

Embrace the Middle East

Annual Report & Accounts 2017



EMBRACE
the Middle East

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 charity's audited consolidated financial statements for the year ended 31 December 2017.

Our Vision:

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

Embrace the Middle East Group

Embrace the Middle East
Registered company number
(England and Wales): 3706037
Registered charity number 1076329

Our Mission:

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

Transform

- **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 and lasting change through the promotion of **gender equality, the empowerment of beneficiaries, and the inclusion of marginalised people** in wider society.

Strengthen and Encourage

- We will **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 support, develop and implement a **capacity-building, monitoring and evaluation 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 grow our **network of volunteers and churches** who pray and give to support Christian social witness in the Middle East.

Challenge

- We will **promote awareness** of the role Middle East Christians have as positive agents for change in their communities, including through our 2018 events.
- We will **highlight issues** arising from the unresolved Israeli/Palestinian conflict.
- We will work with our partners to identify advocacy and campaigning issues that concern them and where Embrace can **make a difference**.

Registered office:
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A message from the Chair of Trustees

2017 was a seminal year for Embrace the Middle East. It was the year in which key elements of our five year plan, covering the period 2016-2020, became a reality.

For the first time most of our partnership and programme grants were agreed and committed on a multi-annual basis, giving expression to our commitment to long-term strategic partnership and transformation. Forty-nine partners were supported, with 47 multi-annual and 22 short-term grants – amounting to £2.7 million of direct investment in our partners and their beneficiaries.

This was only possible because of the amazing generosity of our supporters and donors. We are profoundly grateful to each and every one of them. This year we worked with Christian partners in Egypt, Lebanon, Israel and the occupied Palestinian Territories, transforming the lives of some of the poorest and most vulnerable people in a region beset with conflict and challenge. We hope to extend that work into Iraq in 2018.

We continue to support the Helen Keller School, whose ownership was successfully transferred to the Franciscan Custody of the Holy Land in 2016. We expect our relationship to continue long into the future. Elsewhere our range of partners continued to develop and expand. In 2017 we worked with the Society of St Yves in Jerusalem to raise awareness amongst Palestinians living in East Jerusalem of their residency and other legal rights.

We began working with a new partner in Lebanon – the Karagheusian Medical Centre – enabling 450 vulnerable families in Bourj Hammoud, one of Beirut's poorest neighbourhoods, to access medical treatment that would otherwise have been out of reach. As the appalling civil war in Syria enters its eighth year, ten of our thirteen long-term grants in Lebanon involve work with Syrians, as well as marginalised Lebanese families and Palestinian refugees. The impact of the conflict means that today one in four of the population in Lebanon is now Syrian.

In Israel and the occupied Palestinian Territories an area of growth, and a major priority, in 2017 was Gaza – where the blockade entered its 11th year. The multiple challenges of chronic deprivation, aid dependency, power shortages, major health problems and a shortage of medicines is well documented. No surprise then that our project investment in Gaza more than doubled in 2017 to £300,000. Our appeals for assistance for the people of Gaza never fail to elicit a huge and generous response. This enabled us last year to support our partner, the Al Ahli Arab Hospital, to provide health care for 2,500 people living in the hardest to reach parts of the community, as well as treat a thousand chronically ill patients in the hospital itself.

In Egypt, as elsewhere, our projects prioritise women, vulnerable adults and children – many with disabilities – living in the poorest communities. We are working to empower poor communities to build economic resilience and the wherewithal to protect their most vulnerable members and live more fulfilled and dignified lives.

As trustees we are proud of the work of Embrace the Middle East. We are proud of our partners. We have a very committed and talented staff team, led since July by our new CEO Tim Livesey. We are profoundly grateful for the wonderful generosity and constant prayers of all our supporters and volunteers.

In this report you will see and, I trust, feel confident, that in supporting Embrace you are directly supporting, and helping to sustain, the inspiring and faithful witness of Christians living and serving the poor and marginalised in the Middle East.

Canon Anthony Ball
Chair of Trustees



Anthony, right, with Embrace Trustee Mariam Tadros and a staff member at the Well-Baby clinic in Gaza.

The charity in numbers

The table below contains key financial data. These summary numbers are taken from the financial statements on pages 20 to 41, but for the purposes of clarity exclude the income and costs of our trading subsidiary.

Year ended 31 December	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Donations	2,109	2,356	2,210	4,629	5,094
Legacies	731	818	831	792	1,437
Investment income	101	84	62	59	56
Local Helen Keller School income	493	520	555	449	–
Other	42	46	49	62	57
Total	3,476	3,824	3,707	5,991	6,643
Grants	2,355	1,975	1,964	2,026	2,732
Helen Keller School support	836	786	880	861	–
UK staff costs	646	707	753	828	984
Other costs	536	604	629	838	926
Total resources expended	4,373	4,072	4,226	4,553	4,642
Net surplus/(deficit)	(897)	(248)	(519)	1,438	2,001
Helen Keller costs less local income	(343)	(266)	(325)	(412)	–
UK charity income less costs	(554)	18	(194)	1,850	2,001

Assets as at 31 December	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Investments	2,636	1,988	1,638	1,673	1,905
Cash at bank and in hand	1,307	1,830	1,083	3,136	4,741
Other net assets	651	590	1,167	633	950
Total funds	4,594	4,408	3,888	5,442	7,596

Further commentary on the 2017 results can be found in the 'Financial review' section on pages 10 and 11. In the pages that follow, we give details of what we and our partners achieved in 2017, compare our outcomes to the plan we set ourselves for the year, and set out our plans for 2018 and beyond.

“ I really appreciate the courtesy and respect shown to me by the Well-baby clinic team. I can't imagine our community without them or what would happen to the health of our families. I hope they remain to help our people and reduce our suffering. God bless them. ”

Walaa, 31, mum in Gaza



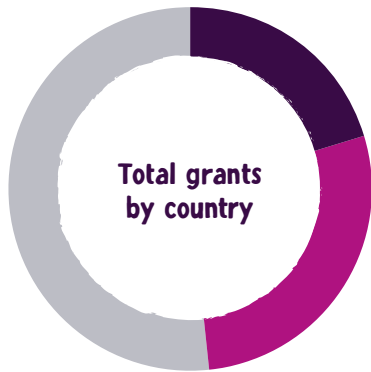
Our achievements in 2017

How we performed against our 2017 objectives

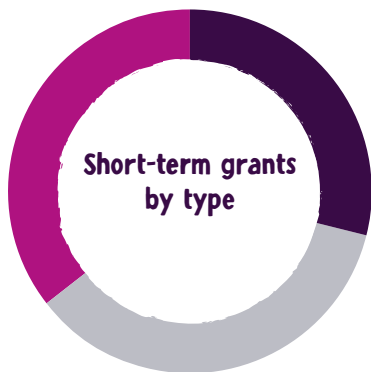
2017 was the first complete calendar year of activity in pursuit of the goals set out in the 'Faith in Action' strategic plan. The charity's performance against the objectives which we set out in the plan is summarised below.

