

Embrace the Middle East

Annual Report & Accounts 2018



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 2018.

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, give and advocate to support Christian social witness in the Middle East.

Challenge

- We will **promote awareness** of the role of Middle East Christians as positive agents for change in their communities.
- 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:
Embrace the Middle East, 24 London Road
West, Amersham,
Buckinghamshire, HP7 0EZ

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A message from the Chair of Trustees

2018 marked the mid-point in our five year *Faith in Action* strategic plan. In 2015 we deliberately set ourselves ambitious goals for the period, impelled by a strong desire to transform lives and make a lasting difference.

Three years later we have clear evidence that through a combination of hard work, commitment to excellence, focus on impact and enduring confidence in the extraordinary, and inspiring work of our partners, we are meeting our targets. We are conscious that we still have a long way to go and are already thinking about the next five year period from 2021. The challenges faced by the poor and marginalised in the Middle East are undiminished. Nevertheless, I and my fellow trustees can be absolutely confident that Embrace the Middle East is making an increasingly vital contribution to the social mission of Christians in the region, as they seek to bring lasting change to all who face poverty and injustice.

We are proud to have raised more money in 2018 for that shared mission than ever before – just shy of £4 million of voluntary income – thanks to the amazing generosity of our supporters. In addition to thousands of committed individual supporters from across the country we are delighted to have developed strong relationships with a number of trusts and foundations, some of whom are acknowledged in this report. We are deeply grateful to all whose generosity allows us, in collaboration with 50 remarkable Christian partners in Egypt, Lebanon, Palestine, Israel, Syria, and now Iraq, to transform lives.

In addition to our programme activity, we have worked hard in 2018 to develop the reach and persuasive power of our advocacy. We were delighted to be asked to develop a programme for five Christian women MPs, led by Dame Caroline Spelman, the Church of England Second Estates Commissioner, to see and experience the situation on the ground in Palestine and Israel, primarily through the eyes of the local Christian community. Theirs was a powerful experience which we hope to repeat with five more MPs in 2019. The situation in the Occupied Territories continues to deteriorate, not helped by the unilateral withdrawal of US development aid. It is vitally important that the reality of life lived under occupation is brought to wider public attention.

The same is true of the lived experience of Christians across the region. We were pleased to introduce Dr Souraya Bechealany, acting Secretary General of the Middle East Council of Churches, to Parliamentarians and policy makers, as well as Embrace supporters, at an event in the State Apartments of the Speaker of the House of Commons in June. We will continue to advocate for a much broader and deeper public understanding of, and engagement with, Christians in the Middle East in the years ahead.

We can only do this with confidence because of our partnerships on the ground: whether providing vital health care in Gaza, empowering women living in rural poverty or urban squalor in Egypt, promoting the protection of vulnerable girls displaced to Lebanon by the war in Syria or identifying new partnerships with Christians returning to the Nineveh Plain in Iraq. In 2018 we supported 50 organisations, and thousands of beneficiaries, with £2.7 million of grants. This report details some of the impact of these interventions.

Thank you to all who help Embrace the Middle East and our partners transform lives and build hope in a troubled region. Your support and your prayers are deeply appreciated.

Canon Anthony Ball
Chair of Trustees



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

Front cover image: Stephen Butler, taken at Al Ahli Hospital, Gaza.

The Charity in numbers

The table below contains key financial data for the Charity. 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	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
Donations	2,356	2,210	4,629	5,094	4,875
Legacies	818	831	792	1,437	1,269
Investment income	84	62	59	56	60
Local Helen Keller School income	520	555	449	–	–
Other	46	49	62	57	71
Total	3,824	3,707	5,991	6,643	6,275*
Grants	1,975	1,964	2,026	2,732	2,683
Helen Keller School support	786	880	861	–	–
UK staff costs	707	753	828	984	1,165
Other costs	604	629	838	926	784
Total resources expended	4,072	4,226	4,553	4,642	4,632
Net surplus/(deficit)	(248)	(519)	1,438	2,001	1,643
Helen Keller costs less local income	(266)	(325)	(412)	–	–
UK charity income less costs	18	(194)	1,850	2,001	1,643

Assets as at 31 December	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
Investments	1,988	1,638	1,673	1,905	2,129
Cash at bank and in hand	1,830	1,083	3,136	4,741	6,198
Other net assets	590	1,167	633	950	761
Total funds	4,408	3,888	5,442	7,596	9,088

* Total donation figures for 2016–2018 include a single exceptional donation on £6.9m over the three years.

Further commentary on the 2018 results can be found in the 'Financial review of 2018' section on pages 10 and 11. In the pages that follow we give details of what we and our partners achieved in 2018, compare our outcomes to the plan we set ourselves for the year, and set out our plans for 2019 and beyond.

“We are blessed to find persons with such kindness and generosity in days where this has become rarer to find. Thinking of our appreciation for genuine support from hearts of kindness, we would like to take the chance to thank supporters who faithfully support our services for deaf children and their families, as well as deaf youth and adults.”

