

Embrace the Middle East

Annual Report & Accounts 2016



EMBRACE
the Middle East

Embrace the Middle East Group

Registered company number 3706037 (England and Wales)
Registered charity number 1076329

Our Vision:

Lives and communities in the Middle East transformed by the compassion of Christ.

Our Mission:

To partner with Middle East Christians as they bring healing and hope to all who face poverty and injustice.

The trustees of Embrace the Middle East, who are also Directors of the Charity for the purposes of the Companies Act 2006, are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

Contents

Trustees' Annual Report

A Message from the Chair of trustees	01
The Charity in Numbers	02
Our Impact in 2016 - Grants	03
Strategic Report	08
Financial Review	11
Our Charitable Objectives and Our Organisational Structure	14
Who We Are	17
Statement of trustees' Responsibilities	18

Financial Statements

Report of the Independent Auditors	19
Consolidated Statement of Financial Activities	21
Consolidated and Charity Balance Sheets	23
Consolidated Cash Flow Statement	24
Notes to the Consolidated Financial Statements	25

A message from the Chair of trustees

This has been an exciting and significant year for Embrace the Middle East, and I am pleased to commend to our supporters this trustees' report for 2016.

The geo-political context within which the charity operates remains challenging. The dreadful war in Syria has continued, with no end in sight, and the refugee crisis has worsened. This has placed significant strain on surrounding countries, especially Lebanon, where we are supporting several Christian-led humanitarian projects providing desperately-needed help to refugees. Political violence has escalated in Egypt, with the Coptic Christian community facing numerous threats, highlighted by the shocking bomb attack on the St Mark's Cathedral compound in Cairo in December. Meanwhile the peace process in Israel/Palestine has stalled, and a new US administration has begun to distance itself from the much-vaunted 'two-state solution', with no obvious alternative being proposed.

The humanitarian crisis in Gaza is particularly severe, as the blockade enters its tenth year, with food and power shortages and inadequate healthcare making life a misery for most of the territory's two million inhabitants. In December I had the opportunity to visit our Christian partners in Gaza, including the Al-Ahli Arab Hospital and the primary health clinics of the Near East Council of Churches, and I was humbled by what I saw. The needs in the community are enormous, but the tiny Christian population in Gaza, now numbering little more than 1,000, is responding to this need with compassion through a wide variety of excellent ministries. This is the local Christian social witness which we at Embrace seek to support.

In March we published our new strategic plan for the period 2016 to 2020, entitled Faith in Action: Partnering with Middle East Christians. The plan, which was prepared in consultation with our Middle East Christian partners, set out a bold vision for where we want the charity to be by 2020, including significant growth in donation income and grants to partners, a renewed commitment to building up the capacity of our partners, and a greater focus on advocacy and campaigning.

I am delighted to say that we achieved nearly all our goals for the first year of our new strategic plan period. One significant milestone was the transfer in September of the Helen Keller School in East Jerusalem into the care of the Franciscans, whose social and educational witness in Palestine dates back to the 14th century. Embrace has been involved in education for children with visual impairment in Jerusalem for many years, and trustees were unanimously agreed that the school's future was best secured by bringing it under the auspices of the local church. We take this opportunity of thanking the school's long-serving principal, Mrs Suad Younan, and her staff, for all their efforts in making the school such a beacon of excellence in special needs education.

We also aimed to increase donation income in the year, and I am pleased to say that this was achieved despite a challenging environment for charity fundraising. This truly reflects the steadfast and faithful support of our donors, both long term and new, found through recent appeals and our trading catalogue. This together, with a further planned use of our reserve funds, enabled us to disburse grants to partners totalling some £2.3 million.

At the end of the year, our Chief Executive since 2009, Jeremy Moodey, announced his intention to step down in March 2017 and move onto a fresh challenge in the Christian charity sector. On behalf of all the trustees and staff, I take this opportunity of thanking him for his dedicated leadership over the last seven years. The charity has been transformed from that which he joined in 2009 whilst retaining a commitment to distinctive Christian social witness in the Middle East that is as strong as ever. Jeremy leaves the organisation in excellent shape, as is evidenced in the pages of this report. We wish him every success in the future as we also look ahead to an exciting and positive future for Embrace and those we serve.

We have been very fortunate to appoint Tim Livesey as the new Chief Executive, who was approved by the Board at the end of March 2017 and will join us in July. The trustees and I are delighted to have been able to appoint Tim as CEO. He comes with a wealth of knowledge and practical experience that will enable the charity to grow and to deliver on our ambitious strategic plan. Tim's appointment marks the start of a new and exciting phase of Embrace's history.

In the pages that follow, we give a more detailed review of our activities and achievements during 2016 and our plans for 2017 and beyond. I am confident that the report will demonstrate that the charity is in good health, with an exciting vision for the future and an absolute commitment to our Christian partners in the Middle East, and the excellent work that they do.

We remain especially grateful for the selfless generosity and faithful prayers of our supporters, in the UK and elsewhere.

Canon Anthony Ball
Chair of trustees



The charity in numbers

The following are the results for the charity for the five years from 2012 to 2016. These summary numbers are taken from the financial statements on pages 21 to 41, but for the purposes of clarity exclude the income and costs of our trading subsidiary.

Year ended 31 December	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Donations	1,904	2,109	2,356	2,210	4,629
Legacies	1,778	731	818	831	792
Investment income	122	101	84	62	59
Local Helen Keller School income	381	493	520	555	449
Other	32	42	46	49	62
Total	4,217	3,476	3,824	3,707	5,991
Grants	1,554	2,355	1,975	1,964	2,026
Helen Keller School support	750	836	786	880	861
UK staff costs	586	646	707	753	828
Other costs	667	536	604	629	838
Total resources expended	3,557	4,373	4,072	4,226	4,553
Net surplus/(deficit)	660	(897)	(248)	(519)	1,438
Helen Keller costs less local income	(369)	(343)	(266)	(325)	(412)
UK charity income less costs	1,029	(554)	18	(194)	1,850
Assets as at 31 December	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Investments	2,753	2,636	1,988	1,638	1,673
Cash at bank and in hand	1,593	1,307	1,830	1,083	3,136
Other net assets	886	651	590	1,167	633
Total funds	5,232	4,594	4,408	3,888	5,442

Further commentary on the 2016 results can be found in the 'Financial review' section on pages 11 to 12. In the pages that follow, we give details of what we and our partners achieved in 2016, compare our outcomes to the plan we set ourselves for the year, and set out our plans for 2017 and beyond.

We remain especially grateful for the selfless generosity and faithful prayers of our supporters, in the UK and elsewhere

Our impact in 2016 - Grants

The pressure on communities across the Middle East showed little sign of abating throughout 2016. The harsh realities of life for the 1.5 million Syrian refugees in Lebanon and their impact on wider Lebanese society, the inflationary and economic challenges facing Egypt and the lack of progress towards a just peace in Israel and Palestine characterise the challenges our partners contend with each day. In the face of this, they continue to expend themselves on behalf of the vulnerable and marginalised in their midst, innovating and stretching out their hands in solidarity and support. In 2016 Embrace partnered with 52 Christian-led local organisations across the Middle East providing 76 grants totalling £2.3 million.

Shortly after the launch of our new strategic plan, Faith in Action, we recruited a third Programmes and Partnerships Manager. This expansion has enabled us to create three distinct country portfolios – Egypt, Lebanon and Syria, Israel and Palestine – each with its own experienced manager, enabling us to forge stronger relationships with our partners.

Over the course of the year, we awarded 26 short-term grants to 19 partners at a cost of £460,000. Our target to commit one-third of our short-term grants on humanitarian and relief projects, and a further third on projects that will develop the capacity of our partners, was achieved within the first year.

'Without your help, we would have gone without or had to buy things on credit. Now I can provide for my children.'

Rasha, a young mother whose family benefited from LSESD's distributions

New three year plans for Egypt, Lebanon, Israel and Palestine were agreed with the trustees in May 2016. By the end of the year, 47 new three year projects had been agreed with partners and approved. This will see our multi-year commitment to partners increase by £1.5 million to a record £5.7 million, starting in January 2017.

Transform

Refugees and the Syrian crisis

The Syrian conflict continued to loom large over the region and drew a strong response from each of our Lebanese partners. Working closely with the Lebanese Society for Education and Social Development's humanitarian arm, Middle East Revive and Thrive (MERATH), Embrace were able to provide essential humanitarian support to many refugee families living in makeshift slum homes in central Beirut and the Bekaa valley. Over the course of the year, more than 4,400 families benefitted from targeted support. This ranged from nappies for families with young children, milk to support mothers with nutrition while breastfeeding, family food parcels or winter supplies such as blankets, stoves and fuel.

Embrace partners' work with Syrian refugees extends to education, social care and support for people with disabilities. The Zvartnotz Centre provides rehabilitation, care and support to people with disabilities in Beirut and is a long term Embrace partner. In response to the demand from refugee families, a quarter of the daily beneficiaries who visit the centre in this densely packed Beirut suburb are now Syrian refugees.

Many Syrian families with disabled children and young adults fled Aleppo after the disability centre serving them was destroyed during the fighting. Accepted alongside their Lebanese peers, they receive high-quality care, medical support and education tailored to their needs.

'I remember the moment we arrived. I wondered how we would start again in Lebanon. Before we fled Nazeli was silent, now she talks a lot and has lots to tell. At Zvartnotz she is more self-confident.'