1	Commit a minimum of £2.7million of grants in support of programmes and partnerships in the Middle East.	✓	Achieved. In 2017 we disbursed grants totalling £2,732k, an increase of £706k on 2016.
2	Invest in advocacy and campaigning, recruiting a new Advocacy and Campaigns Manager and consulting with our partners.	✓	Achieved. Our Advocacy and Campaigns Advisor joined us from a partner in Jerusalem and is developing a significantly enhanced advocacy and campaigns strategy for implementation in 2018.
3	Achieve income of £3.5m through fundraising and legacy income, 8% year on year growth.	✓	Achieved. Total voluntary income for the year (excluding the Franciscan donation) was just under £4m, £500k over target with legacies.
4	Produce high quality publications and communications that our supporters have chosen to receive.	✓	Achieved. Ahead of the implementation of new data protection legislation in 2018 we have updated our procedures to ensure that supporters receive the information they are interested in. Our on- and off-line publications continue to receive significant praise.
5	Deliver increased income and more supporters through the trading company, investing in new products and a revitalised webshop.	✓	Achieved. Income and profits from the trading company increased in 2017. Nearly 2,000 new supporters were enlisted. A new webshop was designed and successfully launched.
6	Invest in a new database that will enable us to effectively manage our interaction with the supporters.	✓ ✗	Partially achieved. During 2017 we extensively developed and tested the new CRM, ThankQ with implementation planned for the first half of 2018.
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.	✓	Achieved. The charity's HR policies and practice are now developed and managed entirely in house by an experienced HR professional.
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.	✓	Achieved. Our IT systems were systematically upgraded in 2017, and our business continuity systems revised. This has improved our data security and resilience.

Our impact in 2017



● Egypt	£554K
● Lebanon	£771K
● Palestine & Israel	£1,407K
Grand Total	£2,732K



● Capacity Building	£151K
● Humanitarian & Relief	£186K
● Pilots, New Initiatives	£184K
Grand Total	£521K

Embrace strives to build strong partnerships, working with local Christians, churches and organisations, as they come alongside and assist vulnerable and marginalised people across the Middle East.

Listening closely to Middle East Christians, and communities of all faiths and none, enables us to support strategic, local projects. We focus on projects that bring real, lasting change in the fields of health, education and community development.

Our partnerships are long-term. Developing relationships, trust and a deep understanding of needs and challenges requires time. Recruiting a fourth member of the Programmes and Partnerships team in 2017 has allowed us to spend more time with our partners, providing oversight as well as opportunities to listen, to learn and to encourage and support them in their work. This, combined with a sizeable increase in grant budget, meant that 2017 was a year of tremendous opportunity and growth. The start of a new multi-year grant stream, launched simultaneously across each country where we work, was the culmination of years of preparation.

We continued to refine our model of partnership to improve the impact and outcome of the work.

Projects & grants overview

In 2017 we supported 49 organisations through the implementation of 47 multi-year projects and 22 short-term projects. This resulted in an annual investment of over £2.7m directly to our partners and beneficiaries.

We continued to work with the **Helen Keller School**, now as a partner, in their first full year under the management of the Franciscans. We also supported over 500 disadvantaged Palestinian children with **bursaries** to help them access schooling.

We work with our Christian partners, actively promoting the themes of **gender equality, empowerment and inclusion**, working to ensure that the least advantaged in society are able to participate and benefit.

In 2017, we supported the establishment by the Al-Kafaat Foundation in Lebanon of new services for **young children with multiple disabilities**. Their services encourage independence and cognitive development in young children who face tremendous challenges.



“The free medical mission is a real asset, we can reach the most deprived families by the border, places like Al Moghraqa where there is only one small clinic for 13,000 people.”

Staff member at Al Ahli Hospital, Gaza

“I thank NECC for helping people to have good health and well-being.”

Ante-natal patient at the Near East Council of Church's Well-baby clinic



This addition to Al-Kafaat's services enables earlier intervention at an age where considerable individual developmental gains can be made.

With our support, the Society of St Yves carried out local advocacy work with Palestinians living in East Jerusalem, providing education on their residency rights. The resources they developed will long outlive the short 12-month period of funding and ensure that thousands of East Jerusalemites have a heightened awareness of their legal rights and are better able to engage with the Israeli authorities.

We continued to fund targeted **capacity building** initiatives. In Egypt the development of **good safeguarding practice** through 'train the trainer' sessions. Nine organisations developed their own safeguarding policies, helping to ensure that vulnerable people across Egypt are afforded higher levels of care and are better protected.

Two further, wide-ranging initiatives, with the Anglican Diocese and Orthodox Sisters of Mary saw 180 local staff and volunteers acquire **managerial, financial and project related skills**.

We continued to work towards more effectively challenging injustice through **advocacy and campaigning** in the UK, building networks and alliances with churches, influencers and other like-minded organisations.

We highlight the projects where our impact and reach has been greatest in 2017.

Healthcare behind the blockade

Embrace continued to support a broad range of development work across Israel and the occupied Palestinian Territories, supporting 24 projects.

The largest single area of growth, and one of our priorities in 2017, was **Gaza**, where the situation remains dire. The blockade entered its 11th year. Unemployment remained stubbornly high, daily power cuts of twelve hours or more continued throughout the period, and severe limitations to essential medical care were the stuff of normal life. In response to requests from partners, **Embrace increased our project investment in Gaza by £182,000 to almost £300,000.**

In spite of the blockade and the closure of many clinics across the Gaza Strip, the hospital and clinics run by Embrace partners continued to function and provide essential medical care. With Embrace support the **Al Ahli Arab Hospital** medical mission programme served over 2,500 people throughout the year.

Working with 35 **community-based organisations** in the hardest to reach parts of Gaza, Al Ahli identified women, children and older people who are unable to access good medical care and bring them to the hospital for diagnosis and treatment. Over 1,000 chronically ill patients were treated, their conditions controlled and complications reduced. Embrace support to Al Ahli extended to emergency preparedness: we provided essential medicines and over 3,000 litres of fuel for use during power cuts.

The Near East Council of Churches (NECC) continued to run wide-ranging high quality services to **support women through pregnancy**, on to a healthy delivery and then to work with their children through the early years.

“ I tried to keep my daughter safe, but it was hard as we fled Syria. I brought her to the centre where they said she is sensitive to sunlight! They've helped her and now she is much better! ”

Rima, Syrian refugee in Lebanon



Our impact in 2017 continued

In 2017 over 12,500 babies and toddlers benefited directly from the **early-years healthcare** programme, helping them get a good start in life and working to avoid the irreversible damage that anaemia and malnutrition can cause if left unchecked.

The development of NECC's work to include antenatal and pre-conception care proved to be highly successful. Over 2,000 women registered to join the new care programme, of which 1,600 were diagnosed with anaemia and given an appropriate treatment plan. The programme also includes a strong health education component, increasing awareness of, and access to, folic acid to support a healthy pregnancy.

