REGISTRAR OF COMPANIES

Ark Schools

Consolidated annual report and financial statements

31 August 2017

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Company limited by guarantee
registration number 05112090
(England and Wales)

Contents

Reference and administrative details

Member	Absolute Return for Kids (ARK)
Directors	Ron Beller Paul Dunning (to 1 August 2017) Lord Fink Gerard Griffin Lucy Heller Sir Paul Marshall Anthony Williams Neil Wood Tina Alexandrou (from 21 November 2017)
Secretary	Christopher Sheasby (to 19 October 2017) Michael Sandall (from 19 October 2017)
Senior Management Team	Lucy Heller – Managing Director Katie Oliver – Director of Operations Jacqueline Russell – Chief Financial Officer (from 19 October 2017) Christopher Sheasby – Chief Financial Officer (to 19 October 2017) Brian Sims – Director of Education Venessa Willms – Director of Primary
Registered office	65 Kingsway London WC2B 6TD
Registration number	05112090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc 95 George Street Croydon CR9 2NS Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

Directors' report (including strategic report)
Year to 31 August 2017

The directors who are also trustees of the charitable company, Ark Schools, present their annual report and the audited consolidated financial statements of Ark Schools for the year to 31 August 2017 and its subsidiary company, Ark Academies Projects Limited, together known as 'the Group'.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 31 to 38 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Strategic review

Ark Schools is an education charity. We operate a network of 35 schools, educating nearly 24,000 young people, across Birmingham, Hastings, London and Portsmouth. Each Ark school has its own ethos and character but they all share the same mission: to give every child the best start.

Ark Schools works in areas of economic disadvantage and historic underachievement and all of our schools are non-selective.

This year we built upon our three main objectives:

1. To create excellent schools – we aim to build a group of outstanding, non-selective schools that will radically improve our students' life chances.
2. To build a sustainable network – excellence alone is not enough, we want the Ark model to be scalable, so it is important that our schools can be maintained on government funding alone.
3. To grow capacity in the education system. The Ark Schools network will, when it is at full capacity, provide an education for around 50,000 students. Our intention is to expand our impact beyond our network, by developing programmes that deliver elements of our model in non-Ark schools (e.g. Mathematics Mastery, Ark Teacher Training) and to support Ark's international programmes

Directors' report (including strategic report)
Year to 31 August 2017

Network statistics for 2016-2017

1) Ark schools are located where the need is greatest and where we can make the biggest difference:

- Just over half (52%) of Ark secondary students are disadvantaged (i.e. have been eligible for free school meals), nearly double the national average of 27%.
- Students coming to Ark secondaries are less likely to have achieved the expected standard at primary school, so they enter school behind their peers
- 40% of Ark students speak English as an additional language, more than double the national average

2) We're creating successful new schools

- Nearly a third of Ark's schools are newly built to provide pupil places for communities that need them
- Every new start Ark school which has been inspected has been rated as Good or Outstanding by Ofsted.
- 73% of students in new start Ark schools pass English & Maths GCSEs compared to a national average of 66%.
- Two new-start Ark secondaries, King Solomon Academy and Isaac Newton Academy are in the top 1% of schools nationally for pupil progress.

3) We're turning around challenging schools

- Of the 25 schools that have joined the network:
  - 13 were among the bottom 20% of the country for attainment
  - 18 had previously been rated inadequate or in special measures by Ofsted.
- All but three of our transition schools are now performing at a higher national ranking than when they joined the network.
- In just two years, Ark Blacklands Primary in Hastings went directly from Special Measures to Outstanding – one of only 11 schools in the country to do so last year.
- Ark St Albans in Birmingham has moved from the bottom 20% to the top 20% of schools nationally since joining the network in 2009.

4) Our students are more likely to go on to further education

- Last year, 81% of Ark sixth-form students gained a place at university, compared with a national average of 48%.
- The proportion of economically disadvantaged sixth formers attending university from Ark schools is double the national average.
- 44% of Ark Schools students go on to top third universities, with 20% going to Russell Group universities – double the national average for state-funded schools & colleges.
- Thanks to our new Professional Pathways programme, Ark sixth formers are performing particularly well in applied general qualifications, which are opening doors to increasingly high quality universities and courses.

The year in review

Individual school highlights:

- One school joined the Ark Schools network this year: Paddington Green Primary Academy has built close links with nearby King Solomon Academy and the two schools will combine to create a single 3FE all-through in 2019.
- New buildings opened for Ark Burlington Danes Primary Academy, Ark Kings Academy and Ark Oval Primary Academy.
- In Hastings, Ark Blacklands Primary Academy, which joined the network in 2014, was rated as Outstanding by Ofsted – becoming one of only eleven schools in the country to go straight from an Inadequate grading to Outstanding. It was also chosen as a Research School to boost the quality of teaching in the region.
- Ark Boulton Academy in Birmingham, which joined the network in 2015 when it was known as Golden Hillock Academy, went from Special Measures to an Ofsted Good rating in its first Section 5 Ofsted report.

Network highlights:

- Ark Teacher Training was rated Outstanding in all areas by Ofsted. The inspector declared it to be "*exceptionally tailored coaching and training... of the very highest standard.*"
- This year saw the launch of the "Ark model library" – a compendium of operational best practice and policies that has been compiled as part of our strategic priority of codifying Ark's work.
- More than 600 students from 28 schools came together for Ark Schools' 9th Music Gala, held at London's Barbican Centre on 30 June.

Future view

- We aim to continue to grow our school network at a sustainable rate
- We continue to seek to build all-through schools or 'virtual' all-through schools (where Ark primary schools feed into local Ark secondary schools), so we can ensure a consistent education and smooth primary-secondary transition for the students in our schools
- We are working with a number of partner organisations to develop an innovative new education hub called EdCity in West London – a centre where like-minded organisations focussed on education can share space and collaborate.

Directors' report (including strategic report)
Year to 31 August 2017

Financial Review

A summary of the results for the year is included in the statement of financial activities on page 27. The operational result for the year (which excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes) is summarised below:

Income and expenditure **Years ended 31 August**	**2017**	**2016**
	£m	£m
DfE revenue grants	141.5	138.2
Other grants and income (ex. capital)	11.5	10.1
Other trading activities	1.7	1.7
Voluntary income (ex. capital)	8.5	6.2
Total operating income	**163.2**	**156.2**
Academy Educational Operations		
- Direct costs excl depreciation	105.2	102.6
- Educational support costs excl capital	57.3	50.6
- Development, Governance and fundraising	4.8	3.8
Total operating expenditure	**167.3**	**157.0**
Net operating income/(expenditure)	**(4.1)**	**(0.8)**

Operating Income rose to £163.2m (2016: £156.2m) during the year with expansion in the number of pupils. Overall operating expenditure increased to £167.3m (2016: £157.0m) resulting in a net operating deficit of £4.1m (2016: £0.8m).

This deficit stems from:

- Increased investment in our schools including Ark Putney and Ark Bolingbroke. These schools have shown strong academic results and while they are still growing, Ark Schools has chosen to invest in teachers and teaching resources to ensure they maintain and improve quality as they expand their rolls.
- Educational expenditure where schools have chosen to spend income received in previous periods to deliver educational improvements.
- Central project costs that have come from opening new schools, developing school buildings and transferring existing schools into the network. These are funded from grants, many of which were received in previous period and do not present long-term financial sustainability difficulties.

All our schools have long term plans in place that will have them achieve sustainability within five years. While these costs have yielded a larger operational loss than last year, these were expected expenses and Ark Schools' overall financial outlook remains extremely robust.

Directors' report (including strategic report)
Year to 31 August 2017

Total net assets during the year grew to £363.5m (2016 £359.0m) with the overall increase in funds for the year recorded at £4.5m (2016: decrease of £10.5m) reflecting positive movement of £4.4m on the fixed assets fund and £7.2m on the pension reserve. £2.9m (2016: £2.2m) of smaller capital items, expensed through the general funds are excluded from the operating expenditure set out above. A full reconciliation of the results as set out in the Statement of Financial Activities to the operating result as set out in the Financial Review above is included at note 32 to the accounts.

Summary of assets and liabilities

As at 31 August	2017	2016
	£m	£m
Fixed assets	376.8	372.0
Current assets	39.6	37.8
Current liabilities	(23.2)	(13.9)
Total assets less current liabilities	393.2	395.9
Non-current liabilities	(29.7)	(36.9)
Net assets	**363.5**	**359.0**
Income funds		
Restricted fixed asset funds	376.9	372.5
Pension Reserve	(29.7)	(36.9)
General Funds	16.3	23.4
Grand total	**363.5**	**359.0**

Financial report for the year

Operating income

Total operating income was £163.2m (2016: £156.2m). Approximately 87% of operating income comes from the Department for Education (DfE) as recurrent grants for particular purposes. These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2017, DfE grant revenue was £141.5m (2016: £138.2m). For the year ended 31 August 2017, other grants and income were £11.5m (2016: £10.1m). Lettings income and Alpha nursery generated £1.7m (2016: £1.7m). Additional voluntary grants from the sponsor organisation, Absolute Return for Kids and others amounted to £8.5m (2016: £6.2m) of which £1.5m (2016: £0.5m) was for additional programmes.

Operating expenditure

Total operating expenditure for the year ended 31 August 2017 was £167.3m (2016: £157.0m). Direct costs excluding depreciation accounted for 63% (2016: 65%) of the total operating expenditure. The network continues to be supported by voluntary income both for specific network programmes and to support the core operations.

