562	9,562
Grants & restricted donations	<u>5,865</u>	<u>5,163</u>	<u>8,370</u>	<u>4,010</u>
	<u>11,194</u>	<u>10,492</u>	<u>19,874</u>	<u>15,514</u>

The trustees ensure that the core costs of the charity are covered. Unrestricted donations and gifts includes £1.276m (2009 £1.942m) raised for this purpose.

### 3. Fundraising events

The charity held its annual Gala dinner in May 2010. No other fundraising events were held during the year. The £2.755m (2009 - £2.818m) income stated in the SOFA under incoming resources from fundraising events relates solely to the Gala Dinner.

In addition to this, the 2010 dinner generated donations of £9.652m (2009 £12.804m) which is included in the SOFA under voluntary income of £10.492m. The total income generated by the event was therefore £12.407m (2009 £15.622m).

Of this £8.161m had been received by 31 August 2010 and £4.246m was outstanding. The outstanding amount for the 2010 Gala dinner is included in note 10 as follows:

Due in less than one year

Charity evening pledges	£4.246m
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### 4. Investment income

Investment income arises from interest receivable on funds held in interest bearing bank accounts and on fixed term deposit. During the year investment income was £0.362m (2009 £1.132m) for the group, and £0.346m (2009 £1.031m) for the charity.

## Notes to the Accounts

For the year ended 31 August 2010

### 5. Allocation of support

	<i>Charitable activity £'000</i>	<i>Cost of generating funds £'000</i>	<i>Governance costs £'000</i>	<i>Total £'000</i>
Head office costs	645	631	240	1,516
<b>Total</b>	645	631	240	1,516

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 should be considered as programme 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 apports the charitable activities element between individual programmes undertaken directly by the ARK group.

## Notes to the Accounts

For the year ended 31 August 2010

### 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 2010 £'000</i>	<i>Total 2009 £'000</i>
<b>Charitable expenditure</b>					
Health - Africa HIV/AIDS	1,782	2,597	188	4,567	9,330
Health - Africa Other	179	4,027	129	4,335	-
Child Protection - Eastern Europe	363	121	51	535	729
Child Protection - R&D	10	-	-	10	-
Economic Development - R&D	223	-	32	255	68
Intl Education - India	293	-	64	357	404
Intl Education - US	17	93	13	123	-
Intl Education - Other	36	250	32	318	-
UK Education	2,472	6,615	136	9,223	5,705
	<b>5,375</b>	<b>13,703</b>	<b>645</b>	<b>19,723</b>	<b>16,236</b>
<b>Cost of generating funds</b>	4,807	-	631	5,438	2,598
<b>Governance costs</b>	-	-	240	240	286
<b>Total resources expended</b>	<b>10,182</b>	<b>13,703</b>	<b>1,516</b>	<b>25,401</b>	<b>19,120</b>

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 2010

### 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 2010 £'000</i>	<i>Total 2009 £'000</i>
<b>Charitable expenditure</b>					
Health - Africa HIV/AIDS	-	(6,690)	188	(6,502)	1,253
Health - Africa Other	-	4,206	129	4,335	-
Child Protection - Bulgaria	-	(122)	19	(103)	39
Child Protection - Romania	25	121	32	178	215
Child Protection - Strategy	-	-	-	-	7
Child Protection - Eastern Europe	25	(1)	51	75	261
Child Protection - R&D	10	-	-	10	-
Economic Development - R&D	-	223	32	255	68
Intl Education - India	-	-	64	64	44
Intl Education - USA	17	93	13	123	-
Intl Education - Other	-	286	32	318	-
UK Education	-	7,443	136	7,579	9,174
	<u>52</u>	<u>5,560</u>	<u>645</u>	<u>6,257</u>	<u>10,800</u>
<b>Cost of generating funds</b>	4,807	-	631	5,438	2,598
<b>Governance costs</b>	-	-	240	240	286
<b>Total resources expended</b>	<u>4,859</u>	<u>5,560</u>	<u>1,516</u>	<u>11,935</u>	<u>13,684</u>

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

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

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

The negative Charity grant funding of £6.690m relating to Health - Africa HIV/AIDS represents the reversal of previously committed grants as a result of the transfer of operations in South Africa to Kheth' Impilo, a new non-governmental organisation from 1st October 2009.