Humanitarian relief and relief of poverty in Lebanon

Entering its 8th year, the Syria crisis continued to place tremendous pressure on **refugees** and their hosts in Lebanon.

The vast majority, 10 out of 13, of our long-term grants in Lebanon now involve work with Syrians, as well as ensuring the delivery of essential support to **marginalised Lebanese**

families. In contrast to our long-term grants, our short-term Lebanon grants, which have previously largely focussed on Syrian refugees, now provide significant support to host Lebanese communities as well.

This change in the profile of our work in Lebanon reflects the fact that 1 in 4 of the population in Lebanon is Syrian. It also reflects the fact poorer Lebanese families are affected by this change in demography. There is increased competition for housing, jobs and some services between poorer Lebanese and Syrian refugees, many of whom live side-by-side in the deprived areas where Embrace's partners work.

The **Karagheusian Medical Centre** works with Syrian and vulnerable Lebanese families in Bourj Hammoud, one of Beirut's poorer neighbourhoods. It supports families who struggle to meet their health needs in Lebanon's highly privatised and expensive healthcare system. While some medicines are available to refugees through UN and government agencies, Syrian and Lebanese families are at high risk of being pushed into debt in order to pay for essential treatment. The project supported by Embrace worked to fill this gap, **covering the cost** of medication for chronic

conditions and laboratory tests not covered by other agencies, and contributing to the cost of emergency hospitalisation for the most critical patients. Over 450 families benefited from treatments this year.

Elsewhere in Beirut, the Lebanese Society for Educational and Social Development (LSESD) worked in partnership with a local organisation to provide **health and social care** support to Syrian-Lebanese families in a sprawling urban slum. More than 12,000 **patient consultations**, with specialist doctors, nurses and social staff, were provided free of charge. Essential **emergency relief support** was also provided to over 400 Syrian refugee families in the form of food vouchers, nappies for young children, mattresses, heaters, cooking equipment, fridges, and blankets.

Social workers provided vital **counselling and guidance** to some of the most pressured families, including refugees.



“ I still can keep my family going, and am able to feed my children, because you are providing the medications for my children.”

Father helped by the Karagheusian Medical Centre in Beirut



“ With her new walker, Salma is feeling the freedom of moving on her own without much help from an adult. It makes her feel very proud and confident. It helps her become more independent! ”

Staff member at Al-Kafaàt Foundation, Lebanon

Equality and empowerment in Egypt

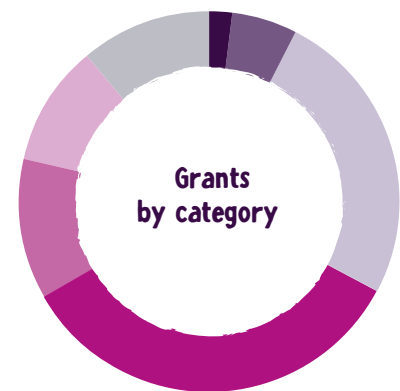
Including people with disabilities is a priority for Embrace and our partners. Across the Middle East, disability is still viewed as a stigma and the opportunities for people with disabilities are limited, a situation made worse by lack of resources. As result, **people with disabilities** are often segregated and marginalised within their own families as well as from their communities. They are deprived of necessary care, services and, ultimately of their rights.

The World Health Organisation estimates that there are close to 9 million people with disabilities in Egypt. The Fairhaven School in Alexandria provided **education, therapy and rehabilitation** to children and young people with intellectual disabilities. With extra funding from Embrace, the school recruited a new **employment specialist** whose task it is to prepare young people to enter the job market and to help them find suitable employment. The first successful applicant started work at a clothing factory in October and, at the request of the owner, a second placement

quickly followed. A total of four students were placed in work during 2017 as part of this pilot programme, which we will expand in 2018.

Women and girls with disabilities in Egypt face the **double discrimination of being disabled and female**. In a new initiative BLESS, the development arm of the Coptic Orthodox Church, worked with 100 blind young women and their families, enabling them to better integrate into society. Through training sessions, young women learnt **mobility and daily life skills including the use of assistive technologies** such as talking computers.

Training was also provided for family members and sighted volunteers to overcome their own discriminatory feelings and equip them to support the women as they become more independent. So far 33 women have demonstrated increased self-confidence and involvement in their local communities, an encouraging start to this 3-year programme.



● Advocacy	£55k
● Capacity Building	£151k
● Community Development	£696k
● Disability & Special Ed	£926k
● Education	£320k
● Health	£286k
● Humanitarian & Relief	£298k
Grand total	£2,732k



“ Now I have the skills to communicate with people, which I didn't before. I was able to break my isolation. ”

Grandmother, student at Life School in the Minya region of Egypt



“ Because of your help things are better for me than they were for my mother. And things will be better still for my daughters. ”

Karina, student at women's empowerment classes, Egypt

Priorities for 2018

Our plans for 2018 are based on our strategic plan for the period 2016 to 2020, Faith in Action: Partnering with Middle East Christians. As we reach the mid point in our strategy, we seek to build upon the successes of 2016 and 2017 to keep our partners supported in a wholly sustainable way. A copy of the plan is available from the charity's head office or can be downloaded from our website www.embraceme.org

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 invest in a stronger, more effective UK charity operation.

Delivering these key objectives in 2018 we will:

1. **Commit** a minimum of £2.8m of grants in support of programmes and partnerships in the Middle East.
2. **Develop** robust outcome indicators to better demonstrate the positive impact of our partner's work.
3. **Deliver** an advocacy and campaigns strategy across our three priority areas: Christians in the Middle East, refugees, and Israel and Palestine.
4. **Enhance** Embrace's capacity building and programme monitoring to the mutual benefit of the charity and our partners.
5. **Achieve** voluntary income of £3.8m – a 9% increase on the 2017 target.
6. **Invest** retained profits into the trading company and begin sourcing and trading new products direct from the region in support of artisan and producer livelihoods.
7. **Launch** a new supporter data base and maintain secure and GDPR compliant communications with a growing supporter base.
8. **Continue to invest** in all our staff and their personal and professional development and maintain current high levels of staff motivation and morale.
9. **Review and improve** our IT infrastructure to ensure it is fit for purpose and resilient.



“ I never would have accomplished my dreams without the support of the Princess Basma Centre. I am forever grateful. People with disabilities have the right to live in dignity. All they need is an opportunity. ”

Nasib, beneficiary of vocational training at the Princess Basma Centre, East Jerusalem

“Early marriage is a disaster! I now believe that the girls are still young and they should focus on education and activities that will help them in the future.”

Father of a girl attending classes at Beit el Nour



Even though they have escaped the immediate dangers of war, Syrian refugee children face overwhelming challenges in Lebanon.

Having been through trauma that no child should experience, they find themselves in an unfamiliar country, in poor living conditions, with no sense of stability and often no place to go to school.