Impact of capital items, depreciation and pension scheme adjustments

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation and pension scheme adjustments were included, the outcome for the year to 31 August 2017 was a net increase in funds of £4.5m (2016: decrease of £10.5m). Total income was £185.0m (2016: £180.7m), which included £2.0m of transfers from Local Authorities (2016: £14.8m), which related to the assignment of the leasehold for the buildings of new schools joining the Ark Schools network together with any carried forward revenue surplus less any pension scheme liabilities assumed. The total income also includes £12.5m in relation to new buildings acquired at Burlington Danes and Oval which were constructed directly by the Hammersmith and Fulham and Croydon Council respectively and then transferred to Ark Schools upon completion of the works.

Academies are funded by the Education and Skills Funding Agency (ESFA) and the DfE for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for Ark Schools' financial statements:

1. Capital grants receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (Charities SORP FRS 102), these grants are shown in the Statement of Financial Activities as restricted income under the fixed assets fund, leading to accounting surpluses in the year a grant is received.
2. Ark Schools capitalises the school buildings it leases on a long term basis, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.

3. Ark Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pension schemes. Additionally, Ark Schools assumes the pension liability of new schools that join the network thus increasing the overall liability. Ark Schools accepts its financial responsibilities and has fully implemented the provisions of section 28 of FRS 102 relating to the pension schemes. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy trust ceased operating altogether, Parliament has agreed, at the request of the Secretary of State for Education, that the Department for Education would meet any outstanding pension liability.

Net assets

At 31 August 2017, net assets were £363.5m (2016: £359.0m).

At 31 August 2017, the net book value of tangible fixed assets was £375.7m (2016: £371.0m). The majority of fixed assets related to long term leaseholds of school buildings that have been granted to Ark Schools by the owners of the freehold, typically the Local Authority, Diocese or Charitable Foundation.

At 31 August 2017, investments were £1.1m (2016: £1.0m). Investments related to individual school endowments which are invested with a fund manager (see note 25).

Reserves policy and financial position

Ark Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2017 were £363.5m (2016: £359.0m), which consisted of £351.2m restricted funds (2016: £339.8m) and £12.3m unrestricted reserves (2016: £19.2m). The level of reserves is kept under review by the directors and is consistent with its policy of maintaining up to 10% of annual GAG income, in addition to designated reserves for unfunded capital projects. During the year we have assessed our future capital requirements and as a result we have earmarked £11.4m as designated reserves (2016: £13.5m) for capital projects.

Included within restricted general funds is the pension reserve deficit of £29.7m (see note 22) (2016: £36.9m). The local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As mentioned previously, it is unlikely that Ark Schools will be liable for lump sum amounts and the increased pension contribution will be met through budgeted annual income. Accordingly, there is no direct impact on Ark Schools' free reserves in recognising the deficit.

Individual school deficits

Seven of the academies in the Trust had a deficit in their revenue reserves at the end of the 2017 financial year. Arrangements are in place to support these academies through this difficult financial period by way of intra-academy loans with careful and strict monitoring of the financial budget and performance. All of the seven academies are currently below capacity but are growing their pupil rolls and there is every expectation that over the medium term they will each return to financial stability. The reserves of all academies are detailed in note 17.

Investment policy

All surplus funds are invested in order to generate the best possible returns without incurring undue risk. Mostly this is invested with our commercial banking partner through current and deposit accounts or short term investments on the money market which can generate higher levels of return. In addition, Ark Schools has an arrangement with JP Morgan to invest funds on a longer term basis. Funds can be added to this at any time, but only where they are not required for at least 12 months.

Going concern

After making appropriate enquiries, the directors are confident that Ark Schools has sufficient resources to continue to operate for the foreseeable future. The financial statements have therefore been prepared on a going concern basis. The principal accounting policies gives further information.

Risks and uncertainties

The directors have assessed the major risks and uncertainties to which Ark Schools is exposed. During the academic year, the Ark Schools risk register was fully refreshed and subject to detailed review by the Risk and Audit Committee. Particular attention was paid to long-term financial planning and reviewing the impact of changes to the national funding formula and increasing pension costs on the network. Directors also focused on the implications of external changes to regulation and statutory guidance for our schools, particularly in relation to safeguarding, data security, curriculum and assessment.

Risk management

The directors are responsible for identifying risks faced by the charitable company, establishing procedures to mitigate these risks, and ensuring that employees are aware of these procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the ESFA and Charity Commission.

The directors receive regular reports on key risks including educational outcomes, school operations and financial health. Ark Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement. Operating procedures and internal controls are regularly reviewed and updated by the senior management team with oversight from directors in response to ongoing delivery and in line with all relevant guidance. During the financial year, directors oversaw a full review of the internal control environment across education, operations and finance teams. The board assurance framework was broadened to encompass provision across safeguarding, HR, finance, procurement, health and safety, fire safety, IT and data security. The Ark Schools policy framework and a range of best practice resources were re-issued to schools to provide continued clarity around workflows, processes and procedures and ensure consistency across the network. Where significant risks still remain, the board has ensured that where possible Ark Schools maintains adequate insurance cover.

Directors' report (including strategic report)
Year to 31 August 2017

Financial risk management objectives and policies

Ark Schools has cash balances and other working capital balances. The main risk arising from the use of financial instruments is liquidity risk.

Liquidity risk

The charitable company manages its cash resources, including sufficient working capital, so that all its operating needs will be met even if it is unable to access short-term borrowing. Surplus cash is invested in accordance with the investment policy.

Interest rate risk

In the absence of borrowings and with low prevailing interest rates, the charitable company is not exposed to significant interest rate risk.

Other risks

The group is exposed to price risks, but is funded by government on the same basis as other schools, and budgets its expenditure accordingly. Nearly all funding comes from Government so credit risk is considered to be negligible.

Directors' report (including strategic report)
Year to 31 August 2017

Structure, Governance and Management

Constitution

Ark Schools was established in 2004 to set up and operate non-selective schools through the academies programme.

Ark Schools is a company limited by guarantee and an exempt charity. On 1 August 2011, all academy trusts became exempt charities by virtue of section 12(4) of the Academies Act 2010. The memorandum and articles of association are the primary governing documents.

Member's liability

The member of the charitable company is the principal sponsor, Absolute Return for Kids ("ARK"). As the member, ARK is liable to contribute a maximum of £10 to the company's assets if it should be wound up while ARK is a member or within one year after it ceases to be a member, for payment of the charitable company's debts and liabilities.

Directors' indemnities

The articles of association require at least three directors to hold office at any given time. The directors who served throughout the year are shown on page 1.

In accordance with normal commercial practice, Ark Schools insures its directors against errors, negligent acts or omissions relating to their work for Ark Schools for up to £2m on any single claim.

Four Directors served as Chairs or Governors of an Ark academy local governing body for all or part of the year.

Method of recruitment and appointment of directors

When new directors are to be appointed, the board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the board, the current needs of the school network, good practice governance for multi-academy trusts and the requirements of the charitable company's governing documents.

Policies and procedures adopted for the induction and training of directors

Directors are briefed regularly by the senior management team on educational and other Ark Schools' matters through a combination of briefings at board meetings, other sessions, visits to schools and individual meetings. When new directors join the board, tailored induction training is arranged to give new directors a good understanding of the wider education context, Ark Schools' mission and aspirations, the operation of the network and their governance responsibilities.

Directors' report (including strategic report)
Year to 31 August 2017

Organisational structure

The directors set general policy, approve an annual plan and budget, monitor performance against the plan and budget and make major decisions about the direction of the charitable company, capital expenditure and senior staff appointments.

The directors delegate the day to day management responsibility to the senior management team, who are listed on page 1, led by Managing Director, Lucy Heller. The running of each individual academy is delegated to its principal.

The board delegates a number of functions to a local governing body ("LGB") at each academy. Each local governing body reviews annual school plans and budgets, monitors school performance and oversees parent and community liaison.

Employee involvement

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; Principal/Headteachers also meet regularly to share knowledge and best practice. The Ark Schools training programme provides information and access to internal and external professional development and support. Network hub days are held for subject specific training. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

Arrangements for setting pay and remuneration of key management personnel

The directors consider that they and the senior management team comprise the key management personnel of Ark Schools in charge of directing, controlling, running and operating the charitable company on a day to day basis. Other than Lucy Heller, as disclosed in note 11, none of the directors receives any remuneration for their services as directors.

Ark Schools' senior management team salaries are set on appointment and reviewed annually in accordance with pay review procedures operated by the sponsor charity, Absolute Return for Kids. The Managing Director of Ark Schools approves all senior management team salaries on appointment and any other base salary in excess of £75,000 per annum. Annual reviews are subject to the same approval. The Managing Director's salary is reviewed annually by an Advisor to Ark, and revisions are submitted to the Chairman of Absolute Return for Kids for approval.

Disabled employees

Ark Schools ensures that training, career development and promotion opportunities are available to all employees.

Applications for employment by disabled people are given full and fair consideration. When employees become disabled, every effort is made to meet their needs so that that their employment may continue.

Some academy buildings have restricted access in areas that have yet to be modernised. In such cases, the academies manage access through room allocations. Modernised and new buildings are designed to comply with relevant statutory regulations for disabled access.

Related parties and other connected charities and organisations

The following are connected organisations within the meaning of the latest Accounts Direction issued by the Education and Skills Funding Agency:

- Absolute Return for Kids – Company no. 04589451, Charity no. 1095322 (see note 25)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 25)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 14 and over)

Subsidiary company

Ark Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of Ark Schools. The company's principal activity is the provision of nursery education and the letting of sports facilities through a number of academies operated by Ark Schools.