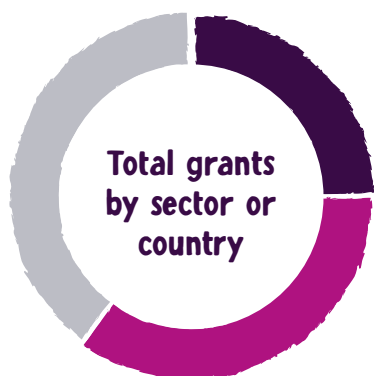
Nazeli, a refugee whose daughter attends the Zvartnotz centre

Primary health care and prevention

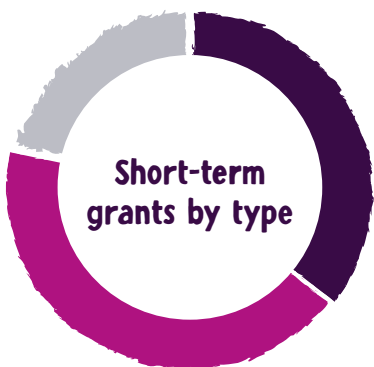
The challenge of providing high-quality primary health care to marginalised communities in deprived areas continues to be a strong theme throughout our partners' work. Embrace supported eight wide reaching primary care projects and a further 13 integrated community development and disability projects with strong health awareness or clinical components. Over 80,000 consultations were recorded by our partners in 2016, accompanied by some 25,000 additional home visits in support of families with children under five.

The Near East Council of Churches (NECC) flagship Well-Baby project continued to perform at a high level, screening almost 13,000 under five's in Gaza. As a result, 1,800 cases of anaemia or malnutrition were diagnosed and treated. This is an increase of 30% on 2015. The success of the programme has been significantly aided by the use of SMS text reminders. More than 25,000 messages were sent to encourage attendance at appointments and ensure children complete their prescribed treatment. With no end to the blockade of Gaza in sight, and an estimated 80% of its residents reliant upon some form of humanitarian aid, the demand for nutritional support is high and this is increasingly an essential service.

Our impact in 2016 - Grants continued



- Egypt £482K
- Lebanon £682K
- Palestine & Israel £862K



- Capacity Building £164K
- Humanitarian & Relief £196K
- Pilots, New Initiatives, Other £98K

Outreach services continued to play a strong role in reaching hard-to-access populations. In Egypt, Christian Medical Fellowship's volunteer doctors conducted 14 mobile clinics reaching into communities with limited access to healthcare across the country. Consultations were provided to over 3,000 people, with accompanying health awareness sessions run for children and adults.

In contrast, the Al Ahli Arab Hospital in Gaza works closely with a network of 25 community-based organisations. Their Free Medical Missions provide urgent medical help to marginalised women, and vulnerable families with limited access to health care, identified and assessed by local medical staff. Over 12 months, 2,100 individuals were provided with free examinations, laboratory tests, medicine, and transport to this well-regarded Christian hospital.

Livelihoods and women's empowerment

In 2016, we supported three microcredit projects with Egyptian partners in Cairo, Alexandria and Upper Egypt. Over the year 1,100 disadvantaged women who are the primary breadwinners for their families received microloans to help them establish small sustainable businesses. Over 550 feasibility studies were conducted to support the development of new businesses alongside the financial support and training provided by our partners. By the end of 2016 half of the women involved had already reported a significant economic benefit from their microenterprise.

In Acre, on the Northern coast of Israel, the International Christian Committee (ICCI) runs a popular afterschool club for vulnerable girls. Based in the Old City, the club provides a safe and inclusive environment for girls from difficult backgrounds, providing structure and guidance to young women at risk. The club regularly supported 85 girls, 95% of whom remained in school throughout the year. In addition to encouraging the girls to continue their education, the project team worked alongside parents of girls who had already dropped out of school and encouraged 8 girls to successfully re-enrol in 2016.

'Thanks to Al Ahli and the supporters of Al Ahli, they jointly gave me a new life.'
Amal, Free Medical Mission patient and cancer survivor treated at Al Ahli Arab hospital

Inclusion and rehabilitation

People with disabilities remain some of the most marginalised in the Middle East. In 2016, Embrace supported 15 disability projects, benefiting over 2,000 people with individualised support, vocational training and assistance for independent living.

To combat exclusion, and give improved access to high-quality services across Israel-Palestine's West Bank, the Princess Basma Centre's 'Living Roots' project provided outreach services for over 1,300 young people with disabilities. This is an increase of 900 on the previous year and demonstrates the move towards a more community-based approach to rehabilitation. A total of 426 children, supported through the expanded outreach service, were referred to the main Princess Basma Centre in Bethlehem, where they will stay with a parent for up to three weeks of comprehensive therapy.

'After my husband divorced me I asked for the first loan to achieve my dream and start a small business. I found myself alone with four children. There is a big change in my life and now I can say I achieved my dream and my children are at school.'
Mariam, a microloan beneficiary from Upper Egypt

The 'Living Roots' project has already increased the capacity of 4 community-based rehabilitation Centres, which provided 43 outreach sessions across the West Bank in 2016. Over time, this work will help thousands of children and young people with disabilities live full lives within their families and home communities.

Education

Through the bursary scheme administered by the Jerusalem based Secretariat of Solidarity, Embrace was able to continue its longstanding support to mainstream Palestine Christian schools and the disadvantaged children they serve. The demand for financial assistance for education from disadvantaged Palestinian families across East Jerusalem, the West Bank and Gaza continues to grow. According to a recent report by the Association for Civil Rights in Israel, the poverty level among Arab residents of East Jerusalem is at an alarming level, affecting 84% of Palestinian children.

Thanks to the bursary scheme, 713 children at 17 schools benefitted from financial support with their school fees. Students were selected by the management in each school and local social workers, based on an assessment of the families' financial and social circumstances with no account taken of their religion, gender or academic achievement.

'I smile more, I'm happier. I care more about myself and my appearance. When I grow up I dream to be a nurse and help people.'

Shreen, a member of the ICCI afterschool club

In 2016, we were able to extend the scheme to schools in Gaza. Their inclusion is in recognition of the high levels of financial hardship faced by a community where some 40% of the population fall below the poverty line. Working with the Secretariat of Solidarity, we hope to expand this support to more Christian schools inside Gaza in 2017.

'My mother is a widow and finds it very difficult to cover our school expenses. Thanks for the financial support, it gives me hope that I can stay at the school I love.'

Shereen, a 2016 bursary student from East Jerusalem

Strengthen and Encourage

In 2016 Embrace supported 15 capacity development projects at a cost of £160,000. An innovative project saw an international consultant, with expertise in safeguarding, visit each of our Lebanese partners to conduct a child protection risk assessment. This multi-partner project has provided a clear view of partner capacity and enabled Embrace to support training and policy development. This capacity building innovation will be expanded to partners in Egypt in 2017.

Embrace jointly funded an external evaluation of the Department of Services for Palestinian Refugees (DSPR) in the first half of 2016. Embrace worked closely with the DSPR's central Jerusalem Office and local committees to create an action plan to implement recommendations. The DSPR works with Palestinian refugees in Lebanon, Israel, the West Bank, Gaza and Jordan.

The Musalaha Ministry of Reconciliation works to bring Palestinians and Israeli communities together in Israel-Palestine. Supported by an Embrace grant, Musalaha ran a volunteer training project to increase capacity across its programmes. With additional trained volunteers, they are able to run more and widen their activities. In particular, eight Palestinian and Israeli women had intensive 1-to-1 coaching with Musalaha staff.

A capacity building grant to the Learning Centre for the Deaf (LCD) in Lebanon helped to restructure their staff team and enabled them to increase the reach of their services in 2016. In their mid-year report, the Learning Centre for Deaf attested that as a result of this capacity development grant, they have been able to expand their Early Intervention Programme team. This has enabled them to increase the number of families enrolled on the programme, and to restart activities, such as home visits and the support group for fathers.

Alongside capacity development grants, Embrace's partnerships team work closely with partners in the design and development of their programmes. The input our Programme Managers are able to provide during the proposal writing process enables Embrace to encourage partners as they refine their projects and identify how to serve their beneficiary communities to the greatest effect. Conducting at least three country project visits annually, we continually invest time walking alongside our partners to support their growth.

Our impact in 2016 - Grants continued



● Advocacy	£33k
● Capacity Building	£164K
● Community Development	£557K
● Disability & Special Ed	£570K
● Education	£235K
● Health	£231K
● Humanitarian & Relief	£236K

Challenge

Following Embrace's success in raising awareness and support for the Joint Advocacy Initiative's 'Keep Hope Alive' project in Israel-Palestine, we continued to promote olive tree planting. In 2016, we raised funds that will enable the planting of 2,200 olive trees. Sponsoring an olive tree supports the Palestinian people and helps to maintain their ancient ties to the land, preserving an important source of income and sustenance. Planted on fields at risk of confiscation, the olive trees will, when mature, produce a harvest of fruit that can be used to make oil and soap. This provides a livelihood and reduces the chance of this farmed land being confiscated.

A new advocacy partnership with the Society of St Yves was established in 2016. The Society of St Yves is a human rights advocacy organisation based in Jerusalem, working under the patronage of the Latin Patriarchate of Jerusalem. Its main areas of focus are individual casework on behalf of clients affected by human rights violations, and advocacy work aimed more widely at informing people about their rights under national and international laws.

Embrace's strategy is to support projects and partners which take a transformative approach to problems and advocate for long-term change. Partnering with organisations like the Joint Advocacy Initiative and St Yves enables us to do this effectively and work to tackle the root causes of injustice.