Even those who do manage to get a school place find it hard to adjust to the Lebanese curriculum and there is a high rate of drop-outs amongst refugees.

Girls are particularly at risk of missing out on their education. They are expected to stay at home and care for siblings and early marriage is common. Other out-of-school girls end up on the streets, at risk of exploitation and violence.

Beit el Nour is a long-term partner of Embrace which supports vulnerable Lebanese girls and now provides a place of peace and safety for Syrian refugees. In Bourj Hammoud, a poor and overcrowded suburb in North East Beirut, Beit el Nour offers numeracy and literacy classes in a caring environment where girls can increase their confidence. The centre also reaches out to the girls' parents to help them learn about the emotional and physical dangers of early marriage and to understand why it is important to educate their daughters.



Young women who have previously attended classes and activities at Beit el Nour often return to mentor younger girls.

Financial review

Unless otherwise stated, figures below are expressed in k (thousands) consistent with the charity's financial statements which follow.

Income

Total income received in 2017 was £7.0m (2016: £6.4m) - another year of tremendous achievement by the team. The headline £0.6m increase in income is made up of a £1.1m increase in charity donations and legacies offset by a £0.5m loss of local Helen Keller School income.

Donation income (donations to the charity excluding legacy income) totalled £5,094k in 2017, an increase of £465k on 2016. This figure for 2017 includes a donation of £2,548k 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.

Excluding the exceptional donation from the Custody of the Holy Land and legacies, income growth was 4.3%, a good figure against the backdrop of a challenging fundraising environment. Within this there are a number of areas that are performing well. Our appeals are raising significantly more money than in previous years and, in 2017, included one additional, very successful Harvest appeal for Gaza that raised over £170k.

In 2017, our Trading business grew for the fifth year in a row with a 1% increase in turnover compared with 2016. The Trading subsidiary also marginally increased its overall net financial contribution to the charity of over £190k. This was achieved even in the absence of a full complement of staff during the busiest quarter of the year.

Legacy income continues to be significant with £1,437k received in 2017 which is £645 or 80% higher than 2016's total of £792k.

Expenditure

Total expenditure during 2017 amounted to £5.0m (2016: £5.0m) but within this grant spend increased to £2,732k (2016: £2,026k) reflecting both the change in treatment of funds provided to the Helen Keller School and the planned increase in investment with our partners as laid out in Faith in Action.

Details of these grants can be found in the notes to the consolidated financial statements pages 30 to 31.

Charity expenditure (excluding grants) in 2017 was £1,910k (2016: £1,666k excluding Helen Keller support cost) with the increase mainly arising in staff costs.

Trustees and senior management remain very focused on keeping 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 and effectiveness in resourcing the charity for mission today and the future.

Balance sheet

The charity continues to have a strong balance sheet ending 2017 with total funds of £7,628k which is £2,174k higher than 2016 (£5,454k) 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 £1,603k at the end of 2017, down £234k from the 2016 year-end figure of £1,837k despite total funds increasing. The lower available reserves figure reflects the decision of trustees to increase the amount of designated funds for our core grants programme in 2018-20 and to provide for projected deficits over the next few years as a result of our strategy to invest in both staff and infrastructure.

“ I needed a place where I could feel safe; that encouraged me to learn. I made an effort and improved my behaviour. The place became home and I can now dream of a better future. ”

Shahina, 13, Acre, Israel



Reserves and investment policy

Trustees keep the charity's reserves policy under regular review. Additionally in 2017 the Board undertook a major review of the policy, looking forward five years, working on projected income and expenditure plans, including projected deficits beyond the current plan period (2016–2020).

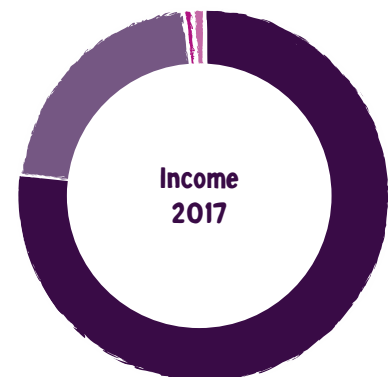
A revised reserves policy was agreed by the Board in December. This is summarised as follows:

'Mindful of their responsibility to spend the charity's funds in fulfilment of the charity's objects and in a timely manner, but also to build the charity's resilience to unforeseen and detrimental hazard or risk, the trustees of Embrace the Middle East have determined that for the foreseeable future the charity's free reserves (cash and investments less restricted and designated funds) should not exceed the equivalent of six months, or fall below one month, of expected income. If the level of free reserves is likely to rise above this ceiling, or fall below the floor, the trustees will take action to restore the appropriate operational equilibrium between income and expenditure that this range of reserve is intended to secure.'

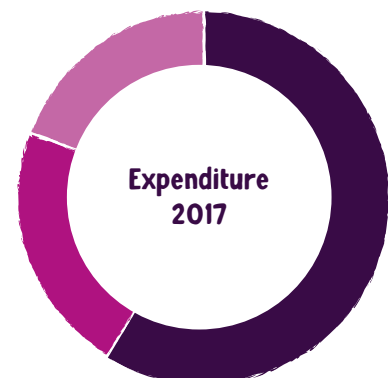
In line with the policy, trustees have agreed designations to cover funds for our committed multi-annual core grants programme in 2018-19 (£2,850k), for our ongoing grant commitments to the Helen Keller School to 2021 (£789k), for projected deficits from 2019 (£1,339k) and for fixed assets (£950k).

At the end of 2017 the audited figure for free reserves was £1,603k, approximately equal to three months of budgeted income and consistent therefore with the charity's revised reserves policy.

During 2017 we took action to diversify our portfolio of cash and investments in order to improve the financial resilience and sustainability of the charity.



● Donations	£5,094k
● Legacies	£1,437k
● Investment income	£56k
● Other	£56k



● Grants	£2,732k
● UK Staff	£1,018k
● Overheads	£892k

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 3706037). 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 primary purpose is to work in partnership with Christian-led organisations involved in education, healthcare and community development in Israel, Palestine, Lebanon, Egypt, Syria and, in the coming year for the first time, Iraq.

Our core activities are the raising funds from donors primarily in the UK and the allocation of these funds to provide grants and other non-financial support, for example capacity building, to further the work of partners, consistent with our charitable objective.

The charity implements or funds programmes which give relief to persons who, without those programmes, would not receive the help they so urgently require. While the charity works exclusively through Christian-led agencies in the Middle

East, no ultimate beneficiaries are, or would be, excluded from help on the grounds of race or religion. Indeed every effort is made wherever possible and appropriate, depending on need, to ensure that the mix of beneficiaries is representative of all major faith groupings.

Trustees confirm that in agreeing the objectives and planned activities of the charity in 2017, they have had regard to the Charity Commission's guidance on public benefit, including the guidance 'public benefit: running a charity (PB2)'.

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 16.