Public benefit

The directors have referred to the Charity Commission guidance on public benefit when reviewing the charitable company's objectives and aims and planning future activities and consider that the charitable company's aims are for the public benefit.

Auditor

So far as the directors are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and

- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors' report, incorporating a strategic report, approved by order of the members of the board of directors and signed on its behalf by:

Director P. MARSHALL

Date: 14 December 2017

Governance statement Year to 31 August 2017

Scope of responsibility

As directors, we acknowledge we have overall responsibility for ensuring that Ark Schools has an effective and appropriate system of financial and management control. The directors have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between Ark Schools and the Secretary of State for Education. The Accounting Office is also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met four times during the last year. Attendance was as follows:

Director	Number of meetings attended	Out of a possible
Ron Beller	4	4
Paul Dunning	1	4
Lord Fink	3	4
Gerard Griffin	4	4
Lucy Heller	4	4
Sir Paul Marshall	4	4
Anthony Williams	4	4
Neil Wood	3	4

The Risk and Audit Committee is a sub-committee of the main board. It supports the Board to oversee the controls environment and risk management within the network. The committee exists to secure probity and efficiency in the management and expenditure by Ark Schools of income from all sources: public funding, donations and investment and commercial income, and review compliance with the ESFA Academies Financial Handbook. The Committee is Chaired by Neil Wood. Attendance at the Risk and Audit Committee meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Paul Dunning	4	4
Steve Maslin*	3	4
Micky Sandall*	4	4
Neil Wood	4	4

**Denotes Non-Executive Co-Opted Committee Member*

Paul Dunning stepped down as a Trustee and Risk and Audit Committee Member on 1st August 2017. Tina Alexandrou was appointed as a Board member on 21st November 2017.

Governance statement Year to 31 August 2017

Governance review

The Risk & Audit Committee undertook a self-evaluation exercise in spring 2017 to review the skills of the Committee in relation to current and future agenda items. It was agreed that new members would be recruited to address the skills required by the Committee. We continue to review the skills across our Local Governing Bodies to ensure that we have the right skills in support of our schools.

Review of value for money

As Accounting Officer the Managing Director has responsibility for ensuring that Ark Schools delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the charitable company's use of its resources has provided good value for money during the academic year, and reports to the board of trustees where value for money can be improved, including the use on benchmarking data where available. Ark Schools has delivered and improved value for money during the year by:

1) **Delivering results**
    - Ark Schools has delivered good results for both student attainment and progress this year. For full details of the network results please refer to page 4.
2) **Cost / budget management**
    - Newly established regional structures are encouraging effective local procurement and shared teaching and back office services supplementing central procurement.
3) **Procurement / financial controls**
    - The Ark Schools procurement policy requires schools to make purchases from approved suppliers in order to guarantee the best possible value for money.
    - Central purchasing has delivered overall cost reductions for IT equipment and support, insurance, recruitment advertising and finance software.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively and economically. The system of internal control operated during the year to 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The directors have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

Governance statement Year to 31 August 2017

The risk and control framework

Ark Schools' system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive financial monitoring systems with an annual budget and periodic financial reports showing performance against budgets or forecasts which are reviewed and where relevant approved by the board;
- regular reviews by the board of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors appointed RSM to perform a range of checks on a sample of academies as well as reviewing central financial controls, and to produce a report of their findings that is made available to the Local Governing Body, and by exception to the directors. These checks were carried out by RSM as planned. While some improvements to procedures have been recommended, no material control weaknesses were reported this year.

Review of effectiveness

As Accounting Officer, the Managing Director is responsible for reviewing the effectiveness of the system of internal control. During the year this review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the staff responsible for the development and maintenance of the internal control framework.

Governance statement Year to 31 August 2017

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Risk and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the board of directors on and signed on their behalf on by:

Director P MARSHALL

Accounting Officer L HELLER

Date: 14/12/2017

Statement of regularity, propriety and compliance
31 August 2017

As Accounting Officer for Ark Schools I have considered my responsibility to notify the board and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between Ark Schools and the Secretary of State. In this I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the board can identify any material irregular or improper use of funds by Ark Schools or material non-compliance with the terms and conditions of funding under Ark Schools funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of directors and ESFA.

Lucy Heller

Lucy Heller
Accounting Officer

Date: 14 December 2017

Statement of directors' responsibilities 31 August 2017

The directors (who act as the trustees of the charitable company for the purposes of charity law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 charitable company and of its income and expenditure, for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP) and the Academies Direction 2015 to 2016;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the charitable company and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of directors and signed on its behalf by:

Director P MARSHALL   Date: 14 December 2017

Independent auditor's report on the financial statements 31 August 2017

Independent auditor's report on the financial statements to the member of Ark Schools

Opinion

We have audited the financial statements of Ark Schools (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which the comprise the group statement of financial activities, the group and parent charitable company balance sheets, the group statement of cash flows, the principal accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities' SORP 2015) and the Academies Accounts Direction 2016 to 2017.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 August 2017 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

Basis for opinion

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

Independent auditor's report on the financial statements 31 August 2017

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

Matters on which we are required to report by exception (continued)

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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Buzzacott LLP

Avnish Savjani (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

18 December 2017

Independent reporting accountant's report on regularity 31 August 2017

Independent reporting accountant's assurance report on regularity to Ark Schools and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 28 September 2009 and its addendum dated 28 August 2012 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Ark Schools during the period from 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Ark Schools and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Ark Schools and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ark Schools and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Ark Schools' Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Ark Schools' amended and restated master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies: Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

Independent reporting accountant's report on regularity 31 August 2017

Approach (continued)

Limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Ark Schools' income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of Ark Schools' activities;
- Further testing and reviewing of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

18 December 2017

Consolidated statement of financial activities
Year to 31 August 2017

	Note	Unrestricted funds £'000	Restricted funds: General funds £'000	Restricted funds: Fixed assets fund £'000	**2017 Total funds £'000**	2016 Total funds £'000
Income from:						
Donations and capital grants	2	3,844	4,309	18,912	**27,065**	15,941
Transfer from Local Authority	2	—	—	1,964	**1,964**	14,763
Other trading activities	3	1,747	—	—	**1,747**	1,718
Investments		91	—	—	**91**	101
Income from charitable activities						
. Funding for Ark Schools' educational operations	4	3,372	149,328	—	**152,700**	147,401
. Project management grants	5	—	—	—	—	37
Other income	6	1,437	—	—	**1,437**	729
Total income		10,491	153,637	20,876	**185,004**	180,690
Expenditure on:						
Raising funds	8	908	—	—	**908**	907
Charitable activities						
. Ark Schools' educational operations	9a	4,925	166,670	16,522	**188,117**	168,107
. Development costs	9c	143	3,586	—	**3,729**	2,773
Total expenditure	7	5,976	170,256	16,522	**192,754**	171,787
Net gains on investments		—	71	—	**71**	—
Net income (expenditure) before transfers		4,515	(16,548)	4,354	**(7,679)**	8,903
Gross transfers between funds	17	(11,409)	11,409	—	—	—
Net (expenditure) income		(6,894)	(5,139)	4,354	**(7,679)**	8,903
Other comprehensive income						
Actuarial gains (losses) on defined benefit pension schemes	22	—	12,175	—	**12,175**	(19,444)
Net movement in funds		(6,894)	7,036	4,354	**4,496**	(10,541)
Fund balances brought forward at 1 September 2016		19,184	(32,683)	372,497	**358,998**	369,539
Fund balances carried forward at 31 August 2017		12,290	(25,647)	376,851	**363,494**	358,998

All of the group's activities derived from continuing operations. All recognised gains and losses are included in the above statement of financial activities.

Balance sheets 31 August 2017

	Note	2017 Group £'000	2017 Ark Schools £'000	2016 Group £'000	2016 Ark Schools £'000
Fixed assets					
Tangible assets	13	375,713	375,713	371,000	371,000
Investments	14,25	1,103	1,103	1,032	1,032
		376,816	376,816	372,032	372,032
Current assets					
Debtors	15	18,668	19,426	14,650	15,386
Short term deposits		4,887	4,887	6,756	6,756
Cash at bank and in hand		16,058	16,058	16,425	16,425
		39,613	40,371	37,831	38,567
Creditors: amounts falling due within one year	16	(23,212)	(23,970)	(13,919)	(14,655)
Net current assets		16,401	16,401	23,912	23,912
Net assets excluding pension liability		393,217	393,217	395,944	395,944
Pension scheme liability	22	(29,723)	(29,723)	(36,946)	(36,946)
Net assets including pension liability		363,494	363,494	358,998	358,998
The funds of the charity					
Income funds					
Restricted funds	17				
. Fixed assets fund		376,851	376,851	372,497	372,497
. General restricted fund		4,076	4,076	4,263	4,263
. Pension reserve		(29,723)	(29,723)	(36,946)	(36,946)
		351,204	351,204	339,814	339,814
Unrestricted funds	17				
. General funds		913	913	5,684	5,684
. Designated funds		11,377	11,377	13,500	13,500
		12,290	12,290	19,184	19,184
		363,494	363,494	358,998	358,998

Approved by the board of directors signed on their behalf by:

Director P MARSHALL

Date: 14 December 2017

Company registration number: 05112090 (England and Wales)