'As a result of the project, we are able to run more reconciliation activities this year than in any previous year. In the context of deteriorating political dialogue and the absence of an official peace process, this is a great outcome.'

**Musalaha
team member**

'I have never seen Nisreen like this before, she now wants to go out with me to buy clothes and groceries and I don't have to force her out. She plays with other kids and she walks with her head up.'

Mother of Nisreen who attended comprehensive therapy at the Princess Basma Center

Our impact in 2016 - the Helen Keller School, Jerusalem

The Helen Keller School is located in the East Jerusalem suburb of Beit Hanina and caters for children with special educational needs, particularly those with visual impairment and additional disabilities. The school has been owned and operated by Embrace for over 50 years and is registered as a special educational institution with the Israeli Ministry of Education. With 36 teaching, therapeutic and other staff, the school has established a reputation as a centre of excellence for the education and rehabilitation of young children with special needs.

During the 2016/17 academic year, the school had an average of 63 students, 36 boys and 27 girls, in six elementary classes and one kindergarten. Most of the children live in or around Jerusalem and are entitled to some support from the Ministry of Education, although the school also caters for 13 children who come by bus each day through

the separation barrier and Israeli checkpoints from the West Bank. No other provision or support exists for these children, so the school is very much a lifeline for them.

As reported in last year's accounts, the trustees of Embrace decided that the best long-term interests of the school would be served by transferring it into the care and ownership of the local church. Accordingly, on 21 March 2016, Embrace signed definitive legal agreements with the Custody of the Holy Land, an institution of the Franciscans established in the Holy Land in 1342, for the transfer of school and its associated land with effect from 1 September 2016. The Franciscans operate several Terra Sancta schools in Israel and Palestine and have an outstanding and historic reputation for providing services to the most vulnerable and disadvantaged. Embrace has committed to provide

significant grants to the school for at least five years, (until 2021). For its part, the Custody will continue to support the unique mission of the school and is committed to using its resources in ways that are consistent with Embrace's charitable objects.

Closing accounts for the school were completed as of 30 November 2016. In the 11 months to 30 November 2016, the school's total expenditure amounted to £861k (12 months to 31 December 2015: £880k). Embrace's total funding for the school in the 11 months to 30 November 2016 was £412k, while £449k came from other sources, principally the Israeli Ministry of Education. Significant income also came from the leasing of the east wing of the school building to the al-Bakriyeh school for disabled children.



Strategic report

Our plans 2017–20

Our plans for 2017 and beyond are based on our strategic plan for the period 2016-20, entitled Faith in Action: Partnering with Middle East Christians. We have set ourselves three overarching goals:

1. To **transform** the lives of vulnerable and marginalised people across the Middle East, enabling them to live life in all its fullness.
2. To **strengthen and encourage** Middle East Christians as they bring about positive change in their communities.
3. To **challenge** injustice, poverty and exclusion in the Middle East through targeted advocacy and campaigning.

To deliver these goals, our strategic plan focuses on the following key objectives:

- To strengthen existing partnerships through targeted capacity-building.
- To establish new partnerships and expand into new countries.
- To increase grant expenditure by 50% over the plan period by growing income to £5 million by 2020.
- To focus more on targeted advocacy and campaigning.
- To secure the long-term future of the Helen Keller School.
- To invest in a stronger, more effective UK charity operation.

How we performed against our 2016 objectives

The year 2016 was the first in our 'Faith in Action' strategic plan to 2020, published in March 2016. Our performance against the objectives which we set for ourselves is summarised below.

1	Achieve total income of £3.2 million.	✓	Achieved. Total voluntary income for the year was £5,421 (including a significant donation from the Franciscans)
2	On our grant-making side, disburse multi-annual and one-off grants (including support for the Helen Keller School) totalling just over £2.2 million.	✓	Achieved. In 2016 we disbursed grants totalling £2,300k, some £100k ahead of our target.
3	Secure the transfer of the Helen Keller School to local Christian ownership.	✓	Achieved. The Helen Keller School was transferred to Franciscan ownership on 1 September 2016.
4	Agree a detailed fundraising and marketing strategy to 2020 and also a detailed financial plan, including implementation 'milestones'.	✓	Achieved. Trustees approved a comprehensive fundraising and marketing strategy, including key performance indicators and relevant milestones, during the course of the year.
5	Begin implementing the charity's new programmes and partnerships strategy, including agreeing a new advocacy framework.	✓	Achieved. New Partnerships Manager recruited. 2017–20 multi-annual grants agreed and contracted. Advocacy projects and policy positions under development.
6	Introduce successfully a new supporter database system.	✓ ✗	Partially achieved. Initial trials of the new system highlighted that we should defer any decision on full implementation until the next software release of the system is delivered. We will review in 2017 to assess whether the updated system meets our requirements.

Our priorities for 2017

1. TRANSFORM – Our new three year grants starting in 2017 will:

Support people affected by poverty and assist them to overcome it.

Deliver basic services and livelihood opportunities to under-served and excluded people.

Provide humanitarian assistance to people affected by conflict and other crises.

The projects we support will bring real lasting change through their promotion of **gender equality**, the **empowerment of beneficiaries**, and the **inclusion of marginalised people** in wider society.

2. STRENGTHEN AND ENCOURAGE

We will continue to **invest** in stronger partnerships with local Christian civil society organisations, enabling our partners to be more self-reliant and better equipped through targeted capacity-building.

We will **develop** and begin to **implement** a capacity building framework. Our approach will be to tailor our capacity building support to each partner's individual circumstance and encourage opportunities for partners to learn from each other.

We will **develop** our network of volunteers and churches who pray and give to support Christian social witness in the Middle East.

3. CHALLENGE

We will continue to **promote awareness** of the role Middle East Christians have as positive agents for change in their communities.

We will **highlight issues** arising from the unresolved Israeli/Palestinian conflict, encouraging awareness and discussion through our 2017 annual lecture.

We will work with our partners to identify advocacy and campaigning issues that concern them and where Embrace can **make a difference**.

Delivering the strategy:

In 2017 we will:

1	Commit a minimum of £2.7million of grants in support of programmes and partnerships in the Middle East.
2	Invest in advocacy and campaigning, recruiting a new advocacy and campaigns manager and consulting with our partners.
3	Achieve income of £3.5m through fundraising and legacy income, 8% year on year growth.
4	Produce high quality publications and communications that our supporters have chosen to receive.
5	Deliver increased income and more supporters through the trading company, investing in new products and a revitalised webshop.
6	Invest in a new database that will enable us to effectively manage our interaction with the supporters.
7	Retain and attract the people needed to help us realise our strategic five years goals. With the appointment of a new Human Resources manager we will invest in our staff and ensure the right levels of pay and reward.
8	Ensure the charity is equipped to manage upcoming data and IT challenges, including new data protection legislation and the increased need for security of data and systems, through the recruitment of a new Head of Information Systems and Security and appropriate investment.

Mohammed is celebrating two very normal achievements for a 19 year old. He has just finished training and started his first permanent job.

But in Gaza, his achievements are far from normal because young people here don't have many opportunities. 1.8 million Palestinians live pushed into a strip of land just 25 miles long and six miles wide. Once famous for fertile soil and beautiful beaches, the area is in ruins following a blockade and three wars in the last decade.

All of life is affected. Water, electricity and food are all in short supply – and work is exceptionally hard to find. Gaza has the highest unemployment rate in the world. The present is bleak and the future precarious.

But Embrace's partner, the Near East Council of Churches (NECC), are doing everything they can to redeem the future for young people. They provide exceptional vocational courses like the one Mohammed's just completed in skilled metalwork. Now he has a permanent job at the aluminium factory and can bring home enough income to feed his family.

Mohammed keeps encouraging his friends not to give up. *'I tell them to join NECC and get trained. It's given me the chance of a future.'*

“It's given me the chance of a future.”



CREDIT: PAUL JEFEREY

Financial review

Unless otherwise stated, figures below are expressed in k (thousands) since this is how the financial statements are presented.

Income

Total income received in 2016 was £6.4m, (2015: £4.1m) – a tremendous achievement by the team. Donation income (donations to the charity excluding legacy income) totalled £4,629k in 2016, more than double the figure for 2015 (£2,210k). The figure for 2016 includes a donation of £2,187k received from the Custody of the Holy Land, a fraternity of the Order of Friars Minor (Franciscans) based in Jerusalem. This donation was unrestricted and reflects the charity's growing partnership with Catholic institutions in the Middle East, and in particular its partnership with the Franciscans in Israel and Palestine.

A wonderful response to our Christmas appeal, and a significant increase in Alternative Gift donations through our trading catalogues, were also drivers of the increase in donations. Our 2016 Christmas appeal highlighted the needs of Syrian refugee families in Lebanon and resulted in a 140% increase in the number of donations and a 200% increase in the amount donated compared to our 2015 appeal. A redesign of our Christmas catalogue, additional marketing and the offer of free postage for every order with an Alternative Gift helped to bolster the Alternative Gift and top up donations for the charity by about 30%.

Legacy income continues to be significant with the £792k received in 2016 just a little lower than last year's total of £831k.