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

- Finance and Audit – January and May
- Governance – January and February
- Programmes and Partnerships – May
- Fundraising and Marketing – February and June

In June 2017, following the recommendations of an external expert-led review, the Board agreed and introduced a simplified governance structure. The four standing Committees of the Board (and the ad hoc Remuneration Committee, which did not meet in 2017) were reduced to two standing Committees – Governance and Resources (largely concerned with the internal workings of the charity) and Programmes and Public Engagement (concerned with external matters) – and an ad

hoc Officers and Chairs Committee comprising the officers of the charity (chair, vice chair and treasurer) and the chairs of the two standing committees. This Committee meets, as required, to ensure effective coordination between Board Committees and working groups, to set and keep under review the Chief Executive's objectives, performance and remuneration, and to manage Trustee recruitment, development and deployment.

Revised terms of reference for all Board Committees, role descriptions for officers and the chief executive, and a detailed scheme of Board powers, both reserved and delegated, was agreed by the Board in June, prior to the implementation of the new committee structure, and will be subject to periodic review.

Trustee recruitment and training

Trustees are recruited through an open and transparent process, including by public advertisement on charity job websites and the charity job, websites and are selected on the basis that they have the professional skills and experience required by the charity to operate effectively. The charity 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. The maximum number of trustees has been set at 12, with provision for an additional two co-opted trustees if required to fill skills gaps. In the course of 2017 one trustee resigned and one new co-opted member was recruited. The gender balance remained the same, at just below parity.

All new trustees receive an 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 or enhance their capacity to fulfil their role.

All trustees are expected to make a familiarisation visits to one of the countries in which the charity operates in order to better understand the work of Embrace the Middle East and our partners. Longer serving trustees will make more than one visit. In 2017 there were 3 trustee visits at a cost to the charity of £4k (2016: £4k).

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 senior leadership team which operates within the frameworks, and a specified Scheme of Delegation, set by the trustees. Led by a Chief Executive Officer, the senior leadership team includes a Director of Fundraising & Marketing, a Director of Programmes & Partnerships, and Heads of Finance, Human Resources and Information

Systems and Security. Members of the senior leadership team and other senior staff members attend Board meetings but do not vote.

There are currently five UK-based teams within Embrace the Middle East:

- The Chief Executive's office (headed by the CEO and Company Secretary, Jeremy Moodey until March 2017 and Tim Livesey from July 2017) provides overall strategic leadership, human resource and day-to-day operational management of the charity.
- The Fundraising and Marketing team (headed by Nigel Varndell) is responsible 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 sits within this team.
- The Programmes and Partnerships team (headed by Jamie Eyre) is responsible for managing and developing the charity's overseas partnerships and grants programme.
- The Finance team (headed by Jim Buckley), is responsible for managing the income and expenditure of the charity and all financial infrastructure and statutory reporting.

- The Information Systems and Security team (headed by Peter Jones until March 2017 and Clayton Nodoro from March 2017) is responsible for information technology and communication systems and data security.

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, and the Heads of Information Systems and Security, Finance and HR. The employee benefits of the key management personnel of the charity in 2017 amounted to £311k (2016: £284k). No 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 periodic peer sector benchmarking. In the case of the Chief Executive this power is delegated by the Board to the Officers and Chairs Committee. In the case of other management personnel, pay and benefits are determined by the Chief Executive, subject to an overall budget agreed by trustees.



“ I now know my rights and am no longer afraid. I know I can demand the government improve our water supply, or fix it if it breaks. I can also make sure my children are getting a good education at school. ”

Hana, attendee at women's rights classes, Cairo

Our charitable objectives and our organisational structure continued

Risk management

In 2016 with the help of an external consultant, the trustees reviewed their approach to risk and agreed a comprehensive new risk management policy. The application of this policy was further reviewed in September 2017 and the following statement of the Board's overall approach to risk was agreed:

'In pursuit of its charitable purpose, Embrace the Middle East is required to work with partners in inherently complex and pressured environments. We embrace risk as a condition of partnership, of our mission to tackle poverty and injustice in the Middle East and of our ambition for growth in our impact. Working to transform the lives of vulnerable and marginalised people precludes an undue or exaggerated aversion to risk.

In accepting risk as a necessary part of our work we undertake at all times to seek to mitigate and manage every risk to our staff, our supporters, our partners, their beneficiaries and the sustainability of the charity and its work.

We will not shy away from reasonable risks that further the purpose of the charity and are consistent with our values.'

Consistent with this overall approach the charity's risk policy:

- Establishes a general approach to the management of risk, based on the identification, analysis, evaluation and treatment of specific risks. The policy describes how risks will be analysed.
- Categorises risks as 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.

In maintaining the risk register, management assesses any new risk for its impact on the charity and the likelihood of that risk occurring. A view is taken of the appropriate level of risk that can be tolerated, and where the assessed risk is greater than the tolerated level, what action is required to reduce the risk down to an acceptable level.

In the course of 2017 the risk register was subject to major review with historic risks assessed as sufficiently well managed, or mitigated, as to no longer pose significant risk to the charity, being archived for periodic review. New risks, new variants of existing risks, and additional mitigation added to the register this year included new forms of potential financial fraud being perpetrated against the charity, and enhanced safeguarding procedures and training.

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 2017.

Embrace the Middle East is registered with the Fundraising Regulator and adheres strictly to their Code of Fundraising Practice and all legal obligations. In 2017 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. We have not used SMS as part of our fundraising portfolio.

In 2017 Embrace did not contract the services of any professional fundraisers

as defined by section 58 of the Charities Act 1992.

During the course of 2017 we received 20 complaints about our fundraising practice (2016:14) in response to over 250,000 pieces of fundraising direct mail that were sent out. We received no other complaints about fundraising.

We do not engage in persistent or intrusive fundraising practices and are especially sensitive to the interests of older and more vulnerable supporters or potential supporters. We act promptly on requests from supporters to change their contact preferences and comply with all requests to cease contact received through the Fundraising Preference Service. Embrace the Middle East maintains a team of specialist staff dedicated to maintaining excellent and respectful relationships with all of our supporters.

Semira was pregnant with her first child when she came to our partner, Refuge Egypt's clinic for an ultrasound scan. She was anxious and her smile didn't quite reach her eyes, reflecting the concern she feels for the future.

Born in Eritrea, Semira was orphaned as a young child. She has no family except for her husband who she met while working in South Sudan, having escaped the violence in her own country. Both she and her husband had jobs and were happy until increasing danger meant they had to leave and seek refuge elsewhere.

At four months pregnant, it wasn't the ideal time for a gruelling journey. In their desperation, their money went on paying smugglers to transport them.

Even then, the final 500 miles were made on foot. They finally reached Cairo and relative safety. Thankfully, Semira finally found the welcome and support she and her baby needed from our partners at Refuge Egypt.



Semira was given a maternal health check-up and a Baby Survival package.

A Baby Survival package helps mothers and babies to survive and thrive. It contains medicines and supplies needed for a new baby. It also covers the cost of giving birth in Egypt - where healthcare isn't free - and follow up care. And after she gives birth, her family can be given nutritious food parcels of oil, lentils, date biscuits, rice, peanut butter and cheese.