Consolidated statement of cash flows Year to 31 August 2017

	Notes	2017 £'000	2016 £'000
Net cash flows from operating activities			
Net cash used in operating activities	A	**(2,158)**	(4,509)
Cash flows from investing activities	B	**(78)**	(231)
Change in cash and cash equivalents in the reporting period	C	**(2,236)**	(4,740)
Cash and cash equivalents at the start of the period		**23,181**	27,921
Cash and cash equivalents at the end of the period		**20,945**	23,181

A Reconciliation of net income to net cash flow from operating activities

	2017 £'000	2016 £'000
Net (expenditure) income (as per the statement of financial activities)	**(7,679)**	8,903
Adjustments for:		
Capital funding grants	**(6,414)**	(9,683)
Donated tangible fixed assets recognised at valuation/cost	**(14,462)**	(13,967)
Defined benefit pension scheme costs less contributions payable (note 22)	**4,230**	1,269
Defined benefit pension scheme finance cost (note 22)	**722**	577
Opening defined benefit pension liability acquired on transfer from other academy trusts (note 22)	—	716
Net gains on investments	**(71)**	—
Depreciation (note 13)	**11,397**	10,936
Loss on disposal of tangible fixed assets (note 13)	**4,935**	14
Interest receivable	**(91)**	(101)
Increase in debtors	**(4,018)**	(2,920)
Increase (decrease) in creditors	**9,293**	(253)
Net cash used in operating activities	**(2,158)**	(4,509)

B Cash flows from investing activities

	2017 £'000	2016 £'000
Purchase of tangible fixed assets	**(6,584)**	(10,015)
Capital grants received	**6,414**	9,683
Investment income received	**92**	101
Net cash used in investment activities	**(78)**	(231)

Consolidated statement of cash flows Year to 31 August 2017

C Analysis of cash and cash equivalents

	At 31 August 2017 £'000	Cash flows £'000	At 31 August 2016 £'000
Cash at bank and in hand	**16,058**	(367)	16,425
Short term deposits	**4,887**	(1,869)	6,756
Total cash and cash equivalents	**20,945**	(2,236)	23,181

Principal accounting policies

Statement of accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise stated in the relevant accounting policies below or the notes to the financial statements) in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities' SORP 2015), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Ark Schools meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling to the nearest thousand pound.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet includes the financial statements of Ark Schools and its wholly owned trading subsidiary, Ark Academies Projects Limited, made up to the balance sheet date.

No separate statement of financial activities has been presented for Ark Schools alone, as permitted by section 408 of the Companies Act 2006.

Assessment of going concern

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of Ark Schools to continue as a going concern. The directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that Ark Schools has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Ark Schools' ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All income is recognised when Ark Schools has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Principal accounting policies

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income

Sponsorship income provided to the Ark Schools which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Ark Schools has provided the goods or services.

Transfer on conversion

Schools joining the Ark Schools network transfer identifiable assets and liabilities and the operation of the predecessor school. The assets and liabilities transferred have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. The amounts are recognised under the appropriate balance sheet categories at the point when the risks and rewards of ownership pass to Ark Schools. A corresponding amount is recognised as donations income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Transfer of existing academies into the trust

Where assets are received on the transfer of an existing academy into the Ark Schools network, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to Ark Schools, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the transfer of an existing academy into the Ark Schools network within donations and capital grant income.

Principal accounting policies

Donated fixed assets (excluding transfers on conversion/transfers from other trusts)

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Ark Schools' accounting policies.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the Ark Schools to raise funds for its charitable purposes and includes costs of all fundraising activities, events and non-charitable trading.

Expenditure on charitable activities

These are costs incurred on the Ark Schools' educational operations, including support costs and costs relating to the governance of Ark Schools are apportioned to charitable activities.

Principal accounting policies

Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost or at an appropriate value and are depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed assets fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

♦ Furniture, fittings and equipment	25% p.a.
♦ Computer equipment	50% p.a.
♦ Motor vehicles	25% p.a.
♦ Leasehold buildings and improvements	2% p.a.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

The cost of buildings constructed under the UK Government's programmes as funded through local authorities, are recognised in the statement of financial activities as voluntary income in the period in which the buildings are brought into use. No value is brought into the financial statements before this time. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of financial activities.

Properties occupied under operating lease arrangements are not capitalised. This includes any properties developed under a Private Finance Initiative (PFI) agreement, where Ark Schools is not directly party to the PFI agreement itself and rather the local authority has directly contracted with the PFI contractor, and Ark Schools has contracted with the local authority to make financial contributions towards facilities management.

Under such arrangements, the school premises are maintained and managed for a period of 25 years by the PFI contractor subject to contractual annual fees payable by the academy. Upon expiry of the PFI contract the residual benefit of the premises passes to the academy as a result of a 125 year lease granted to them.

As Ark Schools only enjoys the benefits of the premises subject to the restrictions under the PFI agreement over the initial 25 years term, the academy does not substantially hold all of the risks and rewards of ownership of the premises during this period and the property is therefore accounted for as an operating lease. The annual charges payable by Ark Schools under the sub-agreement are expensed to the statement of financial activities as maintenance expenditure.

Principal accounting policies

Investments

Ark Schools' shareholding in its wholly owned subsidiary, Ark Academies Projects Limited is included on Ark Schools' balance sheet at the cost of the share capital owned.

Other investments are included on the balance sheet at fair value. Unrealised and realised gains (or losses) on such investments are credited (or debited) to the statement of financial activities.

Debtors

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

Cash at bank and in hand

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

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that Ark Schools anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods of services it must provide.

Provisions

Provisions are recognised when Ark Schools has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Principal accounting policies

Fund accounting

The unrestricted general fund represents monies which may be applied for any purpose within the Ark Schools' objects.

Restricted general funds are grants from the DfE and other donors which are to be used for specific purposes.

The restricted fixed assets fund comprises resources which are to be applied to specific capital purposes imposed by the ESFA and other funders where the asset acquired or created is held for a specific purpose.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

Financial instruments

Ark Schools only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of Ark Schools and their measurement basis are as follows:

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments. Amounts due from Ark Schools' wholly owned subsidiary is held at face value less any impairment. Listed investments held by Ark Schools are also considered to be basic financial instruments. The investments are initially recognised at cost and subsequently carried on the balance sheet fair value. Changes in the fair value are reflected as investment gains or losses through the statement of financial activities.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

Ark Schools is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, Ark Schools is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Principal accounting policies

Pensions Benefits

Retirement benefits to employees of the Ark Schools are provided by the Teachers' Pension Scheme ('TPS') and various Local Government Pension Schemes ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with Ark Schools in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS are funded schemes and the assets are held separately from those of Ark Schools in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors of Ark Schools make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Principal accounting policies

- The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.
- The values attributed to properties donated to Ark Schools are initially recognised either based on an independent professional valuation or through an estimate determined by Ark Schools' management. The property's condition, the nature of educational use, and the geographical location are taken into consideration in estimating the value.

Notes to the financial statements 31 August 2017

1. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, all schools within the Ark Schools network were subject to limits at 31 August 2017 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes. No schools within the Ark Schools network exceeded these limits during the year ended 31 August 2017.

2. Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	**2017 Total funds £'000**	2016 Total funds £'000
Donation towards core costs by ARK (note 25)	3,844	–	**3,844**	3,654
Tangible fixed assets donated by DfE/local authorities (note 13)	–	12,498	**12,498**	–
Donations – other	–	1,954	**1,954**	2,494
Grant from ARK UK Programmes	–	1,200	**1,200**	110
Donations – capital grant ESFA	–	4,892	**4,892**	4,098
Devolved formula capital allocations	–	456	**456**	519
Academy main building grants	–	2,046	**2,046**	4,312
Local authority ICT capital grants	–	175	**175**	754
	3,844	23,221	**27,065**	15,941
Donations from local authorities on conversion of schools (note 20)	–	1,964	**1,964**	14,763
	3,844	25,185	**29,029**	30,704

Ark continues to provide a core grant to Ark Schools in line with its business plan whilst the Trust reaches operational capacity. Grants from ARK UK Programmes support specific network wide activities undertaken by Ark Schools.

3. Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	**2017 Total funds £'000**	2016 Total funds £'000
Nursery fees	582	–	**582**	668
Hire of facilities	1,165	–	**1,165**	1,050
	1,747	–	**1,747**	1,718

4. Funding for Ark Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
DfE/ESFA revenue grants				
General annual grant (GAG)	—	129,675	**129,675**	124,628
Start-up A	—	484	**484**	442
Start-up B	—	451	**451**	1,935
DfE Lead in and implementation income	—	225	**225**	1,098
Other DfE/ESFA grants	—	10,616	**10,616**	10,099
	—	141,451	**141,451**	138,202
Other grants				
Local authority funding	—	4,884	**4,884**	4,818
Extended schools programme	309	—	**309**	310
Miscellaneous grants	—	2,993	**2,993**	1,367
	309	7,877	**8,186**	6,495
Other income				
School meals income	2,338	—	**2,338**	1,859
School uniform sales	73	—	**73**	135
Parent contributions to school trip costs	652	—	**652**	710
	3,063	—	**3,063**	2,704
	3,372	149,328	**152,700**	147,401

5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Academies programme	—	—	—	37
	—	—	—	37

Project management grants are received from the DfE in relation to activities in preparation for the opening of new academies and academy building projects.