Dr Hussein Ismail, Learning Centre for the Deaf, Lebanon



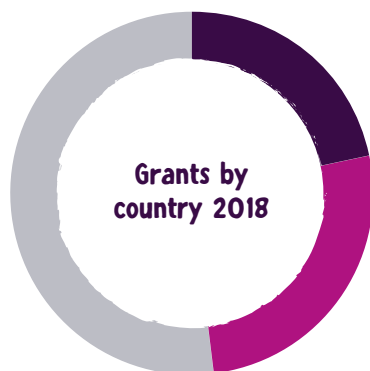
Our achievements in 2018

How we performed against our 2018 objectives

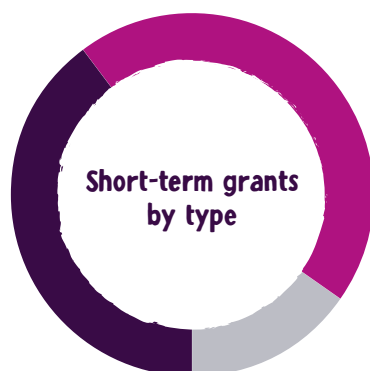
The Charity's performance against the objectives set out in our 2018 plan are summarised below.

1	Commit a minimum of £2.8m of grants in support of programmes and partnerships in the Middle East.	✓	Achieved – £2.7m of grants contracted in 2018 and a further £200,000 committed in 2018 for the start of 2019.
2	Develop robust outcome indicators to better demonstrate the positive impact of our partners' work.	✓ ✗	Partially achieved – good progress made on the development of indicators, tested in 2018, and next steps for 2019 agreed with trustees.
3	Deliver an advocacy and campaigns strategy across our three priority areas: Christians in the Middle East, refugees, and Israel and Palestine.	✓	Achieved – strong strides made especially on our Christians in the Middle East priority.
4	Enhance Embrace's capacity building and programme monitoring to the mutual benefit of the charity and our partners.	✓	Achieved – a programme of strategic capacity building was delivered throughout the year, supporting 11 projects covering capital investment and infrastructure, staff training, systems development and evaluation.
5	Achieve voluntary income of £3.8m – a 9% increase on the 2017 target.	✓	Achieved – £4m raised from voluntary income.
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.	✗	Not achieved – significant issues over staff capacity have delayed plans to expand the product range.
7	Launch a new supporter database and maintain secure and GDPR compliant communications with a growing supporter base.	✓ ✗	Partially achieved – we continue to recruit new supporters and progress made on an updated database to be delivered in 2019.
8	Continue to invest in all our staff and their personal and professional development and maintain current high levels of staff motivation and morale.	✓	Achieved – 87 training sessions delivered in 2018, facilitated through a combination of external training providers and internally run group training sessions. 88% of staff rated staff morale as good.
9	Review and improve our IT infrastructure to ensure it is fit for purpose and resilient.	✓	Achieved – Upgrades were focused on data security and infrastructure modernisation.

Our impact in 2018



● Egypt	£584k
● Lebanon	£706k
● Palestine & Israel	£1,393k
Grand Total	£2,683k



● Capacity Building	£215k
● Humanitarian & Relief	£243k
● Pilots, New Initiatives etc.	£82k
Grand Total	£540k

At the heart of our work is a desire to partner with local Christians.

We work and walk alongside 50 locally-led organisations as they promote programmes that empower women and girls, support people with disabilities to overcome barriers and enable some of the least advantaged in society to participate.

The impact of seven years of conflict in Syria continued to ripple across the region. Millions of lives, both inside and outside the country continue to be affected, and even more pressure heaped on the infrastructure of neighbouring countries hosting people forced from their homes. The Great March of Return pushed Gaza closer to the brink, raising tensions yet further with Israel. Every week since March 2018, thousands of ordinary Palestinians inside Gaza protested, for the most part peacefully, as the blockade entered its 11th year.

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 Hospital** medical mission programme served over 2,500 people throughout the year.

The work of Embrace partners, in service and support to those in need around them, remained essential.

We invested significant time and effort in maintaining and deepening our relationships with local partners across the Middle East. Spending time with partners builds our understanding of the challenges they face and those of the people in difficulty and crisis who, together, we serve. Our ability to forge close links with partners is a world away from the challenges faced by the Charity's founders more than 160 years ago. Long distance relationships are now aided by instant messages and wireless internet access, even in some of the most remote locations.

Alongside this, we continued to place a high value on face-to-face meetings and time spent with partners and the communities they serve. Staff and trustees conducted 19 visits during the year to engage and deepen our understanding, through listening and standing in solidarity. This enabled Embrace to be an effective partner and supporter of Middle East Christians engaged in service to people in need through **healthcare, education and community development** work.



“Because of you, we have provided families with clean, dry and safe and secure places to stay, helping bring dignity to people living in really difficult situations. Thank you.”

Dani El Tayar, National Director of Habitat for Humanity, Lebanon

“The money you have given us is life-saving. We are able to stretch your gifts to help as many people as possible! We feel your money is especially blessed - thank you!”