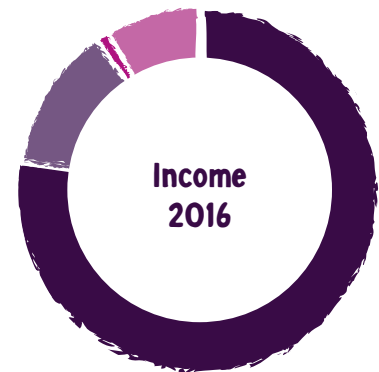
Local Helen Keller income was reported as £449k for 2016, which is significantly lower than the £555k in 2016. This is mainly as a result of a reduced government subsidy for the kindergarten and also partly due to the 2016 figure covering just the 11 months up to the end of November.

Our Trading business grew for the fourth year in a row delivering an 8% increase in turnover in 2016. Growth was achieved across both the Spring and Christmas catalogues due to an increased number of inserts into magazines, additional email marketing and the redesign of the Christmas catalogue.

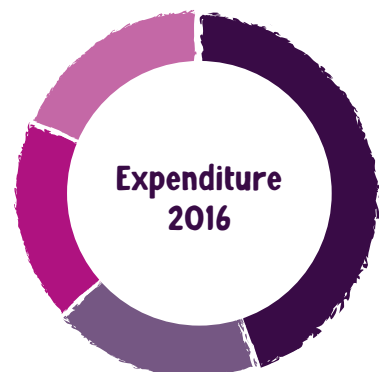
Expenditure

Total grant spend in 2016 was £2,026k (2015:£1,964k). Details of these grants can be found in the notes to the consolidated financial statements pages 31 and 32. Charity expenditure (excluding grants but including the Helen Keller School) in 2016 was £2,527k (2015: £2,262k) with a significant proportion of the £265k increase due to one off items including £112k of legal costs associated with the transfer of the Helen Keller School and a £111k charge for the write off of the capitalised cost to date of the supporter database project. Due to the changes to the recognition of tangible assets under FRS102 it was felt prudent to write off the cost to date of this project which no longer met the definition of capital. The balance of the increase in costs is due to an increase in fundraising and marketing spend to help grow donation income.

Trustees and senior management remain very focused on trying to keep overhead and other non-grant spend to a minimum. However, as part of our plan to grow the charity over the next few years, we also recognise that we must invest in both staff and infrastructure to improve operational capacity, effectiveness and fundraising capabilities.



● Donations	£4,629k
● Legacies	£792k
● Investment income	£59k
● Other	£511k



● Grants	£2,026k
● Helen Keller	£861k
● UK Staff	£828k
● Overheads	£838k

Financial review continued

Balance sheet

The charity continues to have a strong balance sheet, ending 2016 with total funds of £5,442k which is £1,554k higher than 2015 (£3,888k) mainly due to the surplus for the year, but also helped by an increase in the value of our investments.

General unrestricted reserves, those available for use in accordance with our charitable objects, totalled £1,837k at the end of 2016, down £597k from the 2015 year-end figure of £2,434k despite total funds increasing. The lower available reserves figure reflects the decision of trustees to designate funds for our core grants programme in 2017–19 and for our ongoing grant commitments to the Helen Keller School to 2021.

Reserves and investment policy

Trustees keep their reserves policy constantly under review in the light of the changing risks which the charity faces. For 2016, the minimum figure for reserves was £1,300k, approximately equal to five months of budgeted income, compared to a 2015 minimum of £1,585k. With general unrestricted reserves at the end of 2016 of £1,837k, the charity was operating within its agreed reserves policy for the year.

Trustees have agreed that the minimum reserves figure for 2017 should be £1,573k, again approximately equal to five months of budgeted income. This is based on an assessment of the level of contingency required against income and expenditure lines in the 2017 budget, together with a further provision to cover cashflow timings. Income generally peaks in the second half of the year, whereas grant payments are phased relatively evenly across the year. The amount required is assessed as part of regular cash flow forecasts.

The following designation has been continued: to cover fixed assets £963k (2015: £1,098k). The designation for Helen Keller School assets has been released following the transfer of the school to the Franciscans. As stated above, trustees have agreed new designations to cover funds for our core grants programme in 2017–19 (£1,250k) and for our ongoing grant commitments to the Helen Keller School to 2021 (£1,174k).



Before attending the Life School in her village in Upper Egypt, Fayza was struggling to support her family by trading butter at the local market.

Knowing Fayza was uneducated, the unscrupulous traders short-changed her whenever she tried to sell her butter to them. While she suspected the traders were cheating her, she felt powerless and ill-equipped to challenge their underhand dealings.

For Fayza, the opportunity to study at her local Life School has transformed her life in more ways than she could have ever imagined. Simple, everyday things we take for granted like being able to add up or read bus numbers, road signs and even the directions on medicine boxes are opening up a whole new world for Fayza and her family.

Imagine the look of shock on the faces of the traders when Fayza turned up with a pen and paper to do her calculations and made it clear she was no longer going to be cheated. The traders now have to treat Fayza with the respect she deserves. As well as giving her dignity and self-worth, her Life School education is helping her make more profit from selling the same quantity of butter she's always sold.

With a big smile on her face, Fayza says, 'I am thanking God about the Life School which has helped me learn many things in my life such as reading, writing, maths, hairdressing, cooking, home repairs, how to care for my family's health and hygiene and how to talk and negotiate things with my family'.

*Images are for illustrative purposes only.

Our charitable objectives and our organisational structure

Legal basis

Embrace the Middle East is a registered charity (no 1076329) and a company limited by guarantee and not having share capital (no 03706037). The Company is governed by a Memorandum and Articles of Association dated 2 February 1999 and amended by special resolutions on 5 December 2006, 18 October 2011 and 16 June 2015.

Objectives, principal activities and public benefit

The work of Embrace began in 1854 through what was then known as the Turkish Missions' Aid Society. Our charitable objective today is set out in our Articles of Association, revised in June 2015.

Inspired by the compassionate ministry of Christ, to work with and support local Christians in the lands of the Bible as they seek to improve the lives of vulnerable and disadvantaged people, with an emphasis on healthcare, disability, education and community development.

Our main activity is raising funds from donors, primarily in the UK, and using these funds to provide grants and other non-financial support to autonomous Christian-led organisations involved in education, healthcare and community development in Israel, Palestine, Lebanon, Egypt and Syria.

A previous activity was to provide financial and other support to the Helen Keller School, a special education school in East Jerusalem, which was a branch of the charity. However, the school was transferred to local Christian control on 1 September 2016, so this is now a discontinued activity.

The trustees confirm that in setting objectives and planning activities they have complied with the duty in section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit' and have considered guidance PB2 and PB3 when considering the running and operating of the charity. The charity implements or funds programmes which give relief to persons who, without those programmes, would not receive the help they require. While the charity works exclusively through Christian-led agencies in the Middle East, no ultimate beneficiaries are excluded from help on the grounds of race or religion.

Governance

The governing body of the company is the Board of trustees, whose members are also Directors of the company. The trustees who served during the year and up to the date of this report are listed under 'Who We Are' on page 17.

The Board met four times during the year – in March, July, September and December. In addition, the Board delegated some of its responsibilities to three UK committees which met as follows:

- Finance & Audit – four times in January, May, September and November
- Governance – three times in February, September and November
- Programmes & Partnerships – twice in May and November

In addition, a Remuneration Committee consisting of the officers of the charity (the Chair, Vice Chair and Treasurer) meets on an ad hoc basis to set objectives for the Chief Executive, appraise his performance and make recommendations to the Board on the Chief Executive's remuneration.

A further committee of the Board until September 2016 was the Helen Keller School Jerusalem Board, which had a majority of local members from Israel and Palestine, as well as two members from the UK. They had statutory responsibility for the local non-profit company wholly owned by the charity which operated the Helen Keller School in East Jerusalem. It met twice in 2016, in March and June, and was wound up when the school was transferred to the Franciscans.

A new Fundraising & Marketing committee was established at the end of 2016 to facilitate trustee oversight of the charity's fundraising and marketing and ensure compliance with new fundraising and data protection regulations. This met for the first time in February 2017.

Trustee recruitment and training

Trustees are recruited through an open and transparent process, including by public advertisement on charity job websites and the charity's own website, and are selected on the basis that they have the professional skills and experience required by Embrace to operate effectively. The charity also strives for a diverse and gender-balanced board, including trustees from different denominations. Trustees are elected for a three year term that may be renewed for further periods up to a maximum of nine years.

According to the Articles of Association, all trustees are required to be practising Christians and the maximum number of trustees has been set at 12, with provision for an additional two co-opted Directors if this is needed to fill particular skills gaps.

All new trustees receive a full induction from the Chief Executive, covering their legal obligations under charity and company law, the procedures of the Board and its committees, the strategic plan and the recent financial performance of the charity. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

Some trustees lead encounter tours to the territories in which we operate, the travel and accommodation costs of which are not normally borne by the charity. Trustees occasionally visit the Middle East in order to better exercise their strategic function, and during 2016 there were four such visits.

In May 2016, our Trustee Stephen Dengate accompanied Jamie Eyre and Nigel Varndell on a visit to Lebanon with a group of church leaders from the four nations to raise awareness of the work of the partners in Beirut. The trip included a visit out to the Syrian refugee camps in Zahle. This was a new initiative aimed at raising the plight of Middle East Christians to a wider constituency and has already led to increased visibility of our work within the networks of participants.

The Rev Brian Jolly travelled to Jerusalem twice during the year to attend meetings of the Helen Keller School Board, of which he was a member, while Anthony Ball, Anne Clayton, Madeleine Davies and Mariam Tadros made familiarisation visits to the region. The cost to the charity of trustee overseas travel in 2016 was £4k (2015: £2k).