6. Other income

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Miscellaneous income	1,437	—	**1,437**	729
	1,437	—	**1,437**	729

Notes to the financial statements 31 August 2017

7. Expenditure

	Staff costs £'000	Premises £'000	Other costs £'000	**Total 2017 £'000**	Total 2016 £'000
Raising funds (note 8)	802	—	106	**908**	907
Charitable activities (note 9a)					
. Direct costs	100,475	11,397	9,327	**121,199**	113,553
. Educational support costs	28,821	10,907	27,011	**66,739**	54,404
. Governance costs (note 9b)	—	—	179	**179**	150
	129,296	22,304	36,517	**188,117**	168,107
Development costs (note 9c)	143	909	2,677	**3,729**	2,773
	130,241	23,213	39,300	**192,754**	171,787

Net income (expenditure) for the year is stated after charging:

Operating lease rentals		
. Plant and machinery	**867**	535
Depreciation	**11,397**	10,936
Loss on disposal of fixed assets (note 13)	**4,935**	15
Fees payable to external auditor for:		
. Audit services	**105**	101
. Other services	**29**	12
Compensation payments	—	15

8. Cost of raising funds

	2017 Total funds £'000	2016 Total funds £'000
Lettings and nursery	**908**	907

Surplus funds from trading activities totalled £0.8m in the year (2016: £0.7m).

9a. Ark Schools' charitable educational operations

	2017 Total funds £'000	2016 Total funds £'000
Direct costs		
Staff costs (note 10)	100,475	93,602
Depreciation (note 13)	11,397	10,936
Educational supplies	3,468	3,736
Examination fees	1,337	1,128
Transport costs	153	148
Other pupil support costs	3,368	3,094
Extended schools programme (expenditure)	1,001	909
	121,199	113,553
Educational support costs		
Staff costs (note 10)	28,821	23,424
Recruitment and other staff costs	2,860	2,546
Catering contract	4,931	4,271
Printing and stationery	1,848	1,512
Office overhead	383	399
Heat and light	2,381	2,379
Premises (including buildings insurance)	8,490	8,371
Technology costs	4,802	4,496
Other insurance costs	36	42
Finance costs and interest/charges payable	737	591
Other expenses including release of provision	2,053	2,010
Capital less than £2,000 expensed (note 32)	4,462	4,349
Loss on disposal of tangible fixed assets (note 13)	4,935	14
	66,739	54,404
Governance costs (note 9b)	179	150
	188,117	168,107

9b. Governance costs

	2017 Total funds £'000	2016 Total funds £'000
Audit of group financial statements*		
. Current year	105	101
. Other compliance costs	29	12
Other expenses including internal audit services	45	37
	179	150

*This also includes regularity assurance and Teachers Pension end of year certificate assurance.

Notes to the financial statements 31 August 2017

9c. Other development costs

	2017 Total funds £'000	2016 Total funds £'000
Project implementation		
Staff costs (note 10)	**143**	472
Building costs	**909**	727
Project implementation	**618**	11
Set up and launch costs	**—**	42
Research and marketing	**399**	296
Miscellaneous costs	**190**	44
	2,259	1,592
Continuing professional development		
Education development	**226**	194
Staff training and induction	**1,244**	987
	1,470	1,181
	3,729	2,773

Development costs relate to the opening of new academies and new academy buildings, as well as continuing professional development and transition costs of open academies.

10. Staff

a) Staff costs

Staff costs during the period were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**95,648**	90,134
Social security costs	**9,731**	7,817
Pension contributions	**17,890**	14,061
Apprenticeship levy	**152**	—
	123,421	112,012
Supply staff costs	**6,110**	5,626
Reorganisation costs	**710**	668
	130,241	118,306

b). Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £301,797 (2016: £291,618), with an additional £18,000 (2016: £nil) committed but not paid by the balance sheet date. Individually the payments were: £388, £784, £1,500, £2,065, £2,578, £5,000, £5,367, £5,935, £7,000, £7,219, £7,446, £8,000, £8,443, £9,877, £10,000, £10,700, £11,124, £11,251, £15,000, £15,125, £16,000, £18,000, £26,594, £27,000, £27,500, £29,901, and £30,000.

10. **Staff** (continued)

c). Staff numbers

The average full time equivalent number of persons employed by the group during the year ended 31 August 2017, analysed by function, was as follows:

	2017 No.	2016 No.
Charitable activities		
Teachers	**1,452**	1,341
Education support and administration staff	**1,417**	1,297
Projects and management staff	**90**	52
	2,959	2,690

The average gross number of persons employed by the group during the year ended 31 August 2017, analysed by function, was as follows:

	2017 No.	2016 No.
Charitable activities		
Teachers	**1,549**	1,459
Education support and administration staff	**1,847**	1,823
Projects and management staff	**90**	53
	3,486	3,335

d) Higher paid staff

The number of full time equivalent employees during the period who earned over £60,000 in the year (including benefits and bonuses but excluding pension contributions) was as follows:

	2017 Number	2016 Number
£60,001 - £70,000	**75**	72
£70,001 - £80,000	**32**	35
£80,001 - £90,000	**17**	17
£90,001 - £100,000	**8**	5
£100,001 - £110,000	**2**	5
£110,001 - £120,000	**4**	3
£120,001 - £130,000	**2**	1
£130,001 - £140,000	**2**	—
£140,001 - £150,000	**2**	2
£150,001 - £160,000	**1**	1
£160,001 - £170,000	**1**	2
£170,001 - £180,000	**1**	—
£180,001 - £190,000	**1**	1
£190,001 – £200,000	**—**	1
	148	145

10. Staff (continued)

d) Higher paid staff (continued)

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £1,547,973 (2016: £1,541,175).

11. Key management personnel

The key management personnel of Ark Schools comprise the directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to Ark Schools was £706,714 (2016: £507,740). This amount has increased because of a change to who we identify as the management team.

Remuneration of the key educational personnel is reviewed annually by the remuneration committee.

The total amount of employee benefits (including employer pension contributions) paid by Ark Schools received by the Managing Director, Lucy Heller, was £104,840 (2016: £102,815). The total paid to the Managing Director, including payments made by the sponsor organisation, Absolute Return for Kids ("Ark"), by way of employment as the CEO of Ark, was £209,679 (2016: £205,630). This is also disclosed in note 26.

At Ark, we are committed to paying our staff fairly and work hard to try and get the right balance between attracting and retaining the best staff and maintaining fair salary differentials.

- We will be implementing the real living wage across the network from September 2018.
- We monitor salary ratios within the network; currently, the CEO's salary is six times the salary of an NQT.

12. Central services

The central team at Ark Schools fulfils a number of functions. These include education support, training/CPD co-ordination, HR, financial and management accounting, IT co-ordination, legal support and governance services. In addition the central team provides:

- Corporate governance and reporting, in line with the obligations imposed by company and charity law as well as by the DfE and the ESFA;
- Risk management and quality assurance;
- Central administration; and
- New project management service.

The academy funding model allocates all funding directly to schools, including the elements that are intended to cover costs incurred at the central office. The central holdback is computed at 4.5% of school budget share and the amounts charged to each school are detailed below. The centre also negotiates contracts on behalf of schools and charge these costs on to each school.

12. Central services (continued)

	2017 £'000	2016 £'000
All through Schools		
Ark	**372**	374
Burlington Danes	**388**	391
Globe	**399**	411
Isaac Newton	**280**	220
John Keats	**185**	98
King Solomon	**212**	229
Secondary Schools		
All Saints	**178**	137
Bolingbroke	**177**	139
Boulton	**254**	260
Charter	**205**	203
Elvin	**278**	255
Evelyn Grace	**292**	312
Helenswood	**222**	235
Kings	**124**	91
Putney	**149**	147
St Alban's	**205**	206
Walworth	**342**	361
William Parker	**169**	171
Primary Schools		
Atwood	**74**	65
Ayrton	**87**	79
Bentworth	**48**	53
Brunel	**77**	77
Blacklands	**83**	67
Byron	**27**	17
Chamberlain	**119**	121
Conway	**42**	37
Dickens	**94**	94
Franklin	**127**	133
Little Ridge	**64**	62
Oval	**96**	100
Paddington Green	**77**	—
Priory	**48**	37
Rose	**56**	52
Swift	**72**	84
Tindal	**90**	93
Total central services income	**5,712**	5,411

Notes to the financial statements 31 August 2017

13. Tangible fixed assets

	Long leasehold buildings £'000	IT equipment £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	**Total £'000**
Cost						
At 1 September 2016	404,030	16,738	12,117	85	75	**433,045**
Additions	16,681	1,197	2,639	16	513	**21,046**
Transfers	72	—	—	—	(72)	—
Disposals	(5,365)	(20)	—	—	—	**(5,385)**
At 31 August 2017	415,418	17,915	14,756	101	516	**448,706**
Depreciation						
At 1 September 2016	35,830	15,934	10,210	71	—	**62,045**
Charge for the year	8,304	1,404	1,680	9	—	**11,397**
Disposals	(429)	(20)	—	—	—	**(449)**
At 31 August 2017	43,705	17,318	11,890	80	—	**72,993**
Net book value						
At 31 August 2017	371,713	597	2,866	21	516	**375,713**
At 31 August 2016	368,200	804	1,907	14	75	**371,000**

The land on which the individual academies are sited is leased at peppercorn rents. No value has been placed on the land in the financial statements due to restrictive covenants in the leases.

A new nursery was opened at Ark King Solomon Academy on September 2016 and the asset previously under construction has been transferred to leasehold buildings during the year.