Nadia, Head of Programmes, healthcare clinic in Lebanon



In 2018, we supported 50 organisations to implement 48 multi-year projects and 26 short-term projects. This resulted in an annual investment of £2.7m directly to partners and beneficiaries, maintaining the growth in grants we have made during this strategic period (2016–20).

Below are a few highlights of our impact.

Responding to crises

Our investment in healthcare for people in crisis continued throughout 2018. **We extended support to essential health programmes in Gaza by adding a new partner**, and increased our giving to a high of almost £330,000. The cessation of US funding for Palestinian partners across East Jerusalem, the West Bank and Gaza increased pressures on already burdened and underfunded services. Embrace responded to this challenge by reaffirming support to long-standing partners (Al Ahli Hospital and the Near East Council of Churches) and supporting Caritas in Gaza for the first time since 2015. Without the support of international partners like Embrace, many essential services would have had to scale back or close.

The Caritas mobile medical teams served **communities with little or no access to healthcare**, many with

family members who were injured during The Great March of Return demonstrations. Thousands of ordinary Palestinians were swept up in peaceful weekly demonstrations and occasional acts of violent protest, which drew a harsh response. The resulting gunfire from the Israeli Defence Force left hundreds injured. Caritas mobile teams reached almost 1,000 patients each month, addressing critical needs and providing referrals for those in need of life-saving treatment.

The situation in Gaza remained dire, with little sign of the tensions between Hamas and Israel abating or any resolution to the 11-year blockade in sight. **Food price increases and stubbornly high unemployment, both exacerbated by the blockade, meant many families in Gaza remained reliant upon humanitarian aid to survive.** As a result, medical services reported an increase in malnutrition and related conditions, which placed even more pressure on already hard-pressed families.

The excellent Well-baby programme, run by the Near East Council of Churches, screened **13,100 babies for anaemia and malnutrition and treated almost 2,000 infants and young children.**

Healthcare

As well as inside Gaza, healthcare was a priority across all our country programmes. Vital projects included mother and child health in the West Bank, support to African refugees in Cairo, increased support to Syrian refugees and poor members of Lebanese host communities in Beirut, and to families and elderly people living in Aleppo, Syria.

In Lebanon, two partners ran clinics providing vital medical and social services to at-risk families. Teams of social workers in two of Beirut's most deprived areas **targeted families facing multiple challenges including spiralling debt, poverty and poor living conditions.** Many of the Syrian families served by these partners are refugees who have been forcibly displaced and have experienced the horrors of war first hand. By subsidising medical expenses, Embrace helped patients at high-risk to access hospitals, medication and medical tests. More than 500 patients were given essential treatment and follow-up care that, otherwise, they would not have been able to afford.

Medically trained social workers were able to advocate on behalf of the community, teaching them about their rights and how to access medical services and insurance schemes.

“What Middle East Christians need is help to build citizenship, equality, education, to reconstruct towns and villages. We need help to become visionaries, builders of the future, beyond the darkness of the present moment.”

Dr Souraya Bechealany, Secretary General of the Middle East Council of Churches

Dr Souraya Bechealany (second right) at the Embrace Parliamentary reception with, from left, Rt Rev Michael Langrish, Timothy Radcliffe OP, Bishop Thomas of the Coptic Orthodox Church and Embrace CEO Tim Livesey



Our impact in 2018 continued

Mental healthcare was a much-needed innovation and was delivered as part of these two projects and elsewhere. Many families supported by our partners have lived through conflict, trauma or crushing poverty. Raising awareness about mental health within these vulnerable communities is increasingly necessary. Partners are promoting mental well-being, parenting skills and anger management through counselling and individual therapy. Ten holistic healthcare projects across Lebanon, Egypt, the West Bank and Gaza served women, children and men providing tools to help them deal with complex challenges including Post Traumatic Stress Disorder (PTSD), depression and relationship breakdown.

Community Development

On the outskirts of Alexandria, the Diocese of Egypt's EpiscoCare delivered the second year of a broad holistic project covering formal education, literacy for women, mentoring for girls, nursery care, microloans, financial education, family health and home renovation.

These activities at the EpiscoCare centre focussed on low-income families, many of whom live in slums. They supported individuals and families

to develop new skills and to foster a sense of community. Young people were also encouraged to volunteer at community activities. Over 350 people benefitted directly from this holistic programme, including 160 children who were tested for ringworm of whom 70 needed treatment. Without the support from EpiscoCare, this common and easily treated condition would have been left unchecked, causing needless blisters and infection and preventing children from being able to go to school.

In Upper Egypt, in the south of the country, 120 women gained an education and say their well-being and family life improved through attending Think and Do's Life School programme. The women enrolled in 2018, all high school dropouts who married before completing their education, were able to make great strides to finish their basic education. They gained new life skills that improved the health and well-being of both them and their families (including nutrition, hygiene and health and safety in the home) and had a positive impact on their local community.