## Notes to the Accounts

For the year ended 31 August 2010

### 7. Investments

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Investment in ARK Masters Fund b/f	12,067	12,067
Additional investment in Fund during the year	-	-
	<u>12,067</u>	<u>12,067</u>
Investment in ARK Masters Fund c/f	12,067	12,067
Unrealised gains on investment assets b/f	1,485	763
Unrealised gains on investment assets in year	1,019	722
	<u>14,571</u>	<u>13,552</u>

### 8. Net movement in funds

This is stated after charging:

	<b>Group</b> <b>2010</b> <b>£'000</b>	<b>Charity</b> <b>2010</b> <b>£'000</b>	<b>Group</b> <b>2009</b> <b>£'000</b>	<b>Charity</b> <b>2009</b> <b>£'000</b>
Operating lease charges	<u>533</u>	<u>488</u>	<u>306</u>	<u>187</u>
Depreciation	<u>70</u>	<u>49</u>	<u>83</u>	<u>31</u>
Auditors' remuneration				
- current year audit	43	18	32	17
- prior year audit	-	-	35	17
- other services	-	-	49	-
Total	<u>43</u>	<u>18</u>	<u>116</u>	<u>34</u>

## Notes to the Accounts

### For the year ended 31 August 2010

#### 9. Fixed assets

##### Group

	<i>Leasehold Improvements</i>	<i>Equipment, fixtures &amp; fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 September 2009	-	393	-	393
Additions	577	92	54	723
Disposals	-	(269)	(45)	(314)
At 31 August 2010	<u>577</u>	<u>216</u>	<u>9</u>	<u>802</u>
<b>Depreciation:</b>				
At 1 September 2009	-	305	-	305
Disposals	-	(182)	(18)	(200)
Charge for the year	30	21	19	70
At 31 August 2010	<u>30</u>	<u>144</u>	<u>1</u>	<u>175</u>
<b>Net Book Value:</b>				
At 31 August 2010	<u>547</u>	<u>72</u>	<u>8</u>	<u>627</u>
At 31 August 2009	<u>-</u>	<u>88</u>	<u>-</u>	<u>88</u>

##### Charity

	<i>Leasehold Improvements</i>	<i>Equipment, fixtures &amp; fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 September 2009	-	121	-	121
Additions	577	86	-	663
Disposals	-	-	-	-
At 31 August 2010	<u>577</u>	<u>207</u>	<u>-</u>	<u>784</u>
<b>Depreciation:</b>				
At 1 September 2009	-	119	-	119
Disposals	-	-	-	-
Charge for the year	30	19	-	49
At 31 August 2010	<u>30</u>	<u>138</u>	<u>-</u>	<u>168</u>
<b>Net Book Value:</b>				
At 31 August 2010	<u>547</u>	<u>69</u>	<u>-</u>	<u>616</u>
At 31 August 2009	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

## Notes to the Accounts

For the year ended 31 August 2010

### 10. Debtors

	<i>Group</i> <i>2010</i> <i>£'000</i>	<i>Charity</i> <i>2010</i> <i>£'000</i>	<i>Group</i> <i>2009</i> <i>£'000</i>	<i>Charity</i> <i>2009</i> <i>£'000</i>
<b>Receivable within 1 year</b>				
Charity evening pledges	5,862	5,862	6,957	6,957
Match funding pledges	3,985	3,985	3,934	3,934
Grant debtors	-	-	320	320
HMRC - Gift Aid	759	759	829	829
Inter-company debtors	-	-	-	2
Related company debtors	212	212	391	391
Prepayments and other debtors	240	216	102	6
	<b>11,058</b>	<b>11,034</b>	<b>12,533</b>	<b>12,439</b>
<b>Receivable after 1 year</b>				
Match funding pledges	6,062	6,062	9,412	9,412
Total	<b>17,120</b>	<b>17,096</b>	<b>21,945</b>	<b>21,851</b>

### 11. Creditors

	<i>Group</i> <i>2010</i> <i>£'000</i>	<i>Charity</i> <i>2010</i> <i>£'000</i>	<i>Group</i> <i>2009</i> <i>£'000</i>	<i>Charity</i> <i>2009</i> <i>£'000</i>
<b>Amounts falling due within 1 year</b>				
Trade Creditors	705	121	331	20
Related company creditors	294	8	105	-
Grant creditors	12,426	18,884	16,370	30,781
Tax and social security creditors	40	35	51	43
Other creditors	937	799	767	334
	<b>14,402</b>	<b>19,847</b>	<b>17,624</b>	<b>31,178</b>
<b>Amounts falling due after 1 year</b>				
Grant creditors	<b>5,117</b>	<b>9,683</b>	<b>2,827</b>	<b>10,704</b>