Management & organisational structure

Trustees, working through the Board and its committees, are the ultimate decision-makers for Embrace the Middle East. They entrust day-to-day management of the charity to a UK senior leadership team which operates within the frameworks and a Scheme of Delegation set by the trustees. Led by a Chief Executive Officer, the UK senior leadership team includes the Director of Fundraising & Marketing, the Director of Programmes & Partnerships, the Head of Finance and the Head of IT & Systems. Members of the senior leadership team and other senior staff members attend Board meetings but do not vote.

In 2016 there were five UK-based teams within Embrace the Middle East:

- The Chief Executive Office in 2016 was headed by Jeremy Moodey who also acted as Company Secretary. Along with the support of the Chair of trustees this office provides strategic leadership and day-to-day management of the charity.
- The Fundraising & Marketing team (headed by Nigel Varndell), which takes responsibility for all matters relating to fundraising and marketing, including appeals, publications and the charity's website and social media. The charity's trading operations, effected through Embrace the Middle East Trading Limited, a wholly owned subsidiary of the charity, also comes under this team.

- The Programmes & Partnerships team (headed by Jamie Eyre), which is responsible for managing the charity's grants programme, overseas partnerships and advocacy.
- The Finance team (headed by Jim Buckley), which is responsible for managing the income and expenditure of the charity and all financial systems.
- IT and Systems (headed by Peter Jones), which is responsible for information technology and communication systems.

Pay policy for key management

The key management personnel of the charity comprise the trustees, the Chief Executive, the Director of Fundraising & Marketing, the Director of Programmes & Partnerships, the Head of IT & Systems and the Head of Finance. The total employee benefits of the key management personnel of the charity were £284k (2015: £266k). None of the trustees received remuneration or other benefit from their work with the charity. Remuneration and benefits for executive management are determined on the basis of performance and occasional peer sector benchmarking. In the case of the Chief Executive this is done by the Board on the recommendation of the Remuneration Committee. In the case of other management personnel, pay and benefits are determined by the Chief Executive, subject to the overall budget agreed by trustees.

Our charitable objectives and our organisational structure continued

Risk management

The trustees reviewed their approach to risk in 2016 with the help of an external consultant and agreed a comprehensive new risk management policy in December 2016. This policy stated that, due to the nature of its charitable operations, Embrace's overall risk appetite was low to medium, and a higher level of risk would only be tolerated in exceptional situations, and subject at all times to the explicit approval of trustees. The new policy additionally:

- Establishes a general approach to the management of risk, based on identification, analysis, evaluation and treatment of specific risks. The policy additionally describes how risks will be analysed.
- Links risks more directly to the charity's strategy.
- Categorises risks on the basis of the categories recommended by the Charity Commission: Governance, Operational, Financial, Environmental or External and Compliance (law or regulation).
- Sets out how the charity's Risk Register will be compiled and kept up-to-date.
- Sets out a detailed process for the monitoring and review of risks by the Board, its committees and the Senior Leadership Team.

Risks which could affect our financial position or our fundraising capabilities are rated highly because of the severity of their impact on the charity. These are as follows:

- Loss of income caused by increased 'competition' from other charities and/or disaster appeals, and by continued problems in the global economy.
- Loss of income caused by increased regulation of charity fundraising.
- Long-term attrition of our supporter base and the impact of its age profile.
- Volatility of income, given the relatively high proportion arising from legacies, which is difficult to predict.

When compiling the risk register, management assess each perceived risk for its impact on the charity and the likelihood of that risk occurring. A view will be taken of the appropriate level of risk that can be tolerated, or if the assessed risk is greater than the tolerated level, then what action is required to bring the risk down to accepted levels. When reports are presented to committees and the Board, trustees pay particular attention to those risks where the assessment has worsened in the period since the last report or where the risk is outside tolerated levels.

Statement of fundraising practice

In accordance with the Charities (Protection and Social Investment) Act 2016, the following statement outlines the fundraising practice of Embrace the Middle East in 2016.

Embrace the Middle East is registered with the Fundraising Regulator and adheres strictly to their Code of Fundraising Practice. In 2016 there were no failures to comply with this Code of Practice. In addition, we do not sell or swap data with other charities or organisations or make any cold telephone calls to the general public.

In 2016 Embrace did not contract the services of any professional fundraisers as defined by section 58 of the Charities Act 1992.

During the course of 2016, we received 14 complaints about our fundraising practice in response to approximately 204,000 pieces of fundraising direct mail that were sent out. These complaints will be reported to the Fundraising Regulator in due course. We received no other complaints about fundraising.

We do not engage in persistent or intrusive fundraising practices with any of our supporters, including vulnerable people. Where vulnerable people or those acting on their behalf request to cease communications, we act on their wishes.

Who we are

Trustees

Tanas Alqassis

Canon Anthony Ball (*Vice Chair of trustees until 16 March 2016, Chair of trustees from 16 March 2016*)

Hugh Bradley

Anne Clayton (*from 16 March 2016*)

Madeleine Davies (*co-opted for one year from 16 March 2016, confirmed as a trustee from 21 March 2017*)

Steven P Dengate (*from 16 March 2016, Treasurer from 27 September 2016, Chair of Finance & Audit Committee from 27 September 2016 until 18 May 2017*)

Judy Hackney (*until her term concluded on 16 March 2016*)

Alanna Harris (*from 21 March 2017*)

Rev Brian Jolly (*Chair of trustees until 16 March 2016, Vice Chair of trustees from 16 March 2016 until his term as a trustee concluded on 21 March 2017*)

Dr Kathryn Kraft (*from 16 March 2016*)

Neil Lawrence (*Treasurer and Chair of Finance & Audit Committee from 16 March 2016 until 27 September 2016, when he stood down as a trustee*)

Dr Brian McGucken (*Chair of the Governance Committee*)

John Neate (*Chair of Programmes & Partnerships Committee*)

Victoria Smith (*Treasurer and Chair of Finance & Audit Committee until her term as a trustee concluded on 16 March 2016*)

Mariam Tadros

Lisa Toner

Gareth Williams (*from 21 March 2017, Chair of Finance & Audit Committee from 18 May 2017*)

Patrons

His Grace Bishop Angaelos OBE, General Bishop of the Coptic Orthodox Church in the UK

Rt Rev Christopher Chessun, Bishop of Southwark

Rev David Coffey OBE, former President, Baptist World Alliance

Rt Rev Dr Michael Langrish, former Bishop of Exeter

Very Rev Dr Andrew McLellan CBE, Convener, World Mission Council of the Church of Scotland

Most Rev Timothy Radcliffe OP, former master of the Order of Preachers (*Dominicans*)

UK senior leadership team

Jeremy Moodey (*Chief Executive Officer and Company Secretary, until 21 March 2017*)

Nigel Varndell (*Director of Fundraising & Marketing*)

Jamie Eyre (*Director of Programmes & Partnerships, Acting Chief Executive Officer and Company Secretary from 21 March 2017*)

Jim Buckley (*Head of Finance*)

Peter Jones (*Head of IT & Systems, until 12 June 2017*)

Clayton Nodoro (*Head of Information Systems & Security, from 12 June 2017*)

Lucy Insua (*Human Resources Manager, from 14 March 2017*)

Registered office

24 London Road West,
Amersham, Buckinghamshire
HP7 0EZ

Auditors

Wilkins Kennedy LLP,
Statutory Auditor,
Chartered Accountants,
Greytown House,
221–227 High Street,
Orpington, Kent
BR6 0NZ

Bankers

NatWest Bank plc,
2nd Floor,
Rapid House,
40 Oxford Road,
High Wycombe
HP11 2EE

Investment advisers

Investec Wealth and Investment,
2 Gresham Street,
London
EC2V 7QN

Statement of trustees' responsibilities

The trustees (who are also the Directors of Embrace the Middle East for the purposes of company law) are responsible for preparing the annual and strategic reports and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for the year. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP 2015 (FRS102).
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement as to Disclosure of Information to Auditors

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware.
- The trustees 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.

Approved by the Board of trustees on 21 June 2017 and signed on its behalf by:

Canon Anthony Ball
Chair of trustees

21 June 2017

Report of the independent auditors

We have audited the financial statements of Embrace the Middle East for the year ended 31 December 2016 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and the Parent Charitable Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and its trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Report of the independent auditors continued

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, 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 and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michelle Wilkes (Senior Statutory Auditor)

for and on behalf of Wilkins Kennedy LLP
Chartered Accountants
Statutory Auditor
Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

21 June 2017

Wilkins Kennedy LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Consolidated Statement of Financial Activities

For the year ended 31 December 2016 (incorporating an income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Income:					
Donations and legacies	3	4,322	1,099	5,421	3,041
Charitable activities	3	47	449	496	599
Trading activities	2	401	–	401	373
Investments		59	–	59	62
Other income		15	–	15	5
Total income		4,844	1,548	6,392	4,080
Expenditure:					
Cost of fundraising	4	1,135	–	1,135	878
Trading activities	2	400	–	400	368
Investment management		15	–	15	16
Charitable activities	3	1,792	1,611	3,403	3,332
Total expenditure		3,342	1,611	4,953	4,594
Net gains/(losses) on investments		116	–	116	(1)
Net income/(expenditure) on operations		1,618	(63)	1,555	(515)
Other recognised gains/(losses)		–	–	–	–
Net movement in funds		1,618	(63)	1,555	(515)
Reconciliation of funds:					
Total funds brought forward		3,618	281	3,899	4,414
Total funds carried forward		5,236	218	5,454	3,899

The statement of financial activities includes all gains and losses recognised in the year.