Life School teaches basic life skills that most people take for granted. The female students learnt how to read, write and do simple maths.

Women who were previously illiterate are now able to read signs, street names and the instructions on medication. They are able to check their household bills and use their newfound skills in the market when buying or selling goods.

Education

Our partnership with the **Helen Keller School**, under the leadership of the Custody of the Holy Land, continued to develop successfully into its third year. The school provides blind and partially-sighted children, who are unable to attend mainstream schools, with high quality education and care. The school is highly regarded in the local community. It developed kindergartens for children in Beit Hanina, Jerusalem; just one example of the education and rehabilitation work Embrace partners provide to children with a range of special learning needs and disabilities.

Our school bursary scheme continued to flourish as it supported access to education for children across East Jerusalem, the West Bank and Gaza who are unable to afford school fees. **Through Embrace funds, 691 disadvantaged Palestinian families received bursaries,** ensuring their children received high quality education.



“We believe in each child's capacity, we believe in integration, we believe that each child can reach an objective, succeed and be well integrated in society.”

Nayla Abi Abtoun,
Director of Elementary
Education, Al-Kafaat,
Lebanon

“I can sign
my own
name now!”

Demiana, Life School
student, Egypt



Capacity development

We continued to fund targeted **capacity building** initiatives, supporting 11 projects to a total of £188,000.

We supported the renovation and adaptation of a new centre for Zvartnotz in Bourj Hammoud, Beirut. After many years of using shared facilities ill-suited to the needs of the children and young people with disabilities, Zvartnotz secured a building that will be their home for many years to come. Embrace was first to support their bold plan and they have built on our seed money to complete a purpose-refurbished building.

Our desire to support **long-term approaches to healthcare** is perfectly demonstrated by our support of a new nursing school in Menouf, Egypt.

Since its inception in 2017, Embrace supported the Anglican Diocese in Egypt to pioneer a nursing school at Harpur Memorial Hospital. After initially supporting construction, in 2018 Embrace funds provided internal fittings for the new nursing school and accommodation block.

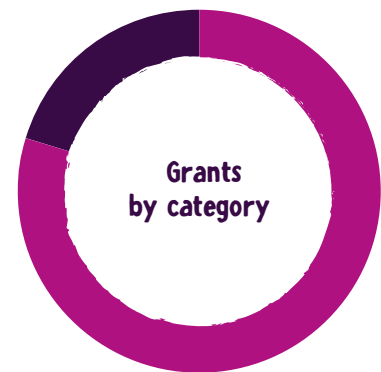
This has enabled more students to attend as well as opening new study areas and accommodation for trainers and students.

Expansion

2018 was the beginning of our journey into Iraq. Towards the end of the year, we conducted two visits to establish connections with potential partners. Travelling widely across the Kurdish region from Erbil to Dohouk, and across the Nineveh Plains, we identified our first Iraq-based partner CAPNI (Christian Aid Program Nohadra-Iraq) with whom we will work in 2019.

Advocacy

The year has seen a marked development in the focus and range of our advocacy, in particular in respect of Parliament. A highly successful advocacy event, attended by Members of both Houses as well as policy advisers from Whitehall and Westminster, was held in the State Apartments of Speaker's House in June. This was followed in November by a party of MPs, led by Dame Caroline Spelman and facilitated



Multi-annual	£2,143k
Short-term	£540k
Grand total	£2,683k

by Embrace, visiting the Holy Land, to see the situation there through the eyes of our Christian partners. In December a special service of celebration in Westminster Abbey for the witness of Christians in the Middle East attracted two thousand people. Embrace was delighted to work with the Dean and Chapter to make the service such a significant event.

“We appreciate your help and your support, without which refugees would not be getting the help they need. Because of your support we look after mums before, during and after their births, and then look after them and their babies.”

Dr Eman, Medical Director,
Refuge Egypt



“Since the day I left school, my life was in the house. Now, it is really different, I feel stronger and more confident. I started to dream beyond the walls of my house. I have plans and I feel more confident.”

Mazia, who is learning craft skills in Lebanon

Priorities for 2019

Our plans for 2019 are based on our strategic plan for the period 2016 to 2020, *Faith in Action: Partnering with Middle East Christians*. A copy of the plan is available from the Charity's head office or can be downloaded from our website 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 charity operation.