New state-of-the-art buildings were constructed and completed during the financial year at the following locations

- The London Borough of Hammersmith and Fulham commissioned the build of a new primary building at Ark Burlington Danes Academy at a value of £5.3m, which now forms part of the lease of this premises. An additional £105k was spent on ICT in relation to this build. The building came into use in September 2016.
- The London Borough of Croydon commissioned the build of a new block at Ark Oval Academy. The school expansion value was £6.3m, with a further £0.8m spent on a replacement kitchen and hall for the school. Additional amounts of £52k were spent on furniture, fittings and equipment, and £55k on ICT. The building came into use in January 2017.
- A building at Ark Kings Academy was demolished with a disposal value of £4.9m. This was replaced by a new building constructed under a Private Finance Initiative (PFI) agreement. As Ark Schools only enjoys the benefits of the premises subject to the restrictions under the PFI agreement over the initial 25 years term, the academy does not substantially hold all of the risks and rewards of ownership. The value of the new property is excluded from the above. Details of the lease commitments payable for services are provided in note 23 to the financial statements.

The asset under construction at the balance sheet date of £0.5m relates to the planning and development costs associated with the Ark Pioneer building project.

Notes to the financial statements 31 August 2017

14. Wholly owned trading subsidiary

The issued share capital of Ark Academies Projects Limited was transferred to Ark Schools on 3 July 2007 and Ark Academies Projects Limited began trading on that date.

The following is a summary of the financial statements of Ark Academies Projects Limited for the year ended 31 August 2017, which has been included in the consolidated financial statements.

	2017 £'000	2016 £'000
Turnover	1,666	1,644
Cost of sales	(906)	(904)
Gross profit	760	740
Administrative expenses	(2)	(4)
Other income	—	—
Retained profit before charitable donation under Gift Aid at 31 August	758	736
Charitable donation under Gift Aid	(758)	(736)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Loss brought forward at 1 September	—	—
Net assets/(liabilities) at 31 August	—	—

The £1 issued share capital equalled the net assets of Ark Academies Projects Limited at 31 August 2017.

15. Debtors

	Group 2017 £'000	Ark Schools 2017 £'000	Group 2016 £'000	Ark Schools 2016 £'000
Trade debtors	1,165	1,165	786	786
Amounts due from DfE/ESFA	1,563	1,563	1,863	1,863
Sponsorship due from Ark	9,609	9,609	8,191	8,191
Other debtors	56	56	51	51
Prepayments and accrued income	4,595	4,595	2,057	2,057
Amounts due from subsidiary	—	758	—	736
VAT recoverable	1,680	1,680	1,702	1,702
	18,668	19,426	14,650	15,386

16. Creditors: amounts falling due within one year

	Group 2017 £'000	**Ark Schools 2017 £'000**	Group 2016 £'000	Ark Schools 2016 £'000
Trade creditors	**3,338**	**3,338**	2,957	2,957
Taxation and social security	**2,456**	**2,456**	2,377	2,377
Accruals	**7,100**	**7,100**	5,578	5,578
Deferred income	**8,790**	**8,790**	1,784	1,784
ESFA creditor – abatement of GAG	**990**	**990**	848	848
Other creditors	**538**	**538**	375	375
Amounts owed to subsidiary	—	**758**	—	736
	23,212	**23,970**	13,919	14,655

	2017 £'000	2016 £'000
Deferred income		
Deferred Income at 1 September 2016	**1,784**	1,752
Resources deferred in the year	**8,790**	1,784
Amounts released from previous years	**(1,784)**	(1,752)
Deferred Income at 31 August 2017	**8,790**	1,784

During the year ended 31 August 2017, Ark Schools received funding in advance for Universal Infant Free School Meals Sep 17-Mar 18, School Condition Allocation income for 2017/18, and Local Authority income paid in advance (SEN, EYFS and Other LA income). The balance also includes donations received specifically to cover anticipated expenditure in specific Ark schools for future years.

Notes to the financial statements 31 August 2017

17. Funds

	At 1 September 2016 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	**At 31 August 2017 £'000**
Restricted funds					
DfE revenue grant funds					
General Annual Grant (GAG) (note 4)	—	129,675	(141,514)	11,839	—
Start up and lead in (note 4)	832	1,160	(1,160)	(567)	**265**
Other DfE/ESFA (note 4)	—	10,616	(10,616)	—	—
	832	141,451	(153,290)	11,272	**265**
Pension reserve	(36,946)	-	(4,952)	12,175	**(29,723)**
	(36,114)	141,451	(158,242)	23,447	**(29,458)**
Other					
Local authority grants	220	4,884	(4,888)	—	**216**
Other donations	2,284	6,102	(6,031)	137	**2,492**
UK Programmes	927	1,200	(1,095)	71	**1,103**
	3,431	12,186	(12,014)	208	**3,811**
Fixed assets fund					
DfE fixed assets fund	164,780	—	(9,699)	2,683	**157,764**
Ark sponsorship fixed assets fund	3,661	—	(915)	—	**2,746**
Devolved Formula Capital and School Condition Allocation	1,496	3,853	(1,527)	(2,683)	**1,139**
Other fixed assets funds	202,560	17,023	(4,381)	—	**215,202**
	372,497	20,876	(16,522)	—	**376,851**
Total restricted funds	339,814	174,513	(186,778)	23,655	**351,204**
Unrestricted funds					
Sponsorship of core costs by Ark	5,684	3,844	(143)	(8,472)	**913**
Other unrestricted funds	—	6,647	(5,833)	(814)	—
Designated fund	13,500	—	—	(2,123)	**11,377**
Total unrestricted funds	19,184	10,491	(5,976)	(11,409)	**12,290**
Total funds	358,998	185,004	(192,754)	12,246	**363,494**

The purposes for which the funds are to be applied are as follows:

General Annual Grant

Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2017. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

17. **Funds** (continued)

DfE revenue grant fund and other restricted funds

These grants relate to the charitable company's development and operational activities.

Pension reserve

The pension reserve relates to the open academies share of the deficit of the Local Government Pension Schemes overseen by their respective Local Authorities.

Other

These reserves consist of unutilised Founding Partner monies that have yet to have been requisitioned by specific academies and surpluses on certain UK Programmes that will be carried forward.

Fixed assets fund

This fund equates to the net book value of fixed assets plus any capital funding received which has not been expended by the balance sheet date. It includes grant funding received from DfE and sponsorship from Absolute Return for Kids (Ark) and other third parties to carry out capital works as well as school buildings transferred on conversion.

Designated fund

The directors of Ark Schools have designated £11.4m (2016: £13.5m) of unrestricted reserves for the upgrade of capital assets and building works that will be required over the next 3 – 5 years.

17. **Funds** (continued)

Analysis of fund balance by academy

	2017 Total revenue £'000	2017 Total capital £'000	2017 Total combined £'000
All through Schools			
Ark	173	9	**182**
Burlington Danes	2,536	28	**2,564**
Globe	1,244	(16)	**1,228**
Isaac Newton	129	9	**138**
John Keats	32	10	**42**
King Solomon	2,871	18	**2,889**
Secondary Schools			
All Saints	695	19	**714**
Bolingbroke	(547)	(7)	**(554)**
Boulton	1,224	28	**1,252**
Charter	(19)	(4)	**(23)**
Elvin	623	76	**699**
Evelyn Grace	890	8	**898**
Helenswood	22	10	**32**
Kings	208	(7)	**201**
Putney	(1,323)	30	**(1,293)**
St Alban's	86	11	**97**
Walworth	727	7	**734**
William Parker	(719)	31	**(688)**
Primary Schools			
Atwood	311	23	**334**
Ayrton	551	8	**559**
Bentworth	(19)	4	**(15)**
Brunel	386	15	**401**
Blacklands	353	18	**371**
Byron	42	1	**43**
Chamberlain	781	60	**841**
Conway	99	4	**103**
Dickens	576	9	**585**
Franklin	803	20	**823**
Little Ridge	99	11	**110**
Oval	456	14	**470**
Paddington Green	151	6	**157**
Priory	66	9	**75**
Rose	(193)	70	**(123)**
Swift	(11)	45	**34**
Tindal	1,041	8	**1,049**
Ark Schools Central	2,022	553	**2,575**
Total fund balances before fixed assets and pension reserve	16,366	1,138	**17,504**

	2017 £'000
Total income fund	**16,366**
Total capital and fixed asset fund	**376,851**
Pension reserve	**(29,723)**
Total	**363,494**

17. **Funds** (continued)

Bolingbroke Academy had a net funds deficit of £554k as at 31 August 2017. The academy was opened on 1 September 2012 with only one year group. It is expected that, as the school increases its pupils and reaching capacity it will achieve a balance of its funds.

Putney Academy had a net funds deficit of £1,293k as at 31 August 2017. Ark Schools is continuing to work closely with the academy to ensure a restoration of financial balance in the medium term.

William Parker Academy had a net funds deficit of £688k as at the 31 August 2017. Ark Schools is supporting the academy to restore financial balance in the medium term.

Rose Academy has a net funds deficit of £123k as at the 31 August 2017. At 1 September 2017 Ark Kings and Ark Rose Primary Academies merged to form one all through school. The primary phase from Reception to Year 4 remained at the old Rose building with 133 pupils. Years 5 and 6 are now based at the new Kings site with 77 pupils.