The above includes income and expenditure for the Helen Keller School which was transferred into the ownership of the Custody of the Holy Land on 1 September 2016.

All other income and expenditure derive from continuing activities.

The notes on pages 25 to 41 form part of these financial statements.

Consolidated Statement of Financial Activities

For the year ended 31 December 2015

2015 SOFA for comparative purposes only	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2015 £'000
Income:				
Donations and legacies	3	1,749	1,292	3,041
Charitable activities	3	44	555	599
Trading activities	2	373	–	373
Investments		62	–	62
Other income		5	–	5
Total income		2,233	1,847	4,080
Expenditure:				
Cost of fundraising	4	878	–	878
Trading activities	2	368	–	368
Investment management		16	–	16
Charitable activities	3	1,452	1,880	3,332
Total expenditure		2,714	1,880	4,594
Net gains/(losses) on investments		(1)	–	(1)
Net income/(expenditure) on operations		(482)	(33)	(515)
Other recognised gains/(losses)		–	–	–
Net movement in funds		(482)	(33)	(515)
Reconciliation of funds:				
Total funds brought forward		4,100	314	4,414
Total funds carried forward		3,618	281	3,899

The statement of financial activities includes all gains and losses recognised in the year.

All other income and expenditure derive from continuing activities.

Consolidated and Charity Balance Sheets

As at 31 December 2016

	Note	2016 Group £'000	2015 Group £'000	2016 Charity £'000	2015 Charity £'000
Fixed assets					
Tangible assets	9	963	1,098	963	1,098
Investments	10	1,672	1,637	1,673	1,638
		2,635	2,735	2,636	2,736
Current assets					
Stocks		51	45	–	–
Debtors: amounts falling due within 1 year	11	141	308	151	370
Cash at bank and in hand		3,175	1,183	3,136	1,083
Investments					
		3,367	1,536	3,287	1,453
Creditors					
Amounts falling due within 1 year	12	(548)	(372)	(481)	(301)
Net current assets					
		2,819	1,164	2,806	1,152
Net assets					
		5,454	3,899	5,442	3,888
Funds					
Restricted funds	17	218	281	218	281
Designated funds	16	3,387	1,173	3,387	1,173
Reserves available for charitable purposes		1,837	2,434	1,837	2,434
Non charitable trading funds	2	12	11	–	–
Total funds					
	15	5,454	3,899	5,442	3,888

The financial statements were approved by the Board of Trustees on 21 June 2017 and were signed on its behalf by:

Canon Anthony Ball
Chair of Trustees

The notes on pages 25 to 41 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities:			
Cash generated from operations	19	1,841	(1,001)
Net cash from operating activities		1,841	(1,001)
Cash flows from investing activities:			
Proceeds from the sale of property, plant and equipment		–	–
Proceeds from investments		59	–
Purchase of property, plant and equipment		(14)	(34)
Purchase of investments		(301)	(186)
Proceeds from the sale of investments		407	536
Net cash from investing activities		151	316
Increase/(decrease) in cash and cash equivalents		1,992	(685)
Cash and cash equivalents at beginning of year	20	1,183	1,868
Cash and cash equivalents at end of year	20	3,175	1,183

The notes on pages 25 to 41 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 Accounting policies

Basis of preparation

Embrace The Middle East is a company limited by guarantee in the United Kingdom. In the event of the charitable company being wound up, the liability in respect to the guarantee is limited to £1 per member of the charitable company. The address of the registered office is given in the charity information on page 17 of these financial statements. The nature of the charitable company's operations and principal activities are set out on page 14.

The charity constitutes a public benefit as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their account in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether, in applying the accounting policies required by FRS102 and the Charities SORP FRS102, a restatement of comparative items was needed. No restatements were required.

Basis of consolidation

The financial statements consolidate on a line-by-line basis the results of the Charity (which include the results of the Helen Keller School) and its wholly owned subsidiary, Embrace the Middle East Trading Limited.

Funds accounting

The Charity's reserves are classified in the following three ways:

Restricted funds – funds that have been received by the charity with specific restrictions imposed by donors or which have been raised by the Charity for specific purposes. The costs of raising and administering these funds are charged against the unrestricted, or free, reserves of the charity and accordingly gift aid tax reclaimed on these funds is included in unrestricted reserves.

Designated funds – these are funds that trustees from time to time set aside for specific purposes. These are normally when expenditure outside of the normal activity of the Charity is planned or when unrestricted funds have arisen from asset realisations and they are set aside for a specific use.

Unrestricted funds – funds, also termed free reserves, which are available for the trustees to use in the normal activity of the Charity in furtherance of its charitable objectives.

Income recognition

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Donations – Donations are brought into the financial statements when the receipts have been deposited into the bank. Gift aid tax reclaimable is recognised in the accounts when a claim has been submitted. Gifts in kind donated are included at the value at the date of the gift.

Legacies – The amount shown for legacy income includes accruals where the Charity is advised by the personal representative of an estate that payment will be made and the amount involved has been quantified.

Grants – Grants are recognised when paid out of the bank account or when deposited into the bank. Grants agreed to be made but which have not been paid by year-end are accrued. Grants offered subject to conditions which have not been met at the year-end are not accrued as expenditure.

Investment income – Investment income is recognised using the effective interest method.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

1 Accounting policies continued

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds are those costs incurred in attracting voluntary income and include employment costs of fundraising employees along with the direct costs of publications and advertising.
- Investment management fees are the fees charged by the fund managers who manage the investment portfolio.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs, and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable in proportion to allocations of hours worked by employees on the above headings.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

The analysis of these costs is included in note 4.

Tangible fixed assets

Depreciation is provided at the following rates in order to write off each asset over its estimated useful life:

UK freehold property	–	1% per annum on a straight line basis
Fixtures and fittings	–	10% per annum on a straight line basis
Motor vehicles	–	25% on a straight line basis
Computer equipment	–	25% per annum on a straight line basis

Some assets that had been depreciated at rates in place before the current policy are included at a net book value which is less than the value which would have been applied under the current policy. Those assets have not been depreciated.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Financial Activities.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Activities.

Fixed asset investments

Investments are recognised initially at fair value, which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains/(losses) on investments' in the SOFA if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs include all aspects of purchase and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first in, first out basis. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

Trade and other Creditors

Trade and other payables with no stated interest rate or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Financial Activities. If the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest. Other financial liabilities are initially measured at fair value net of their transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Taxation

The company is a registered charity and is therefore entitled to the exemptions from corporation tax afforded by section 505 of the Income and Corporation Taxes Act 1988. Accordingly, there is no corporation tax charge in these financial statements.

Foreign currency

Foreign currency transactions are initially recognised by applying to the foreign currency amount of the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

Employee benefits

Short-term employee benefits, including holiday entitlement and other non-monetary benefits, and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The company recognises an accrual for accumulated annual leave accrued by employees as a result of services rendered in the current period for which employees can carry forward and use within the next year. The accrual is measured at the salary cost of the respective employee in relation to the period of absence.

Going concern

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

Judgements and key sources of estimation uncertainty

Accounting 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 following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets, and the tangible fixed assets accounting policy for the useful economic lives for each class of assets.

Bad debt provision

Bad debts are provided for specific debts when required, there is no estimation in use.

There are no other key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2 Commercial trading activities of the trading subsidiary

Embrace the Middle East Trading Limited is a wholly owned subsidiary, incorporated in England and Wales (company number 00901022).

A summary of the trading company's results for 2016 is shown below:

Summary profit and loss account

	2016 £'000	2015 £'000
Turnover	401	373
Cost of sales and administrative expenses	(400)	(368)
Profit/(loss) for the year	1	5

Summary balance sheet

	2016 £'000	2015 £'000
Current assets		
Stock	51	45
Debtors	31	21
Cash	38	100
	120	166
Creditors falling due within one year	107	154
Net current liabilities/(assets)	13	12
Called up share capital	1	1
Capital redemption reserve	8	8
Profit and loss account	4	3
Shareholders' funds	13	12

3 Charitable activities

The principle activity of the charity is the provision of grants to Christian partners in areas where we work.

For over 50 years the charity has also been responsible for managing the Helen Keller School in East Jerusalem which was transferred into the ownership of the Custody of the Holy Land on the 1 September 2016.

A summary of our charitable activities is given below:

	Grant making £'000	Helen Keller School £'000	Total 2016 £'000	Total 2015 £'000
Incoming resources				
Donations				
Unrestricted funds	3,530	–	3,530	1,018
Restricted funds	1,062	37	1,099	1,192
Legacies				
Unrestricted funds	792	–	792	731
Restricted funds	–	–	–	100
Other restricted funds				
Israeli Ministry of Education	–	328	328	431
Other Jerusalem income	–	121	121	124
Other income	47	–	47	44
Total charitable incoming resources	5,431	486	5,917	3,640
Grants paid	2,026	–	2,026	1,964
Charitable activities	516	144	660	488
School running expenses	–	717	717	880
Total charitable activity expense	2,542	861	3,403	3,332
Net surplus/(deficit) for the year	2,889	(375)	2,514	308
Transfers between activities	–	–	–	–
Surplus/(deficit) on charitable activities	2,889	(375)	2,514	308

	Total 2016 £'000
Total charitable incoming resources as above	5,917
Trading activities	401
Investments	59
Other Income	15
Total income as SOFA	6,392

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

4 Analysis of resources expended

Category	Direct staff costs	Direct costs	Support costs	Total 2016	Total 2015
Cost of generating funds	288	591	256	1,135	878
Charitable activities					
Information and education	60	50	60	170	152
Grants to partners	–	2,026	–	2,026	1,964
Other support to partners	172	28	146	346	336
Helen Keller School	616	101	144	861	880
Total charitable activities	848	2,205	350	3,403	3,332
Total costs of the charity	1,136	2,796	606	4,538	4,210
Trading company	52	348	–	400	368
Investment management	–	15	–	15	16
Total group costs	1,188	3,159	606	4,953	4,594

The £606k (2015: £495k) of support costs includes one off legal costs of £111k relating to the transfer of the Helen Keller School to the Custody of the Holy Land.