Delivering these key objectives in 2019 we will:

1. **Support** medical projects that serve vulnerable and marginalised communities, providing them with access to essential healthcare and health education.
 - In Gaza and the West Bank with mothers and children.
 - In Lebanon with Syrian refugees and the urban poor.
 - In Egypt with African refugees.
2. **Work** with children who are at risk of being excluded from education because of their special educational needs, gender or conflict, providing access to classes and learning support.
 - In Egypt, Lebanon and Israel provide support for girls at risk.
 - In the Occupied West Bank support education for children from some of the poorest families.
 - In Egypt and Lebanon through special education provision.
3. **Respond** effectively to people affected by crisis.
 - Provide support for immediate humanitarian needs.
 - Provide assistance for families impacted by long-term displacement from their homes.
4. **Establish new partnerships in Iraq**, starting work on at least three projects in the north of the country.
 - Provide support to currently displaced people and those who have now returned home, to re-establish their lives.
5. **Support local partners to develop**, providing targeted capacity-building assistance and encouraging learning across organisations.
 - In Egypt through a safeguarding community of practice.
 - In the Occupied Palestinian Territories (West Bank and Gaza) and Egypt through organisational development grants.
6. **Increase the impact of our advocacy work.**
 - Raise Embrace's profile among Parliamentarians and decision makers in Whitehall.
 - Continue to provide expert advice to the Foreign Office review of the persecution of Christians.
 - Deepen the engagement of UK churches with Middle East Christians.
 - Raise awareness of human rights violations resulting from the occupation of the Palestinian Territories including child detention, restrictions on freedom of movement and the blockade of Gaza.
7. **Become a stronger, more effective organisation.**
 - Achieve a voluntary income of £4m – a 5% increase on the 2018 target.
 - Continue to invest in staff learning and development.
 - Complete the CRM (supporter database) upgrade.

Practical experience forms a large part of the nurses' training course.

‘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 Nursing school



In a quiet room in the middle of the bustling Harpur Memorial Hospital in Menouf, 10 young women listened intently as their teacher explained the body's nervous system.

They were the first class to enrol at the new Harpur Nursing School, which will provide top-quality nursing training and produce highly skilled staff for this hospital and others like it. The nursing school would not exist without the support of funders including Embrace.

Nursing is an undervalued profession in Egypt; the majority of people doing the job do not have any formal training and have picked up a few skills through experience. Harpur Memorial Hospital is changing that by providing a modern nursing course that includes detailed education about anatomy, pharmacology and patient care.

Unlike the ineffective rote-learning at the heart of the Egyptian school system, the students are going through a rigorous teaching programme with regular testing to ensure they deliver the very best nursing care possible.

The new nursing school will ensure local people get the healthcare they deserve. And the nurses will be able to earn more and find huge satisfaction in their jobs!



Young women are getting high quality nursing training, better than they've ever had before!

Financial review of 2018

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

Income

Total income received in 2018 was £6.6m (2017: £7m) – another very strong year for the Charity. The headline £0.4m reduction is due to lower donations and legacies.

Donation income (donations to the Charity excluding legacy income) totalled £4,875k in 2018, a reduction of £219k on 2017. This figure for 2018 includes a final donation of £2,153k (2017: £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 grew by £176k/6.5%, an excellent outcome against the backdrop of a challenging fundraising environment. Within this we saw a £130k increase in income from charitable trusts which included a donation of £100k. Our appeals continue to deliver more money than in previous years, although at a slower rate of growth, and Alternative Gift donations through our Trading subsidiary grew by an excellent 10% in 2018.

Following on from five years of continuous growth our Trading subsidiary turnover for 2018 was 9% lower than 2017. We believe this reflects a difficult trading environment and a decline in the circulation of Christian media on which the marketing of the catalogue depends. In 2018 a re-design of the catalogue, which included more information and much stronger branding for the Charity, resulted in it breaking records for the amount of income it delivers to the Charity. It does appear that some of the spend that would previously have gone to Trading turnover has been shifted to the purchase of charity Alternative Gifts, with a £34k reduction in trading sales offset by a £29k increase in charity 'sales'.

Legacy income continues to be significant with £1,269k received in 2018 which is £168k lower than 2017, but still significantly above average legacy income over the last five years.

Expenditure

Total expenditure during 2018 amounted to £5.0m (2017: £5.0m) and within this grant spend declined slightly to £2,683k (2016: £2,732k) reflecting foreign government delays in approving one of our projects and later phasing of our activity in Iraq.

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

Charity expenditure (excluding grants) in 2018 was £1,949k (2017: £1,910k) with the increase mainly arising in staff costs with a number of roles recording a full year of 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, we also recognise the need to invest in both staff and infrastructure to improve operational capacity and effectiveness in resourcing the Charity for mission today and in the future.

Balance sheet

The Charity including the trading subsidiary continues to have a strong balance sheet ending 2018 with total funds of £9,117k which is £1,489k higher than 2017 (£7,628k) due to the surplus for the year, partly offset by a reduction in the value of our investments.

General unrestricted reserves, those available for use in accordance with our charitable objects, totalled £1,802k at the end of 2018, an increase of £199k from the 2017 year-end figure of £1,603k. The increase in general unrestricted reserves is much lower

Embrace the Middle East would like to acknowledge the generosity of the following charitable organisations during 2018:

- The Mosawi Foundation
- The St Clare & St Francis Trust
- The Jerusalem Trust
- The Bernard Sunley Charitable Foundation
- The Hillier Trust
- The World Day of Prayer

than the overall increase in funds mainly due to the designation for projected deficits increasing to £2,863k from £1,339k in 2017, which reflects a desire to maintain a high level of grant spend whilst also continuing to invest in the growth of the charity.