18. Expenditure Analysis

Analysis of cost by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation and losses on disposal of assets) £'000	2017 Total £'000
All through Schools					
Ark	7,355	1,146	141	2,182	**10,824**
Burlington Danes	6,237	1,565	305	2,534	**10,641**
Globe	6,995	1,011	201	2,814	**11,021**
Isaac Newton	4,882	1,278	162	1,664	**7,986**
John Keats	3,185	688	240	1,114	**5,227**
King Solomon	4,325	492	124	1,918	**6,859**
Secondary Schools					
All Saints	3,009	714	50	1,063	**4,836**
Bolingbroke	3,266	581	149	1,206	**5,202**
Boulton	3,788	827	87	1,880	**6,582**
Charter	3,420	676	87	1,376	**5,559**
Elvin	4,467	932	128	1,561	**7,088**
Evelyn Grace	4,785	789	105	1,990	**7,669**
Helenswood	3,313	1,120	177	1,015	**5,625**
Kings	1,909	430	55	888	**3,282**
Putney	3,130	730	103	1,140	**5,103**
St Alban's	3,346	1,107	106	1,118	**5,677**
Walworth	5,238	896	168	2,461	**8,763**
William Parker	2,872	799	103	1,188	**4,962**
Primary Schools					
Atwood	1,435	408	50	601	**2,494**
Ayrton	1,488	352	51	507	**2,398**
Bentworth	971	223	29	345	**1,568**
Brunel	1,865	146	48	572	**2,631**
Blacklands	1,459	211	33	286	**1,989**
Byron	561	120	25	174	**880**
Chamberlain	1,914	333	64	962	**3,273**
Conway	728	167	35	289	**1,219**
Dickens	1,667	334	51	394	**2,446**
Franklin	2,073	516	91	1,015	**3,695**
Little Ridge	1,278	159	58	404	**1,899**
Oval	2,124	392	58	538	**3,112**
Paddington Green	1,233	218	18	535	**2,004**
Priory	916	184	31	396	**1,527**
Rose	1,007	140	22	507	**1,676**
Swift	1,792	373	50	535	**2,750**
Tindal	1,455	263	93	747	**2,558**
Ark Schools Central	206	9,272	162	4,848	**14,488**
Ark Schools excluding subsidiaries	99,694	29,592	3,460	42,767	175,513

19. Analysis of net assets between funds

Group	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	**Total funds 2017 £'000**
Fund balances at 31 August 2017 are represented by:				
Tangible and investment assets	—	1,103	375,713	**376,816**
Current assets	12,290	26,185	1,138	**39,613**
Creditors: amounts falling due within one year	—	(23,212)	—	**(23,212)**
Pension scheme liability	—	(29,723)	—	**(29,723)**
Total net assets	12,290	(25,647)	376,851	**363,494**

Ark Schools	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	**Total funds 2017 £'000**
Fund balances at 31 August 2017 are represented by:				
Tangible and investment assets	—	1,103	375,713	**376,816**
Current assets	12,290	26,943	1,138	**40,371**
Creditors: amounts falling due within one year	—	(23,970)	—	**(23,970)**
Pension scheme liability	—	(29,723)	—	**(29,723)**
Total net assets	12,290	(25,647)	376,851	**363,494**

20. Transfer from local authorities on conversion

During the year ended 31 August 2017, ARK Paddington Green joined the Ark Schools network. The school was previously under Local Authority control and converted to academy status immediately prior to joining the network. The transfer to Ark Schools has been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities. In the year ended 31 August 2016, Ark Boulton and Ark Chamberlain joined the network following conversion.

The following table sets out the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	**Total 2017 £'000**	Total 2016 £'000
Leasehold land and buildings	—	—	1,964	**1,964**	13,395
Other fixed assets	—	—	—	—	572
Budget surplus on LA funds	—	—	—	—	1,512
LGPS pension deficit	—	—	—	—	(716)
Net assets (liabilities)	—	—	1,964	**1,964**	14,763

20. Transfer from local authorities on conversion (continued)

Year ended 31 August 2017: Ark Paddington Green	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	**Total 2017 £'000**
Leasehold buildings	—	—	1,964	**1,964**
Other fixed assets	—	—	—	—
Budget surplus on transfer	—	—	—	—
LGPS pensions deficit	—	—	—	—
Net assets (liabilities)	—	—	1,964	**1,964**

Year ended 31 August 2016: Ark Boulton	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	**Total 2016 £'000**
Leasehold buildings	—	—	6,939	**6,939**
Other fixed assets	—	—	146	**146**
Budget surplus on transfer	720	—	73	**793**
LGPS pensions deficit	—	(447)	—	**(447)**
Net assets (liabilities)	720	(447)	7,158	**7,431**

Year ended 31 August 2016: Ark Chamberlain	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	**Total 2016 £'000**
Leasehold buildings	—	—	6,456	**6,456**
Other fixed assets	—	—	426	**426**
Budget surplus on transfer	719	—	—	**719**
LGPS pensions deficit	—	(269)	—	**(269)**
Net assets (liabilities)	719	(269)	6,882	**7,332**

21. Member Liability

The member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while it is, or within one year after it ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before it ceases to be a member.

22. Pensions and similar obligations

School based employees belong to one of two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff or a Local Government Pensions Scheme (LGPS) for non-teaching staff. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

22. Pensions and similar obligations (continued)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £8,893,594 (2016: £8,516,744).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website: https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

22. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

Under the definitions set out in Financial Reporting Standard (FRS 102) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

Each Local Government Pension Scheme is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of fourteen different funds. The total contribution made for the year ended 31 August 2017 was £4,950k (2016: £4,708k), of which employees' contributions totalled £1,325k (2016: £1,233k) and employers' contributions totalled £3,625k (2016: £3,475k). The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that in the event of an Academy Trust closing, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into effect on 18 July 2013.

Pension Fund – Administering Authority	Academies
Greater London	
City of Westminster	Atwood
	King Solomon
London Borough of Brent	Ark
	Elvin
	Franklin
London Borough of Croydon	Oval
London Borough of Ealing	Priory
	Byron
London Borough of Enfield	John Keats
London Borough of Hammersmith and Fulham	Bentworth
	Burlington Danes
	Conway
	Swift
London Borough of Lambeth	Evelyn Grace
London Borough of Redbridge	Isaac Newton
London Borough of Southwark	All Saints
	Globe
	Walworth
London Borough of Wandsworth	Bolingbroke
	Putney
Royal Borough of Kensington & Chelsea	Brunel
East Sussex	
East Sussex County Council	Blacklands
	Helenswood
	Little Ridge
	William Parker

Notes to the financial statements 31 August 2017

22. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Pension Fund – Administering Authority	Academies
Hampshire	
Hampshire County Council	Ayrton
	Charter
	Dickens
West Midlands	
West Midlands Fund	Boulton
	Chamberlain
	Kings
	Rose
	St Alban's
	Tindal

Principal actuarial assumptions – range applied

	2017 % Lowest	2017 % Highest	2016 % Lowest	2016 % Highest
Rate of increase in salaries	**2.4**	**4.2**	3.1	4.1
Rate of increase in pension payments	**1.9**	**2.7**	1.9	2.3
Discount rates	**2.5**	**2.6**	2.0	2.2
Inflation assumptions	**1.9**	**2.7**	1.9	3.2

The current mortality assumptions included sufficient allowance for future improvements in mortality rates. The range of assumed life expectations in years beyond the retirement age 65 across the funds are:

	2017 Lowest	2017 Highest	2016 Lowest	2016 Highest
Retiring today				
Males	**21.6**	**24.4**	21.7	24.6
Females	**23.9**	**27.0**	24.0	27.8
Retiring in 20 years				
Males	**23.8**	**26.7**	24.1	26.7
Females	**26.0**	**29.3**	26.6	30.1

Sensitivity analysis – increase (decrease) in overall deficit	At 31 August 2017 £'000	At 31 August 2016 £'000
Discount rate +0.1%	**(2,090)**	(1,988)
Discount rate -0.1%	**2,128**	2,025
Mortality assumption – 1 year increase	**2,784**	2,861
Mortality assumption – 1 year decrease	**(2,742)**	(2,834)
CPI rate +0.1%	**1,726**	2,035
CPI rate -0.1%	**(1,695)**	(1,985)

22. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Ark Schools' share of the assets in the schemes was as follows:	**Fair value at 31 August 2017 £'000**	Fair value at 31 August 2016 £'000
Equities	35,569	28,596
Corporate/government bonds	8,437	9,301
Property	5,353	4,744
Cash	1,453	1,692
Other	5,511	3,249
Total market value of assets	56,323	47,582

The amounts recognised in statement of financial activities were as follows:	**2017 £'000**	2016 £'000
Current service cost	7,713	4,753
Past service cost	65	—
Interest income	(1,020)	(1,488)
Interest cost	1,742	2,065
Admin expenses	77	—
Total amount recognised in the SOFA	8,577	5,330

Movements on the overall deficit during the year was as follows:	**2017 £'000**	2016 £'000
Deficit at 1 September	(36,946)	(14,940)
Current service cost	(7,855)	(4,753)
Employer contributions	3,625	3,484
Net return on assets	(722)	(577)
Brought forward pension scheme liability	—	(716)
Actuarial gain (loss)	12,175	(19,444)
At 31 August 2017	(29,723)	(36,946)

Changes in the present value of defined benefit obligations were as follows:	**2017 £'000**	2016 £'000
At 1 September 2016	84,528	50,155
Current service cost	7,843	4,744
Interest cost	1,742	2,065
Employee contributions	1,325	1,233
Actuarial (gain) loss	(8,731)	24,883
Benefits paid	(661)	(275)
Brought forward pension scheme obligation	—	1,723
At 31 August 2017	86,046	84,528

22. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit assets were as follows:	**2017 £'000**	2016 £'000
At 1 September 2016	**47,582**	35,215
Expected return on assets	**1,008**	1,488
Actuarial gain	**3,444**	5,439
Employer contributions	**3,625**	3,475
Employee contributions	**1,325**	1,233
Benefits paid	**(661)**	(275)
Brought forward pension scheme asset	**—**	1,007
At 31 August 2017	**56,323**	47,582

There have been no brought forward defined benefit pension scheme obligations or assets acquired by the group in the year (2016: £716k of net liability, comprising £447k for Boulton and £269k for Chamberlain).