## Notes to the Accounts

### For the year ended 31 August 2010

#### 12. Analysis of charitable funds

##### Group

	<i>1 Sept</i> <i>2009</i> <i>£'000</i>	<i>Incoming</i> <i>£'000</i>	<i>Transfers in</i> <i>/(out)</i> <i>£'000</i>	<i>Outgoing</i> <i>£'000</i>	<i>31 Aug</i> <i>2010</i> <i>£'000</i>
<b>Restricted funds</b>					
Health - Africa HIV/AIDS	14,929	295	(7,040)	(4,379)	3,805
Health - Africa Other	-	1,928	3,068	(4,206)	790
Child Protection - Eastern Europe	460	(13)	37	(484)	-
Child Protection - R&D	-	-	10	(10)	-
Economic Development - R&D	-	-	223	(223)	-
Intl Education - India	2,482	(92)	92	(293)	2,189
Intl Education - USA	-	-	110	(110)	-
Intl Education - Other	-	-	286	(286)	-
UK Education	9,123	3,264	5,811	(9,087)	9,111
Other	3,283	1,000	-	-	4,283
	<u><b>30,277</b></u>	<u><b>6,382</b></u>	<u><b>2,597</b></u>	<u><b>(19,078)</b></u>	<u><b>20,178</b></u>
<b>Unrestricted funds</b>					
Core funds	2,944	2,089	(448)	(1,516)	3,069
General programme funds	13,461	6,063	(2,149)	(4,807)	12,568
	<u><b>16,405</b></u>	<u><b>8,152</b></u>	<u><b>(2,597)</b></u>	<u><b>(6,323)</b></u>	<u><b>15,637</b></u>
Total	<u><b>46,682</b></u>	<u><b>14,534</b></u>	<u><b>-</b></u>	<u><b>(25,401)</b></u>	<u><b>35,815</b></u>

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

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

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

## Notes to the Accounts

For the year ended 31 August 2010

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

#### Charity

	<i>1 Sept</i> <i>2009</i> <i>£'000</i>	<i>Incoming</i> <i>£'000</i>	<i>Transfers in</i> <i>/ (out)</i> <i>£'000</i>	<i>Outgoing</i> <i>£'000</i>	<i>31 Aug</i> <i>2010</i> <i>£'000</i>
<b>Restricted funds</b>					
Health - Africa HIV/AIDS	893	253	(7,040)	6,690	796
Health - Africa Other	-	1,928	3,068	(4,206)	790
Child Protection - Eastern Europe	-	(13)	37	(24)	-
Child Protection - R&D	-	-	10	(10)	-
Economic Development - R&D	-	-	223	(223)	-
Intl Education - India	-	(92)	92	-	-
Intl Education - USA	-	-	110	(110)	-
Intl Education - Other	-	-	286	(286)	-
UK Education	2,624	2,387	5,811	(7,443)	3,379
Other	3,283	1,000	-	-	4,283
	<u>6,800</u>	<u>5,463</u>	<u>2,597</u>	<u>(5,612)</u>	<u>9,248</u>
<b>Unrestricted funds</b>					
Core funds	2,944	2,089	(448)	(1,516)	3,069
General programme funds	13,461	6,063	(2,149)	(4,807)	12,568
	<u>16,405</u>	<u>8,152</u>	<u>(2,597)</u>	<u>(6,323)</u>	<u>15,637</u>
Total	<u>23,205</u>	<u>13,615</u>	<u>-</u>	<u>(11,935)</u>	<u>24,885</u>

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

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

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

## Notes to the Accounts

For the year ended 31 August 2010

### 13. Staff costs and numbers

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries and wages	3,686	1,419	7,097	1,441
Social security costs	231	136	319	164
Pension costs	1	1	-	-
	<u>3,918</u>	<u>1,556</u>	<u>7,416</u>	<u>1,605</u>

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

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Programmes	105	-	303	-
Support services	37	17	68	21
Fundraising	7	7	6	6
	<u>132</u>	<u>24</u>	<u>377</u>	<u>27</u>

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

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£160,001 - £170,000	2	1	-	-
£140,001 - £150,000	1	1	1	1
£130,001 - £140,000	2	1	1	1
£90,001 - £100,000	1	1	-	-
£80,001 - £90,000	1	-	1	1
£70,001 - £80,000	-	-	2	-
£60,001 - £70,000	5	2	1	1

Payments to voluntary defined contribution scheme in the year in respect of employees included in the bandings above £60,000 was nil (2009 nil).