Reserves and investment policy

Trustees keep the Charity's reserves policy under regular review. 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 2017. This is summarised as follows:

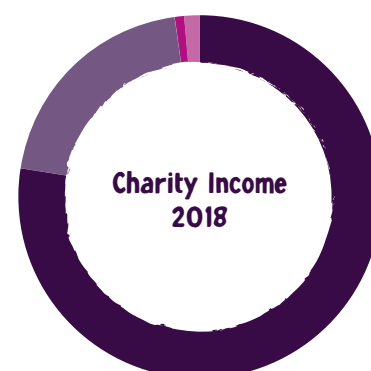
'Mindful of their responsibility to spend the Charity's funds in fulfilment of the Charity's objects and in a timely manner, but also to build the Charity's resilience to unforeseen and detrimental hazard or risk, the trustees of Embrace the Middle East have determined that for the foreseeable future 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 2019–20 (£2,850k), for our ongoing grant commitments to the Helen Keller School to 2021 (£489k), for projected deficits from 2019 (£2,863k) and for fixed assets (£975k).

At the end of 2018 the audited figure for free reserves was £1,802k, approximately equal to five months of budgeted income and consistent therefore with the charity's revised reserves policy.

During 2018 we took action to increase our investment portfolio in order to improve the financial resilience and sustainability of the Charity.



● Donations	£4,875k
● Legacies	£1,269k
● Investment income	£60k
● Other	£71k
Grand total	£6,275k



● Grants	£2,683k
● UK Staff	£1,165k
● Overheads	£784k
Grand total	£4,632k

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 Iraq.

We raise funds in the UK to support this work, primarily through a large body of individual donors but also through a number of generous trusts. These funds are used to support our partners and their work through short-term and multi-annual grants. As part of our commitment to long-term partnership non-financial assistance may also be provided, including capacity building and advocacy for positive change for the poor and marginalised, as well as facilitating encounters between UK Christians and our partners and beneficiaries.

While the charity works exclusively through Christian-led agencies in the Middle East, the faith identity of beneficiaries is never the issue: we and our partners seek to support those in most need, regardless of faith.

Trustees confirm that in agreeing the objectives and planned activities of the Charity in 2018, 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. Trustees who served during 2018, and up to the date of this report, are listed under 'Who we are' on page 16.

In 2018 the Governance and Resources, and Programmes and Public Engagement Committees each met on three occasions and the Officers and Chairs Committee on four occasions.

The Board met four times during the year – in March, June, September and December.

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) 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, were agreed by the Board, 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 are selected on the basis that they have the professional skills and experience required for 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, up to a maximum of nine years.

The Articles of Association of the Charity requires all trustees to be practising Christians. The maximum number of trustees is set at 12, with provision for an additional two co-opted trustees if required to fill skills gaps. Since the publication of the last annual report two trustees have stood down and two have been appointed with the gender balance of the Board unchanged.

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. Typically training is focused on good governance, legal and financial compliance and safeguarding.

Trustees are expected to make a familiarisation visit 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 three trustee visits at a cost to the Charity of £4k (2016: £4k).

Management and 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 a framework, and a specified Scheme of Delegation, set by the trustees. Led by a Chief Executive, the senior leadership team includes a Director of Fundraising and Marketing, a Director of Programmes and Partnerships, and Heads of Finance, Human Resources and Information Systems and Security. Members of the senior leadership team and other senior staff members may 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, Tim Livesey) provides overall strategic leadership, human resource (working alongside Lucy Insua) 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, digital communications and 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, grants programme and advocacy.
- 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 Clayton Ndoro) is responsible for information technology, 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 and Marketing, the Director of Programmes and Partnerships, and the Heads of Information Systems and Security, Finance and HR. The total employee benefits of the Senior Leadership Team in 2018 were £354k (2017: £311k). The increase is mainly due to a full year of the Chief Executive, the Head of Information Systems and Security and the Human Resources 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, pay and benefits are determined by the Chief Executive, subject to an overall budget agreed by trustees.



“I would like to thank all Embrace the Middle East supporters who help us and the people of Gaza. What you are doing for our people is something we will never forget. You are working for the people who are having such a hard time. You are not only a supporter, but you are also our partner. Thank you very much.”

Dr Maher, the Medical Director of Al Ahli Hospital in Gaza

Our charitable objectives and our organisational structure continued

In 2018 the Charity undertook a fundamental review of its safeguarding policy and practice. New codes of conduct for all staff, volunteers and third parties coming into contact with partners, or their beneficiaries, were agreed, along with a new policy and framework for the reporting of concerns or suspicions of abuse, neglect or malpractice. A Safeguarding Committee comprising staff from all parts of the Charity, including – but operationally independent of – senior management, responsible for advising on all matters related to safeguarding best practice, and the adjudication of cases of concern referred to it, has been established. The Chair of that Committee is the Charity's designated Safeguarding Officer. The Committee meets regularly, or as required, and reports directly to the CEO and the trustees, or if circumstances dictate direct to the Chair or Vice Chair of Trustees.