Governance costs of £110k (2015:£107k) are included within the £606k of support costs which have been allocated across the categories based on time spent.

Support costs include £245k (2015:£221k) of staff costs relating to the Chief Executive's office, premises management, IT, finance and some administrative tasks within the supporter care and fundraising teams. The balance of support costs includes £41k for establishment/premises cost including insurance, £35k for depreciation, £41k for bank charges and pension administrative fees, £13k on systems, £7k life assurance and £3k travel.

Governance costs of £110k comprise £41k of staff costs, £27k of audit and other professional fees, £14k for trustee meetings/travel and £28k allocation of support costs.

5 Details of grants we paid to our partners

	2016	2015
Egypt		
Anafora	10	–
BLESS (Coptic Orthodox Bishopric, Ecumenical & Social Services)	60	55
CEOSS (Coptic Evangelical Organisation of Social Services)	75	86
Christian Medical Fellowship	8	8
Espiscocare	33	49
Fairhaven School	7	7
Habitat for Humanity	56	50
Harpur Memorial Hospital	15	15
Refuge Egypt	69	40
Salaam Center	39	23
Shams El Birr	15	6
The Deaf School	20	–
Think & Do	75	94
Total of Egypt	482	433
Lebanon		
Al Kafaat	248	216
Beit El Nour	15	–
Cedar Home	16	16
DI	27	30
Habitat for Humanity	67	33
Inter-Church Network for Relief & Development	35	35
Johan Ludwig Schneller School	40	40
Joint Christian Committee	23	34
Learning Centre for the Deaf	22	28
Lebanese Society for Social Education and Development	161	115
Multi-partner	4	–
Pontifical Mission for Lebanon	20	20
Zvartnotz Centre	4	3
Total of Lebanon	682	570

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

5 Details of grants we paid to our partners continued

	2016	2015
Palestine & Israel		
Al Ahli Arab Hospital	35	50
Arab Evangelical School	10	12
Aviv Ministries	17	–
Bethany Girls School	17	11
Bethlehem Arab Society for Rehabilitation	25	25
Bursary Scheme (Secretariat of Solidarity)	120	120
Caritas Jerusalem	25	45
Department for Services for Palestinian Refugees	18	25
East Jerusalem YMCA	82	85
Four Homes of Mercy	58	27
Gaza YMCA	6	60
Helen Keller School	96	–
Hope School	21	21
International Christian Committee	50	50
International Christian Committee in Israel	18	17
Joint Advocacy Initiative	33	30
Kairos Britain	–	6
Musalaha	22	31
Nazareth School of Nursing	20	25
Near East Council of Churches	50	50
Palestinian Bible Society	47	44
Pontifical Mission fo Palestine	–	70
Princess Basma Centre	30	48
Rawdat	15	15
SIRA School	8	11
St Luke's Hospital	27	70
Talitha Kumi	12	13
Total of Israel and Palestine	862	961
Grand Total	2,026	1,964

6 Net incoming/(outgoing) resources

	Year ended 2016 £'000	Year ended 2015 £'000
Net resources are stated after charging:		
Auditors' remuneration	27	23
Depreciation – owned assets	37	38
Staff pension contributions	84	93
Services provided by the charity's auditor during the year:		
Audit of the charity and consolidated financial statements	16	14
Audit of the Trading subsidiary incl provision of annual report and accounts	5	4
Corporation tax calculation for Charity & Trading subsidiary	2	–
Audit of the Helen Keller School by Jerusalem auditors	4	5
	27	23

7 Trustees' and key management personnel remuneration and expenses

The trustees neither received nor waived any emoluments during the year.

Trustees' expenses

During the period the charity reimbursed travel expenses to all trustees that served during the year. The total of these expenses was:

	2016 £'000	2015 £'000
Trustee travel expenses	14	12

The key management personnel of the charity comprise the trustees, and the Senior Leadership Team comprising the Chief Executive, the Director of Fundraising & Marketing, the Director of Programmes & Partnerships, the Head of IT & Systems and the Head of Finance.

The total employee benefits of the Senior Leadership Team were £284k (2015: £266k).

Remuneration and benefits for executive management are determined on the basis of performance and occasional peer sector benchmarking:

In the case of the Chief Executive this is done by the Remuneration Committee of the Board and in the case of other management personnel by the Chief Executive, subject to the overall budget agreed by trustees.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

8 Staff Costs

	2016 £'000	2015 £'000
Wages and salaries	1,300	1,276
Social Security costs	112	102
Pension plan contributions	84	93
	1,496	1,472

Employment costs in respect of the Helen Keller School included above totalled £616k which was for the period up to the end of November. The full year figure in 2015 was £683k.

The average monthly headcount of employees during the year was as follows:

	2016	2015
UK management staff	5	5
UK administrative staff	22	20
Helen Keller School staff	37	34
	64	59

Number of employees receiving total employee benefits (gross pay and company pension contributions), in the ranges:

	2016	2015
£70,000–£80,000	2	1

9 Tangible fixed assets

Group

	UK freehold property	Jerusalem freehold property	Fixtures and fittings	Computer related	Motor vehicles	Totals
Cost						
At 1 January 2016	968	–	112	301	8	1,389
Additions	–	–	3	11	–	14
Disposals	–	–	–	112	–	112
At 31 December 2016	968	–	115	200	8	1,291
Depreciation						
At 1 January 2016	48	–	68	174	1	291
Charge for the year	10	–	9	16	2	37
Disposals	–	–	–	–	–	–
At 31 December 2016	58	–	77	190	3	328
Net Book Value						
At 31 December 2016	910	–	38	10	5	963
At 31 December 2015	920	–	44	127	7	1,098

Charity

	UK freehold property	Jerusalem freehold property	Fixtures and fittings	Computer related	Motor vehicles	Totals
Cost						
At 1 January 2016	968	–	111	301	8	1,388
Additions	–	–	3	11	–	14
Disposals	–	–	–	112	–	112
At 31 December 2016	968	–	114	200	8	1,290
Depreciation						
At 1 January 2016	48	–	67	174	1	290
Charge for the year	10	–	9	16	2	37
Disposals	–	–	–	–	–	–
At 31 December 2016	58	–	76	190	3	327
Net Book Value						
At 31 December 2016	910	–	38	10	5	963
At 31 December 2015	920	–	44	127	7	1,098

The book value of the Helen Keller School has been held at a nominal £1 since 2006 reflecting the uncertain political and economic situation in East Jerusalem. As previously mentioned the Helen Keller School was transferred into the ownership of the Custody of the Holy Land with effect from 1 September 2016.

Due to the changes to the recognition of tangible assets under FRS102 it was deemed prudent to write off those items which no longer meet the definition of capital. As a result the capitalised cost to date of work on developing a new CRM solution have been charged to overheads in 2016.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

10 Fixed asset investments

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Market value as at 31 December 2015	1,630	7	1,637
Additions	301	–	301
Disposals	(382)	–	(407)
Revaluations	116	–	141
Market value as at 31 December 2016	1,665	7	1,672
Historical cost of the investments were:			
31 December 2015	1,328	2	1,330
31 December 2016	1,305	2	1,307

Charity

	Listed investments £'000	Unlisted investments £'000	Holding in trading company £'000	Total £'000
Market value as at 31 December 2015	1,630	7	1	1,638
Market value as at 31 December 2016	1,665	7	1	1,673

Listed investments were comprised of the following:

	2016 £'000	2015 £'000
UK equities	905	846
UK bonds	367	375
Property	–	–
Far East and Australasian equities	75	62
North American equities	150	113
European equities	–	65
Emerging economies	–	–
Other investments	168	169
Total	1,665	1,630

The following holdings were over 5% of the total market value of the portfolio.

	Market value at 31 December 2016 £'000	Market value at 31 December 2015 £'000
UK 2.5% Gilt 17/07/24	129	–
HICL Infrastructure ORD	98	73

Of the unlisted investments, £6k was invested overseas.

11 Debtors: amounts falling due within one year

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	29	21	–	–
Amount owed by group undertaking	–	–	40	83
Other debtors	98	273	97	273
Prepayments	14	14	14	14
Total	141	308	151	370

12 Creditors: amounts falling due within one year

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	87	53	58	18
Social security and other taxes	45	59	24	32
Other creditors	23	113	17	112
Accruals	393	147	382	139
Total	548	372	481	301

13 Accrued grants

	2016 £'000
At 1 January 2015	65
New grants committed (note 5)	2,026
Grants paid in year	(1,752)
At 31 December 2016	339

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

14 Pension commitments

The charity operates a defined contribution pension scheme for its UK employees. The assets are held separately from those of the charity in an independently administered fund.

The pension costs charged represents contributions to the fund payable by the charity and amounted to £81k, (period to 31 December 2015 £88k). There were £0 contributions outstanding at 31 December 2016 (period to 31 December 2015 £0).