An expectant refugee found welcome, warmth and everything she needed to safely deliver her baby.

Who we are

Trustees

Tanas Alqassis

Canon Anthony Ball (*Chair of Trustees*)

Hugh Bradley (*until 14 March 2018 when his term concluded*)

Anne Clayton (*Vice Chair of Trustees from 21 March 2017*)

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

Stephen P Dengate (*Treasurer*)

Alanna Harris (*from 21 March 2017*)

Rev Brian Jolly (*Vice Chair of Trustees from 16 March 2016 to 21 March 2017, when he stood down as a trustee*)

Dr Kathryn Kraft

Dr Brian McGucken (*Chair of the Governance Committee until June 2017 and trustee until 14 March 2018 when his term concluded*)

John Neate (*Chair of Programmes & Partnerships Committee and, from June 2017, Programmes and Public Engagement Committee*)

Mary Smith (*co-opted from December 2017*)

Mariam Tadros

Lisa Toner (*until June 2017 when she stood down as a Trustee*)

Gareth Williams (*from 21 March 2017; Chair of Governance and Resources from June 2017*)

Patrons

His Eminence Archbishop Angaelos OBE, Bishop of the Coptic Orthodox Diocese of London

Rt Rev Christopher Chessun, Anglican Bishop of Southwark

Rev David Coffey OBE, former President, Baptist World Alliance

Rt Rev Dr Michael Langrish, former Anglican 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 March 2017*)

Tim Livesey (*Chief Executive Officer and Company Secretary from July 2017*)

Jamie Eyre (*Director of Programmes & Partnerships and acting Chief Executive Officer and Company Secretary, March - June 2017*)

Nigel Varndell (*Director of Fundraising & Marketing*)

Jim Buckley (*Head of Finance*)

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

Peter Jones (*Head of IT & Systems*)

Clayton Nodoro (*Head of Information Systems & Security from 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

Close Brothers Limited
10 Crown Place
London
EC2A 4FT

Investment advisers

Investec Wealth and Investment
2 Gresham Street
London
EC2V 7QN

Epworth Investment
Management Limited
9 Bonhill Street
London
EC2A 4PE

CCLA Investment
Management Limited
Senator House
85 Queen Victoria Street
London
EC4V 4ET

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 of the charity 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 27 June 2018 and signed on its behalf by:

Canon Anthony Ball
Chair of Trustees



“ In the past I used to just give the medications that the doctors told me to give. Now I understand what the medication is and why the patient needs it. ”

Student nurse at Harpur Memorial Hospital, Egypt

Independent Auditor's Report to the Trustees of Embrace the Middle East

Opinion

We have audited the financial statements of Embrace the Middle East (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 December 2017, 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.

Basis for opinion

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that

may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the trustees' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Michelle Wilkes FCA

for and on behalf of Wilkins Kennedy LLP

Senior Statutory Auditor
Chartered Accountants
Greytown House
221–227 High Street
Orpington
Kent
BR6 0NZ

Consolidated Statement of Financial Activities

For the year ended 31 December 2017 (incorporating an income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Income:					
Donations and legacies	3	5,130	1,401	6,531	5,421
Charitable activities	3	45	–	45	496
Trading activities	2	402	–	402	401
Investments		56	–	56	59
Other income		11	–	11	15
Total income		5,644	1,401	7,045	6,392
Expenditure:					
Cost of fundraising	4	1,191	–	1,191	1,135
Trading activities	2	383	–	383	400
Investment management		16	–	16	15
Charitable activities	3	1,881	1,554	3,435	3,403
Total expenditure		3,471	1,554	5,025	4,953
Net gains/(losses) on investments		154	–	154	116
Net Income/(Expenditure) on operations		2,327	(153)	2,174	1,555
Other recognised gains/(losses)		–	–	–	–
Net movement in funds		2,327	(153)	2,174	1,555
Reconciliation of funds:					
Total funds brought forward		5,236	218	5,454	3,899
Total funds carried forward		7,563	65	7,628	5,454

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

All income and expenditure derive from continuing activities.

The 2016 comparatives above include income and expenditure for the Helen Keller School up to the point it was transferred into the ownership of the Custody of the Holy Land on 1 September 2016.

The notes on pages 24 to 41 form part of these financial statements.

Consolidated Statement of Financial Activities

For the year ended 31 December 2017

2016 SOFA for comparative purposes	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.

Consolidated and Charity Balance Sheets

As at 31 December 2017

	Note	2017 Group £'000	2016 Group £'000	2017 Charity £'000	2016 Charity £'000
Fixed assets					
Tangible assets	9	950	963	950	963
Investments	10	1,904	1,672	1,905	1,673
		2,854	2,635	2,855	2,636
Current assets					
Stocks		56	51	–	–
Debtors: amounts falling due within 1 year	11	297	141	269	151
Cash at bank and in hand		4,797	3,175	4,741	3,136
Investments					
		5,150	3,367	5,010	3,287
Creditors					
Amounts falling due within 1 year	12	(376)	(548)	(269)	(481)
Net current assets					
		4,774	2,819	4,741	2,806
Net assets					
		7,628	5,454	7,596	5,442
Funds					
Restricted funds	17	65	218	65	218
Designated funds	16	5,928	3,387	5,928	3,387
Reserves available for charitable purposes		1,603	1,837	1,603	1,837
Non charitable trading funds	2	32	12	–	–
Total funds					
	15	7,628	5,454	7,596	5,442

The financial statements were approved by the Board of Trustees on 27 June 2018 and were signed on its behalf by:

Canon Anthony Ball
Chair of Trustees

The notes on pages 24 to 41 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities:			
Cash generated from operations	19	1,663	1,841
Net cash from operating activities		1,663	1,841
Cash flows from investing activities:			
Proceeds from the sale of property, plant and equipment			–
Proceeds from investments		56	59
Purchase of property, plant and equipment		(19)	(14)
Purchase of investments		(259)	(301)
Proceeds from the sale of investments		181	407
Net cash from investing activities		(41)	151
Increase/(decrease) in cash and cash equivalents		1,622	1,621
Cash and cash equivalents at beginning of year	20	3,175	1,183
Cash and cash equivalents at end of year	20	4,797	3,175

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 16 of these financial statements. The nature of the charitable company's operations and principal activities are set out on page 12.

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 (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom (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.

Basis of consolidation

The financial statements consolidate on a line-by-line basis the results of the Charity 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 income is 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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

1 Accounting policies continued

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 9 for the carrying amount of the tangible fixed 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.