The new safeguarding policy and reporting mechanism is currently being professionally reviewed by Keeping Children Safe of which the Charity is an associate member. As a charity, Embrace the Middle East aspires to the highest standards of safeguarding in line with its ethos and values. Safeguarding policy and practice is a key element in our due diligence process with regard to partners and, where appropriate, an area where we offer capacity building support and advice through our safeguarding partner, Aviv. The trustees are clear about their statutory responsibilities with respect to safeguarding, and remain abreast of the Charity Commission's ongoing concerns in this area of governance.

A copy of the Charity's safeguarding policy is available on the website embraceme.org/safeguarding.

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 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 protection of the Charity's data, 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 2018:

Embrace the Middle East is registered with the Fundraising Regulator and adheres strictly to their Code of Fundraising Practice and all legal obligations. In 2018 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 2018 Embrace did not contract the services of any professional fundraisers as defined by section 58 of the Charities Act 1992.

During the course of 2018 we received 36 complaints about our fundraising practice (2017:20) 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.

South Lebanon is effectively cut off from the rest of Lebanon. Villages there are particularly poor and isolated, and some have a dismal women's rights record, but 24-year-old Zahrah is determined to change that.

There are no businesses in the village where she lives – not even a grocery store – and few children get an education as there is no secondary school.

'My village is very poor,' Zahrah said, 'and the people are very conservative. Many don't allow girls out – for work, or school. This is what I most want to change!'

Security concerns and the need to obtain travel permits make it difficult for aid agencies to operate in the region. But because of your support, one of our Christian partners used their local knowledge and contacts to set up a self-reliance project for women.



‘You’re the only ones doing these things for us. 9

For Zahrah, a self-reliance project, led to a new career and a desire to improve the lives of other women and girls. Women attend life and job skills classes, and their chance of getting a job goes up! The training also builds their confidence and awareness of their rights.

Zahrah was keen to sign up, and has enjoyed everything the project has to offer:

'I like the English language classes, the computer skills, the craft workshops – everything! There is nobody else doing these things for us. But most of all, my self-esteem has gone up because of all that I have learnt through this project.'

The team were so impressed with Zahrah they gave her a job. Because she is a trusted member of the community she has helped girls get into school.

Zahrah has big plans for the future. She is studying Early Childhood Studies and wants to set up a kindergarten to offer the childcare that would help so many other women to get jobs too.

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*)

Madeleine Davies

Stephen P Dengate (*Treasurer until April 2019 when his term concluded*)

Alanna Harris (*until April 2019 when she stepped down*)

Dr Kathryn Kraft

Dr Brian McGucken (*until March 2018 when his term concluded*)

John Mitchell (*from April 2019*)

Ben Morgan (*from September 2018*)

John Neate (*Chair of Programmes and Public Engagement Committee*)

Mary Smith (*co-opted from December 2017 and a full Board member from April 2019*)

Victoria Smith (*from April 2019; Treasurer from the same date*)

Mariam Tadros

Gareth Williams (*Chair of Governance and Resources Committee*)

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

Tim Livesey (*Chief Executive Officer and Company Secretary*)

Jamie Eyre (*Director of Programmes and Partnerships*)

Nigel Varndell (*Director of Fundraising and Marketing*)

Jim Buckley (*Head of Finance*)

Lucy Insua (*Human Resources Manager*)

Peter Jones (*Head of IT and Systems until January 2019*)

Clayton Ndoro (*Head of Information Systems & Security*)

Registered office

24 London Road West
Amersham
Buckinghamshire
HP7 0EZ

Auditors

Wilkins Kennedy Audit Services
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 2019 and signed on its behalf by:

Canon Anthony Ball
Chair of Trustees



“ On December 9th, 2018 we opened the new nursing school building. Our girls were so excited! This building we know represents more than just a space - it represents a place where people will be empowered through education, where lives will be changed by the grace of God! ”

Staff member 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 2018 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 2018, 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: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 Audit Services

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

Consolidated Statement of Financial Activities

For the year ended 31 December 2018 (incorporating an income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income:					
Donations and legacies	3	4,477	1,667	6,144	6,531
Charitable activities	3	48	–	48	45
Trading activities	2	367	–	367	402
Investments		60	–	60	56
Other income		23	–	23	11
Total income		4,975	1,667	6,642	7,045
Expenditure:					
Cost of fundraising	4	1,222	–	1,222	1,191
Trading activities	2	369	–	369	383
Investment management		17	–	17	16
Charitable activities	3	1,769	1,624	3,393	3,435
Total expenditure		3,377	1,624	5,001	5,025
Net gains/(losses) on investments	10	(152)	–	(152)	154
Net Income/(Expenditure) on operations		1,446	43	1,489	2,174
Net movement in funds		1,446	43	1,489	2,174
Reconciliation of funds:					
Total funds brought forward		7,563	65	7,628	5,454
Total funds carried forward		9,009	108	9,117	7,628

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

All income and expenditure derive from continuing activities.