The five years history of experience adjustments is as follows:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of scheme obligations	**(86,046)**	(84,528)	(50,155)	(42,099)	(24,412)
Fair value of assets	**56,323**	47,582	35,215	28,933	17,634
Net deficit in schemes	**(29,723)**	(36,946)	(14,940)	(13,166)	(6,778)
Experience gains on scheme assets	**3,444**	5,439	218	1,082	1,080
Experience gains on scheme liabilities	**8,731**	(24,883)	717	(3,224)	(671)

23. Lease commitments

At 31 August 2017, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2017 £'000	2016 £'000
Amounts due within one year	**414**	412
Amounts due between one and five years	**450**	557
Amounts due after five years	**3**	5
	867	974

The property occupied by Ark Kings Academy was financed by a Private Finance Initiative agreement between the PFI contractor and the local authority (the owner of the freehold). Ark Schools is subject to a sub-agreement with the Local Authority which requires Ark Schools to make an annual contribution towards facilities management for a period of 25 years expiring on 30 April 2042. At 31 August 2017, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

	2017 £'000	2016 £'000
Amounts due within one year	**79**	–
Amounts due between one and five years	**316**	–
Amounts due after five years	**1,580**	–
	1,975	–

24. Capital commitments

At 31 August 2017, the group had capital commitments as follows:

	2017 £'000	2016 £'000
Contracted for but not provided in the financial statements	**1,217**	3,634

25. Related party transactions

Ark Schools is sponsored by Absolute Return for Kids (Ark), which is also the principal member of Ark Schools. Ark is a charitable company and has four directors in common with Ark Schools. During the year, Ark Schools was awarded £3.8m (2016: £3.6m) sponsorship from Ark.

Ark Schools' central team shares offices with Ark. Ark has made payments on behalf of Ark Schools for general office overheads. These are recharged to Ark Schools based on an agreed apportionment. Where costs have been apportioned between Ark and Ark Schools this has been done on the basis of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each company's staff.

There was a change in the Kingsway building lease agreement from ARK to ARK Schools on 23rd September 2016. As a result, there were no rent recharges in 2017 (2016: £475k). The total amount payable to Ark by Ark Schools in respect of the remaining costs during the year were £528k (2016: £790k) as detailed below:

25. Related party transactions (continued)

	2017 £'000	2016 £'000
Staff costs	**182**	147
Rent and service charges	**—**	475
Other costs	**346**	168
	528	790

Ark has a charitable subsidiary, Ark UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by Ark Schools.

Ark UK Programmes made grants of £1.2m (2016: £110k) to Ark Schools during the course of the year. Ark Schools made payments of £166k (2016: £73k) to Ark UK Programmes for the provision of Maths Mastery resources and training.

Ark UK Programmes administers the endowment funds for the benefit of certain Ark academies. Each of the academies run by Ark Schools and opened pre-September 2011 was granted an endowment to support the academy in the future. For some of the academies this was a condition of the funding agreement, but for four, this is in addition to the sponsor capital contribution stipulated in the funding agreement. The initial endowments were received by Ark UK Programmes via Ark and invested as part of a listed investment portfolio.

At 31 August 2017, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £6.3m (2016: £5.8m). During the year £110k for Ark Charter (2016: £176k for Ark Academy) was withdrawn from such endowments and recognised as donations income in Ark Schools' financial statements.

In addition to the endowments above, surplus funds earned by certain schools within the network may be transferred to Ark UK Programmes for investment in the same listed investments portfolio. At 31 August 2017, Ark UK Programmes had invested a cumulative amount of £750k in respect of King Solomon Academy (2016: £750k in respect of King Solomon Academy and £60k in respect of Globe Academy) as part of their investment strategy. The total market value of such investments at the balance sheet date was £1.1m (2016: £1.0m) and the cumulative unrealised gains of £353k has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by ARK UK Programmes and included within year end debtors.

One of the directors of Ark Schools, Lord Fink, is the Chairman of Zenith Hygiene Systems which provided cleaning services to six Ark schools (2016: four school). The total amount payable to Zenith Hygiene Systems during the year was £17,336 (2016: £10,335).

The total amount of donations received by Ark Schools from other related parties not separately disclosed above were £1.7m of which £0.3m has been recognised as income within 2016/17 and the balance included within deferred income.

26. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. In the year ended 31 August 2017, she was the Managing Director of Ark Academies Projects Ltd, Ark UK Programmes and Chief Executive of Ark. Her total remuneration for services rendered across all of the aforementioned legal entities was £209,680 (2016: £205,630). 50% of this overall salary, i.e. £104,840 (2016: £102,815) has been charged to Ark Schools. This is also disclosed in note 11.

No other directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2016: none). No director had any beneficial interest in any contract with Ark Schools during the year (2016: none).

27. Directors', Governors' and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 31 August 2017, the premium is £7,700 (2016: £7,665). The cost of this insurance is included in the total insurance cost.

28. Agency arrangements

The trust receives and distributes bursaries as agent for the ESFA and NCTL:

	2017 £'000	2016 £'000
16-19 bursaries for ESFA	**182**	175
Teacher training bursaries for NCTL	**523**	291
	705	466

An amount of £31,900 is held in other creditors at the end of the year repayable to NCTL (2016: £12,000).

29. Taxation

Ark Schools is a charity (by statute) and therefore is not liable to income tax or corporation tax on income from charitable activities, as it falls within the exemptions available to registered charities.

30. Post balance sheet events

On 1st September 2017, one new academy Ark Castledown, joined the trust. Their assets and liabilities will be recognised within the financial statements for the year ending 31 August 2018.

Additionally, Ark Kings and Ark Rose Primary Academies became one all through school, 'Ark Kings Academy'. The primary phase, from Reception to Year 4 remained at the old Rose building with 133 pupils. Years 5 and 6 are now based at the new Kings site with 77 pupils.

Ark Schools has started providing educational and support services to Perry Beeches V under a managed service agreement. It is intended that the academy will transfer to Ark Schools subject to appropriate due diligence being undertaken and agreement with the ESFA.

Planning permission was received for ARK Pioneer Secondary Academy on the 25th October 2017. The building project will be funded by the ESFA.

Notes to the financial statements 31 August 2017

31. Prior year comparative figures

	Unrestricted funds £'000	Restricted funds General funds £'000	Restricted funds Fixed assets fund £'000	**2016 Total funds £'000**
Income from:				
Donations and capital grants	3,654	2,604	9,683	**15,941**
Transfer from Local Authority	1,439	(716)	14,040	**14,763**
Other trading activities	1,718	—	—	**1,718**
Investments	101	—	—	**101**
Income from charitable activities				
. Funding for Ark Schools' educational operations	3,014	144,387	—	**147,401**
. Project management grants	—	37	—	**37**
Other income	729	—	—	**729**
Total income	10,655	146,312	23,723	**180,690**
Expenditure on:				
Raising funds	907	—	—	**907**
Charitable activities				
. Ark Schools' educational operations	1,859	150,948	15,300	**168,107**
. Development costs	472	2,301	—	**2,773**
Total expenditure	3,238	153,249	15,300	**171,787**
Net gains on investments	—	—	—	**—**
Net income (expenditure) before transfers	7,417	(6,937)	8,423	**8,903**
Gross transfers between funds	(7,930)	1,870	6,060	**—**
Net (expenditure) income	(513)	(5,067)	14,483	**8,903**
Other comprehensive income				
Actuarial losses on defined benefit pension schemes	—	(19,444)		**(19,444)**
Net movement in funds	(513)	(24,511)	14,483	**(10,541)**
Fund balances brought forward at 1 September 2015	19,697	(8,172)	358,014	**369,539**
Fund balances carried forward at 31 August 2016	19,184	(32,683)	372,497	**358,998**

32. Reconciliation of Operating Position

	2017 Fixed Asset Fund £'000	2017 Pension Reserve £'000	*2017 Restricted General Funds £'000*	*2017 Unrestricted General Funds £'000*	*2017 Total General Funds £'000*	**2017 Total Funds £'000**	2016 Total General Funds £'000
Funds Brought Forward	372,497	(36,946)	*4,263*	*19,184*	*23,447*	**358,998**	26,465
Net movement in Funds (as SOFA)	4,354	7,223	*(187)*	*(6,894)*	*(7,081)*	**4,496**	(3,018)
Funds Carried Forward	376,851	(29,723)	*4,076*	*12,290*	*16,366*	**363,494**	23,447
Operating Loss on General Funds					*(7,081)*		(3,018)
Add Back:							
Capital items expensed (Note 9a)					*4,462*		4,349
ESFA income for expensed capital items					*(1,495)*		(2,136)
					2,967		2,213
Net Operating Loss as disclosed in the Financial Review					*(4,114)*		(805)

The operating loss as disclosed in the Financial Review represents income less operating expenditure (but excluding capital items less than £2,000 that have been expensed). It excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes. It is the level to which School Principals are accountable.