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 2017 is shown below:

Summary profit and loss account

	2017 £'000	2016 £'000
Turnover	402	401
Cost of sales and administrative expenses	(380)	(400)
Tax	(3)	–
Profit/(loss) for the year after tax	19	1

Summary balance sheet

	2017 £'000	2016 £'000
Current assets		
Stock	57	51
Debtors	28	31
Cash	55	38
	140	120
Creditors falling due within one year	(107)	(107)
Net current assets	33	13
Called up share capital	1	1
Capital redemption reserve	8	8
Profit and loss account	24	4
Shareholders' funds	33	13

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

3 Charitable activities

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

The 2016 comparatives include figures for the Helen Keller School in East Jerusalem which the charity was responsible for up to the point it was transferred into the ownership of the Custody of the Holy Land on the 1 September 2016.

		Total 2017 £'000	Total 2016 £'000
Incoming resources			
Donations	Unrestricted funds	3,890	3,530
	Restricted funds	1,204	1,099
Legacies	Unrestricted funds	1,240	792
	Restricted funds	197	–
Other restricted funds	Israeli Ministry of Education	–	328
	Other Jerusalem income	–	121
Other income		45	47
Total charitable incoming resources		6,576	5,917
Grants paid		2,732	2,026
Charitable activities		703	660
Helen Keller School running expenses		–	717
Total charitable activity expense		3,435	3,403
Net surplus/(deficit) for the year		3,141	2,514
Transfers between activities		–	–
Surplus on charitable activities		3,141	2,514
<hr/>			
		Total 2017 £'000	Total 2016 £'000
Total charitable incoming resources as above		6,576	5,917
Trading activities income		402	401
Investment income		56	59
Other income		11	15
Total Income as SOFA		7,045	6,392

	Total 2017 £'000	Total 2016 £'000
Total charitable activity expense as above	3,435	3,403
Cost of fundraising	1,191	1,135
Trading activities expenditure	383	400
Investment management expenses	16	15
Total expenditure as SOFA	5,025	4,953

4 Analysis of resources expended

Category	Direct staff costs	Direct costs	Support costs	Total 2017	Total 2016
Cost of generating funds	332	465	394	1,191	1,135
Charitable activities					
Information and education	68	46	92	206	170
Grants to partners	–	2,732	–	2,732	2,026
Other support to partners	221	37	239	497	346
Helen Keller School	–	–	–	–	861
Total charitable activities	289	2,815	331	3,435	3,403
Total costs of the charity	621	3,280	725	4,626	4,538
Trading company	33	350	–	383	400
Investment management	–	16	–	16	15
Total group costs	654	3,646	725	5,025	4,953

The £725k (2016: £606k) of support costs includes a one off currency revaluation charge of £121k relating to a USD donation from the Franciscan's and Governance costs of £137k (2016:£110k) which have been allocated across the categories based on time spent.

Support costs includes £284k (2016:£245k) of staff costs relating to the Chief Executive's office (including new HR Manager), premises management, IT (including new Head of Information Systems and Security), finance and some administrative tasks within the supporter care and fundraising teams.

The balance of support costs includes £66k for establishment/premises costs (includes; insurance, power, rates, communications, repairs and maintenance, postage, photocopying etc.), £38k for recruitment (mainly CEO recruitment), £27k for depreciation, £25k for systems maintenance and development, £15k for bank charges, travel £9k and other £3k.

Governance costs of £137k comprise £57k of staff costs, an allocation of £45k of support costs, £16k of audit costs and £19k for trustee meeting and travel expenses.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5 Details of grants we paid to our partners

	2017	2016
Egypt		
Anafora	21	10
BLESS (Coptic Orthodox Bishopric, Ecumenical & Social Services)	87	60
CEOSS (Coptic Evangelical Organisation of Social Services)	55	75
Christian Medical Fellowship	11	8
Episcocare	71	33
Fairhaven School	15	7
Habitat for Humanity	20	56
Harpur Memorial Hospital	18	15
Multi-partner	10	–
Refuge Egypt	60	69
Salaam Center	57	39
Shams El Birr	15	15
The Deaf School	15	20
Think & Do	99	75
Total of Egypt	554	482
Lebanon		
Al Kafaat	160	248
Beit El Nour	24	15
Cedar Home	10	16
DI	56	27
Habitat for Humanity	42	67
Inter-Church Network for Relief & Development	53	35
Karagheusian	51	–
Johan Ludwig Schneller School	14	40
Joint Christian Committee	65	23
Learning Centre for the Deaf	35	22
Lebanese Society for Social Education and Development	155	161
Multi-partner	–	4
Pontifical Mission for Lebanon	89	20
Zvartnotz Centre	17	4
Total of Lebanon	771	680

	2017	2016
Palestine & Israel		
Al Ahli Arab Hospital	97	35
Arab Evangelical School	5	10
Aviv Ministries	21	17
Bethany Girls School	–	17
Bethlehem Arab Society for Rehabilitation	63	25
Bursary Scheme (Secretariat of Solidarity)	120	120
Caritas Jerusalem	27	25
Department for Services for Palestinian Refugees	–	18
East Jerusalem YMCA	83	82
Four Homes of Mercy	58	58
Gaza YMCA	–	6
Helen Keller School	367	96
Hope School	–	21
International Christian Committee	–	50
International Christian Committee in Israel	23	18
Joint Advocacy Initiative	31	33
Musalaha	22	22
Nazareth School of Nursing	20	20
Near East Council of Churches	112	50
Palestinian Bible Society	55	47
Pontifical Mission fo Palestine	157	–
Princess Basma Centre	61	30
Rawdat	12	15
SIRA School	12	8
Society of St Yves	24	–
St Luke's Hospital	25	27
Talitha Kumi	12	12
Total of Palestine & Israel	1,407	864
Grand Total	2,732	2,026

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

6 Net incoming/(outgoing) resources

	Year ended 2017 £'000	Year ended 2016 £'000
Net resources are stated after charging:		
Auditors' remuneration	21	27
Depreciation – owned assets	28	37
Staff pension contributions	111	84
Services provided by the charity's auditor during the year:		
Audit of the charity and consolidated financial statements	14	16
Audit of the Trading subsidiary incl provision of annual report and accounts	5	5
Corporation tax calculation for Charity & Trading subsidiary	2	2
Audit of the Helen Keller School by Jerusalem auditors	–	4
	21	27

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:

	2017 £'000	2016 £'000
Trustee travel expenses	16	14

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, and the Heads of Information Systems & Security, Finance & HR.

The total employee benefits of the Senior Leadership Team in 2017 were £311k (2016: £284k) with the increase due to the recruitment of a new Head of Information Systems & Security and a new HR Manager.

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

In the case of the Chief Executive this power is delegated by the Board to the Officers and Chairs Committee.

In the case of other management personnel by the Chief Executive, subject to the overall budget agreed by trustees.

8 Staff Costs

	2017 £'000	2016 £'000
Wages and salaries	830	1,300
Social Security costs	77	112
Pension plan contributions	111	84
	1,018	1,496

Employment costs for 2016 above include £616k for the Helen Keller School.