## Notes to the Accounts

### For the year ended 31 August 2010

#### 14. Directors' remuneration and expenses

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

#### 15. Investments in subsidiaries

<u>Subsidiary Undertaking</u>	<u>Country</u>	<u>Basis of Consolidation</u>	<u>Nature of activities</u>
ARK Schools	United Kingdom	100% ownership	Education
ARK (South Africa) Limited	South Africa	100% ownership	Health/Education
ARK Mozambique	Mozambique	100% ownership	Health
ARK Bulgaria	Bulgaria	100% ownership	Child Protection
ARK India	India	100% ownership	Education

#### 16. Related party transactions

##### Group

From 1 October 2009 the HIV/AIDS ARV and Grant Access (CABA) programmes in South Africa were transferred to Kheth'Impilo, a new non-governmental organisation (NGO), together with the majority of the employees of ARK (South Africa) Limited. The agreement between ARK, ARK (South Africa) Limited and Kheth'Impilo provided for continued funding from ARK over a period of 2 years to supplement the majority funding that is provided by the President's Emergency Programme for AIDS Relief (PEPFAR), a US aid organisation that has contributed to ARK's programmes in South Africa in the previous three years.

The grant previously allocated to ARK South Africa has been reduced by £9.497m in 2009/10 while a grant of £2,597 was made to Kheth'Impilo to provide funding as per the agreement between ARK, ARK (South Africa) Limited and Kheth'Impilo. This has resulted in an increase of £6.900m in General Programme Funds. Of the £2.597m grant made to Kheth'Impilo, £0.385k is outstanding and is due in less than one year.

ARK (South Africa) Limited continues to manage ARK's HIV/AIDS PMTCT Programme. At the year end the balance of grants due was £0.148m.

During the year ARK made new grants totalling £2.889m to ARK Schools (2009 £6.025m); £0.470m to cover the core costs to 31 August 2011, £0.400m for the Schools Music programme, £0.750m for the Extended Schools programme and £1.269m 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 £6.078m (2009 £6.282m), £4.463m of which is due in less than one year (2009 £2.177m).

In June 2010 the activities of the ARK Bulgaria Foundation were officially terminated. This resulted in a reduction of grants previously allocated of £0.122m which leaves a nil balance of grants due.

ARK made no further grant to its operating subsidiary in India (2009 nil), and at the year end the balance of grant allocated was £2.172m (2009 £2.452m), £0.715m of which is due in less than one year (2009 £0.893m).

ARK also has an operating subsidiary in Mozambique. During the year ARK made a new grant totalling £0.210m (2009 nil). At the year end the balance of grants due was £2.732m (2009 £3.250m), £1.238m of which is due in less than one year (2009 £1.444m).

## Notes to the Accounts

For the year ended 31 August 2010

### 16. Related party transactions (cont.)

#### Other related parties

ARK made new grants of £4.189m to its sister charity ARK Academies (2009 £2.956m); £0.720m for individual grants to two Academies and £3.469m to cover the core costs of the charity to 31 August 2011. At the year end the cumulative balance of grant allocated to ARK Academies was £9.546m (2009 £12.831m), £9.046m of which is due in less than one year (2009 £12.831m). 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 Charitable Trust Limited (Future Leaders) is a charitable company in which ARK, the National College for Leadership of Schools and Children's Services (the National College) and the Specialist Schools and Academies Trust (SSAT) each held one third of the members' voting rights. The National College withdrew from membership upon entering into a contract for services with Future Leaders in December 2009 and ARK retains one third of the voting rights on the Board of Directors. During the year ARK made a new grant totaling £0.300m (2009 nil). At the year end the balance of grant allocated to Future Leaders was £1.149m (2009 £2.250m), all of which is due in less than one year (2009 £1.475m). 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, US, Inc. (ARK US), a US philanthropic organisation that shares the charity's objectives. During the year ARK received a grant of £2.292m (\$3.593m) from ARK-US (2009 £5.202m (\$8.095m)). At the year end the balance due to be granted from ARK US to ARK was £0.032m (\$0.050m).