15 Analysis of net assets between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	2016 total funds £'000	2015 total funds £'000
Fixed assets	–	963	–	963	1,098
Investments	1,672	–	–	1,672	1,637
Current assets	725	2,424	218	3,367	1,536
Current liabilities	(548)	–	–	(548)	(372)
	1,849	3,387	218	5,454	3,899

16 Designated funds

	As at 1 January 2016 £'000	New Designations £'000	Designations released £'000	As at 31 December 2016 £'000
Fixed assets ¹	1,098	–	135	963
Helen Keller Centre assets ²	75	–	75	–
Programme fund ³	1,250	–	–	1,250
Helen Keller School grants ⁴	1,174	–	–	1,174
	3,597	–	210	3,387

1 Trustees have resolved to designate funds to the value of £963k to reflect the value of fixed assets being unavailable for use in the charity's usual operations.

2 Given the transfer of the Helen Keller School to the Franciscans in September 2016, the trustees have agreed that the previous designation of £75k for the school's operational assets is no longer required.

3 The Programme fund represents available funds arising from the one-off donation from the Custody of the Holy Land which trustees have designated for expenditure (subject to other grant conditions being met) on core multi-annual grants to partners as provided for in the detailed budgets and plans for the period 2017–19.

4 Trustees have resolved to designate funds to the value of £1,174k to reflect the current sterling value (at an exchange rate of 4.7 New Israeli Shekels to the £) of the charity's grant commitments to the Helen Keller School for the five years from 2017 to 2021. These were agreed, subject to certain conditions being met, as part of the transfer of the school to the Franciscans in September 2016.

17 Restricted funds

The table below shows the income and expenditure, with opening and closing balances where appropriate, for the main categories of restricted funds which were received by the charity in the United Kingdom or funds received locally by the Helen Keller School.

	Opening balance £'000	Income during 2016 £'000	Spending during 2016 £'000	Closing balance £'000
General funds ¹				
Education	–	195	195	–
Health	–	41	41	–
Community Development	–	31	31	–
Refugees	–	21	6	15
Women's education and empowerment	–	4	4	–
Country specific funds	43	185	114	114
Appeals ²				
Christmas 2015	120	22	109	33
Lent 2016	–	61	61	–
Alternative Gifts ³	5	215	212	8
Partners working within the following fields ⁴				
Education	41	102	106	37
Health	33	25	47	11
Community Development	29	29	58	–
Special needs and disability	10	131	141	–
Restricted funds Helen Keller School UK	–	37	37	–
Other restricted funds	–	–	–	–
Restricted funds UK charity	281	1,099	1,162	218
Helen Keller School – Jerusalem	–	449	449	–
Total restricted funds	281	1,548	1,611	218

1 General funds are funds restricted either by field of work or by country. The balance of £114k shown against country-specific funds includes funds restricted to projects in Gaza and to projects arising from the conflict and refugee crisis in Syria. This sum will be disbursed during 2017.

2 Appeals are made for specific projects or activities, usually in response to needs that reflect current conditions at the time. In order for the charity to make an appropriate response to these needs additional funds may be required to be allocated from general funds. Where donations have been received shortly before the year-end, or significantly more funds have been received than expected, it may not be possible to disburse the money by year-end. Donations for the 2015 Christmas appeal will be given as grants to partners supporting Syrian refugee families.

3 Alternative Gifts are sold through the trading subsidiary's catalogue and the funds received are passed by the trading company directly to the charity. The gifts specify a purpose to which the funds would be put, for example provision of food parcels for a refugee family, providing antenatal care for vulnerable refugee mothers or enabling doctors to reach the most vulnerable in Gaza. The gifts are held in funds identified for each purpose and used to support projects of that nature.

4 There are five funds in this section, which are restricted to specific partners working in the fields shown.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

18 Related party disclosures

Embrace the Middle East is an incorporated charity which has no controlling party. All transactions with group companies are eliminated on consolidation.

Embrace the Middle East Trading Limited collected donations on behalf of the charity throughout its catalogue and website sales and also sold Alternative Gifts which are a form of donation.

	2016	2015
Donations received on behalf of the charity	91	79
Alternative Gifts sold on behalf of the charity	179	116
Total	270	195

As at 31 December a sum of £40k (2014 £83k) was receivable from the trading company.

19 Reconciliation of surplus on ordinary activities to cash generated from operations

	2016	2015
Surplus on ordinary activities	1,555	(515)
Income from investments	(59)	(1)
Write off of asset	112	–
Net gains on investments	(141)	–
Loss on disposal of fixed assets	–	2
Depreciation charges	37	38
(Increase)/decrease in trade and other debtors	167	(215)
(Increase)/decrease in stock	(6)	3
Increase/(decrease) in trade and other creditors	176	(313)
	1,841	(1,001)

20 Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 31 December 2016	31 December 2016	01 January 2016
Cash and cash equivalents	3,175	1,183

Year ended 31 December 2015	31 December 2015	01 January 2015
Cash and cash equivalents	1,183	1,868

21 Company limited by guarantee

The liability of each member is limited to £1 by guarantee.

22 Post balance sheet events

There were no post balance sheet events.

24 London Road West, Amersham,
Buckinghamshire HP7 0EZ
Tel: 01494 897952
email: info@embraceme.org

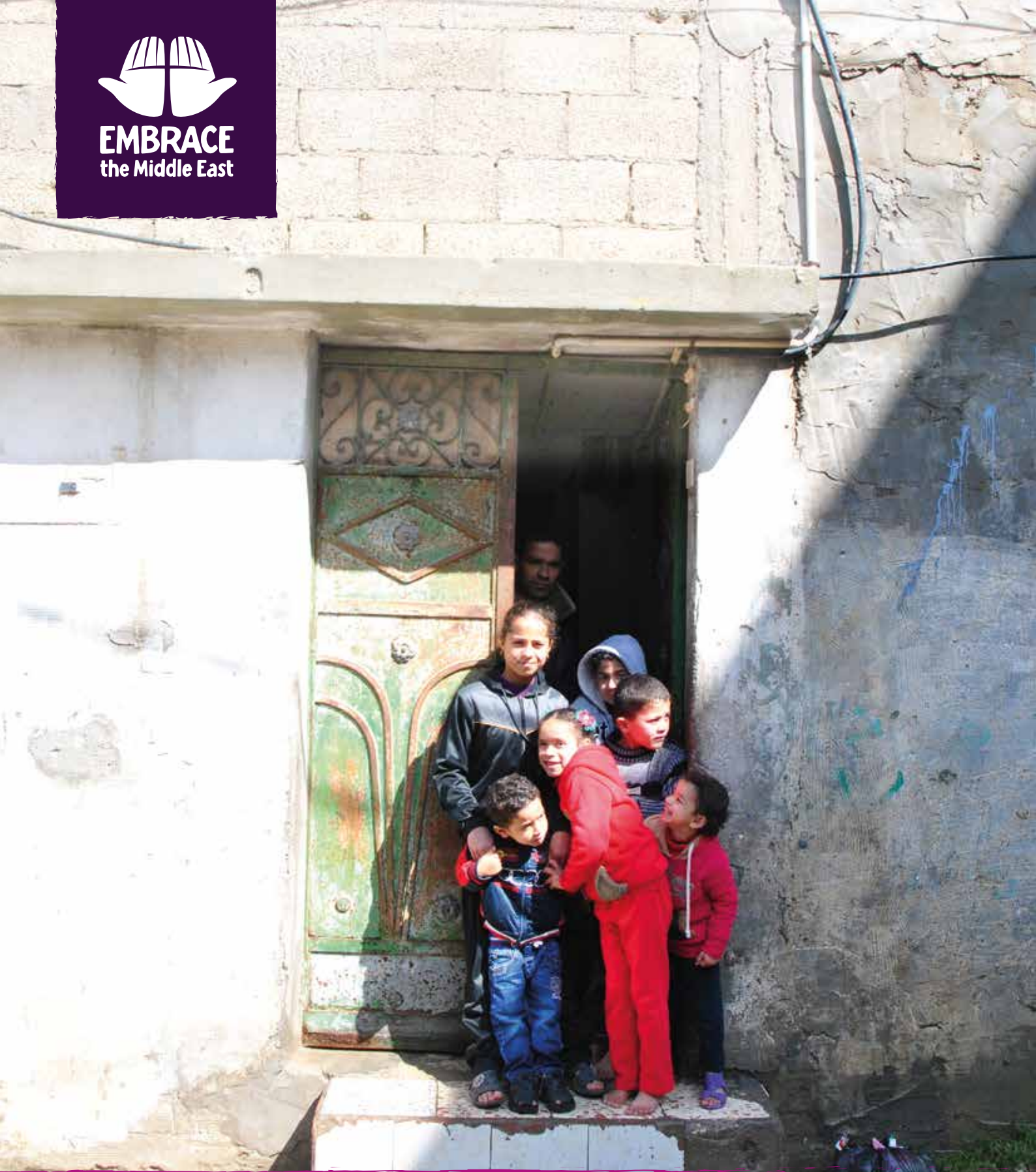
Registered charity number: 1076329
A company Limited by Guarantee: 3706037

www.embraceme.org

Designed and produced by Emperor 
emperor.works +44 (0)20 7729 9090



EMBRACE
the Middle East



24 London Road West, Amersham HP7 0EZ
tel: 01494 897952 email: info@embraceme.org
Registered charity number: 1076329
A company Limited by Guarantee: 3706037

www.embraceme.org



Registered with
**FUNDRAISING
REGULATOR**