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

	2017	2016
UK management staff	5	5
UK administrative staff	25	22
Helen Keller School staff	–	37
	30	64

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

	2017	2016
£60,000 – £70,000	1	–
£70,000 – £80,000	1	2

9 Tangible fixed assets

Group

	UK freehold property	Fixtures and fittings	Computer related	Motor vehicles	Totals
Cost					
At 1 January 2017	968	115	200	8	1,291
Additions	–	11	8	–	19
Disposals	–	(7)	(49)	(8)	(64)
At 31 December 2017	968	119	159	–	1,246
Depreciation					
At 1 January 2017	58	77	190	3	328
Charge for the year	10	10	6	1	27
Disposals	–	(6)	(49)	(4)	(59)
At 31 December 2016	68	81	147	–	296
Net Book Value					
At 31 December 2017	900	38	12	–	950
At 31 December 2016	910	38	10	5	963

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

9 Tangible fixed assets continued

Charity

	UK freehold property	Fixtures and fittings	Computer related	Motor vehicles	Totals
Cost					
At 1 January 2017	968	114	200	8	1,290
Additions	–	11	8	–	19
Disposals	–	(7)	(49)	(8)	(64)
At 31 December 2017	968	118	159	–	1,245
Depreciation					
At 1 January 2017	58	76	190	3	327
Charge for the year	10	10	6	1	27
Disposals	–	(6)	(49)	(4)	(59)
At 31 December 2017	68	80	147	–	295
Net Book Value					
At 31 December 2017	900	38	12	–	950
At 31 December 2016	910	38	10	5	963

10 Fixed asset investments

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Market value as at 31 December 2016	1,665	7	1,672
Additions	259	–	259
Disposals	(181)	–	(181)
Revaluations	154	–	154
Market value as at 31 December 2017	1,897	7	1,904
Historical cost of the investments were:			
31 December 2016	1,305	2	1,307
31 December 2017	1,430	2	1,432

Charity

	Listed investments £'000	Unlisted investments £'000	Holding in trading company £'000	Total £'000
Market value as at 31 December 2016	1,665	7	1	1,673
Market value as at 31 December 2017	1,897	7	1	1,905

Listed investments were comprised of the following:

	2017 £'000	2016 £'000

UK equities	1,015	905
UK bonds	305	367
Property	–	–
Far East and Australasian equities	46	75
North American equities	174	150
European equities	86	–
Emerging economies	19	–
Other investments	252	168
Total	1,897	1,665

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

	Market value at 31 December 2017 £'000	Market value at 31 December 2016 £'000
UK 2.5% Gilt 17/07/24	128	129
HICL Infrastructure ORD	95	98

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

11 Debtors: amounts falling due within one year

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	59	29	31	–
Amount owed by group undertaking	–	–	–	40
Other debtors	199	98	199	97
Prepayments	39	14	39	14
Total	297	141	269	151

12 Creditors: amounts falling due within one year

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	154	87	54	58
Amount due to group undertaking	–	–	34	–
Social security and other taxes	57	45	26	24
Other creditors	4	23	3	17
Accruals	161	393	152	382
Total	376	548	269	481

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

13 Accrued grants

	2017 £'000
At 1 January 2017	339
New grants committed (note 5)	2,732
Grants paid in year	(2,964)
At 31 December 2017	107

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 £109k, (period to 31 December 2016 £81k). There were £0k contributions outstanding at 31 December 2016 (period to 31 December 2016 £0).

15. Analysis of net assets between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	2017 total funds £'000	2016 total funds £'000
2017					
Fixed assets	–	950	–	950	963
Investments	1,904	–	–	1,904	1,672
Current assets	107	4,978	65	5,150	3,367
Current liabilities	(376)	–	–	(376)	(548)
	1,635	5,928	65	7,628	5,454

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

16 Designated funds

2017	As at 1 January 2017 £'000	New Designations £'000	Designations released £'000	As at 31 December 2017 £'000
Fixed Assets ¹	963	–	(13)	950
Programme Fund ²	1,250	1,600	–	2,850
Helen Keller School Grants ³	1,174	–	(385)	789
Projected Deficits ⁴	–	1,339	–	1,339
	3,387	2,939	(398)	5,928

Fixed Assets

1 Trustees have resolved to designate funds to the value of £950k to reflect the value of fixed assets being unavailable for use in the charity's usual operations.

Programme Fund

2 Trustees have designated funds to cover 18 months of expenditure (subject to other grant conditions being met) on committed multi-annual grants to partners.

Helen Keller School Grants

3 Trustees have designated funds to the value of £789k 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 four years from 2018 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.

Projected Deficits

4 Trustees and management continue to work to deliver the goals as set out in the strategic plan document Faith in Action 2016–20. This has resulted in a higher level of grant expenditure and additional investment in the UK charity operation to build strength and effectiveness and deliver income growth. The trustees have decided to designate funds to absorb the projected deficits over the coming years as the investment delivers the anticipated income growth that will deliver income/expenditure breakeven.

2016 comparatives	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

Fixed Assets

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.

Helen Keller Centre assets

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.

Programme Fund

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.

Helen Keller School Grants

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

17 Restricted funds

2017

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.

	Opening balance £'000	Income during 2017 £'000	Spending during 2017 £'000	Closing balance £'000
General Funds¹				
Education	–	218	218	–
Health	–	38	38	–
Community Development	–	172	172	–
Refugees	48	146	194	–
Special needs and disability	–	76	76	–
Women's education and empowerment	–	1	1	–
Country specific funds	114	229	343	–
Alternative Gifts²	8	182	190	–
Partners working within the following fields³				
Education	37	106	97	46
Health	11	53	45	19
Community Development	–	12	12	–
Special needs and disability	–	118	118	–
Other restricted funds	–	50	50	–
Total restricted funds	218	1,401	1,554	65

General Funds

1 General funds are funds restricted either by field of work or by country.

Alternative Gifts

2 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.

Partners working within the following fields

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

2016 comparatives

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 funds¹				
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
Appeals²				
Christmas 2015	120	22	109	33
Lent 2016	–	61	61	–
Alternative Gifts³	5	215	212	8
Partners working within the following fields⁴				
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

General Funds

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.

Appeals

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 grant to partners supporting Syrian refugee families.

Alternative gifts

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.

Partners working within the following fields

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 2017

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.

	2017	2016
Donations received on behalf of the charity	82	91
Alternative gifts sold on behalf of the charity	179	179
Total	261	270

As at 31 December 2017, a sum of £34k was owed by the charity to the trading company. At the end of 2016 £40k was receivable by the charity from the trading company.

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

	2017	2016
Surplus on ordinary activities	2,174	1,555
Income from investments	(56)	(59)
Write-off of assets	5	112
Net gains on investments	(154)	(141)
Loss on disposal of fixed assets	–	–
Depreciation charges	27	37
(Increase)/decrease in trade and other debtors	(156)	167
(Increase)/decrease in stock	(5)	(6)
Increase/(decrease) in trade and other creditors	(172)	176
	1,663	1,841

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 2017	31 December 2017	01 January 2017
Cash and cash equivalents	4,797	3,175

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

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.

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