During the year the charity made no further investment in the ARK Masters Fund (AMF). The AMF is managed by ARK Masters Management Limited (AMML). During the year the charity received a dividend of £0.160m from AMML (2009 £0.171m). AMML receives investment advice from ARK Masters Advisers Limited (AMAL). During the year the charity received a donation of £0.160m from AMAL (2009 £0.171m).

### 17. 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>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
One year	84	-	250	221
Between two and five years	<u>1,898</u>	<u>1,866</u>	<u>21</u>	<u>-</u>
	<u><u>1,982</u></u>	<u><u>1,866</u></u>	<u><u>271</u></u>	<u><u>-</u></u>

## Notes to the Accounts

For the year ended 31 August 2010

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

(a) Reconciliation of net (outgoing)/incoming resources to net cash (outflow)/inflow from operating activities

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>
Net (outgoing)/incoming resources	(10,915)	4,765
Depreciation	70	83
Write off of book value on disposal of tangible fixed assets	114	29
Unrealised gains on foreign currency transactions	151	-
Interest received	(362)	(1,132)
Decrease in debtors	4,825	6,792
Decrease in creditors	(932)	(5,964)
Net cash (outflow)/inflow from operating activities	<u><b>(7,049)</b></u>	<u><b>4,573</b></u>

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

	<b>At 1 September 2009 £'000</b>	<b>Cash Flows</b>	<b>At 31 August 2010 £'000</b>
Cash at bank	<u>31,548</u>	<u>(8,532)</u>	<u>23,016</u>

## Notes to the Accounts

For the year ended 31 August 2010

### 19. Risk factors

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

#### (a) Interest rate risk

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

#### (b) Market price risk

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

#### (c) Currency risk

Currency risk arises over the commitment to fund current and future overseas programme grants which are, or will be, committed in foreign currencies. Currency risk also arises over the future value of the charity's investment in the AMF, which is a US dollar-denominated fund. The Financial Stewardship Committee considers the portfolio of foreign currency assets and liabilities as a whole and has adopted a policy whereby forward currency contracts will be put in place to cover any net imbalance in excess of £5m. At 31st August 2010 no such contract was considered necessary. The risk may be further managed by holding a maximum amount of 6-12 months' budgeted expenditure in the relevant currency.

#### (d) Credit risk

Credit risk represents the potential financial loss that the charity might suffer through its supporters failing to honour the financial pledges that they have made to it. The charity manages this risk by regularly monitoring debtors, especially the small number of high value pledges that derive 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</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investment in ARK Masters Fund	14,571	14,571	13,552	13,552
Cash at bank and in hand	23,016	22,132	31,548	29,682
Receivables	17,120	17,096	21,945	21,851
	<u>54,707</u>	<u>53,799</u>	<u>67,045</u>	<u>65,085</u>

## Notes to the Accounts

### For the year ended 31 August 2010

#### (f) Fair value

The Charity's assets and liabilities are stated at their fair values at the period-end.

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

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

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

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

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

#### (g) Liquidity risk

The current economic climate has emphasised the need to ensure the Charity can meet its liabilities as and when they fall due. The Charity continues to direct considerable effort to improving cash flow management and forecasts.

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

Group	<i>within 1 month £'000</i>	<i>between 1-3 months £'000</i>	<i>between 3-12 months £'000</i>	<i>greater than 12 months £'000</i>	<i>Total £'000</i>
<b>Financial liabilities At 31 August 2010</b>					
Trade Creditors	705	-	-	-	705
Related company creditors	-	294	-	-	294
Grant creditors	1,251	1,856	9,319	5,117	17,543
Tax and social security creditors	40	-	-	-	40
Other creditors	-	937	-	-	937
<b>Total</b>	<b>1,996</b>	<b>3,087</b>	<b>9,319</b>	<b>5,117</b>	<b>19,519</b>
<b>Charity</b>					
<b>Financial liabilities At 31 August 2010</b>					
Trade Creditors	121	-	-	-	121
Related company creditors	-	8	-	-	8
Grant creditors	1,251	3,470	14,163	9,683	28,567
Tax and social security creditors	35	-	-	-	35
Other creditors	-	799	-	-	799
<b>Total</b>	<b>1,407</b>	<b>4,277</b>	<b>14,163</b>	<b>9,683</b>	<b>29,530</b>