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

Consolidated Statement of Financial Activities

For the year ended 31 December 2018 (incorporating an income and expenditure account)

2017 SOFA for comparative purposes	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2017 £'000
Income:				
Donations and legacies	3	5,130	1,401	6,531
Charitable activities	3	45	–	45
Trading activities	2	402	–	402
Investments		56	–	56
Other income		11	–	11
Total income		5,644	1,401	7,045
Expenditure:				
Cost of fundraising	4	1,191	–	1,191
Trading activities	2	383	–	383
Investment management		16	–	16
Charitable activities	3	1,881	1,554	3,435
Total expenditure		3,471	1,554	5,025
Net gains/(losses) on investments	10	154	–	154
Net Income/(Expenditure) on operations		2,327	(153)	2,174
Net movement in funds		2,327	(153)	2,174
Reconciliation of funds:				
Total funds brought forward		5,236	218	5,454
Total funds carried forward		7,563	65	7,628

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

All income and expenditure derive from continuing activities.

Consolidated and Charity Balance Sheets

As at 31 December 2018

	Note	2018 Group £'000	2017 Group £'000	2018 Charity £'000	2017 Charity £'000
Fixed assets					
Tangible assets	9	975	950	975	950
Investments	10	2,128	1,904	2,129	1,905
		3,103	2,854	3,104	2,855
Current assets					
Stocks		29	56	–	–
Debtors: amounts falling due within 1 year	11	86	297	79	269
Cash at bank and in hand		6,292	4,797	6,198	4,741
Investments					
		6,407	5,150	6,277	5,010
Creditors					
Amounts falling due within 1 year	12	(393)	(376)	(293)	(269)
Net current assets		6,014	4,774	5,984	4,741
Net assets		9,117	7,628	9,088	7,596
Funds					
Restricted funds	17	108	65	108	65
Designated funds	16	7,177	5,928	7,177	5,928
Reserves available for charitable purposes		1,802	1,603	1,803	1,603
Non charitable trading funds	2	30	32	–	–
Total funds	15	9,117	7,628	9,088	7,596

The financial statements were approved by the Board of Trustees on 27 June 2019 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 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities:			
Cash generated from operations	19	1,860	1,663
Net cash from operating activities		1,860	1,663
Cash flows from investing activities:			
Income from investments		60	56
Purchase of property, plant and equipment		(49)	(19)
Purchase of investments		(596)	(259)
Proceeds from the sale of investments		220	181
Net cash from investing activities		(365)	(41)
Increase in cash and cash equivalents		1,495	1,622
Cash and cash equivalents at beginning of year	20	4,797	3,175
Cash and cash equivalents at end of year	20	6,292	4,797

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 and updated for Bulletin 1&2.

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 (SOFA).

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 2018

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 2018 is shown below:

Summary profit and loss account

	2018 £'000	2017 £'000
Turnover	367	402
Cost of sales, administrative expenses and tax	(369)	(380)
Tax	–	(3)
Profit/(loss) for the year after tax	(2)	19

Summary balance sheet

	2018 £'000	2017 £'000
Current assets		
Stock	30	57
Debtors	43	28
Cash	94	55
	167	140
Creditors falling due within one year	137	107
Net current assets	30	33
Called up share capital	1	1
Capital redemption reserve	8	8
Profit and loss account	21	24
Shareholders' funds	30	33

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

3 Charitable activities

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

		Total 2018 £'000	Total 2017 £'000
Income			
Donations	Unrestricted funds	3,474	3,890
	Restricted funds	1,401	1,204
Legacies	Unrestricted funds	1,003	1,240
	Restricted funds	266	197
Other income		48	45
Total charitable income		6,192	6,576
Grants paid		2,683	2,732
Charitable activities		710	703
Total charitable activity expense		3,393	3,435
Net surplus/(deficit) for the year		2,799	3,141
Surplus on charitable activities		2,799	3,141

	Total 2018 £'000	Total 2017 £'000
Reconciliation to SOFA		
Total charitable income as above	6,192	6,576
Trading activities income	367	402
Investment income	60	56
Other income	23	11
Total Income as SOFA	6,642	7,045

	Total 2018 £'000	Total 2017 £'000
Total charitable activity expense as above	3,393	3,435
Cost of fundraising	1,222	1,191
Trading activities expenditure	369	383
Investment management expenses	17	16
Total expenditure as SOFA	5,001	5,025

4 Analysis of expenditure

Category	Direct staff costs £'000	Direct costs £'000	Support costs £'000	Total 2018 £'000	Total 2017 £'000
Cost of generating funds	396	456	370	1,222	1,191
Charitable activities					
Information and education	83	34	86	203	206
Grants to partners	–	2,683	–	2,683	2,732
Other support to partners	243	39	225	507	497
Total charitable activities	326	2,756	311	3,393	3,435
Total costs of the charity	722	3,212	681	4,615	4,626
Trading company	37	332	–	369	383
Investment management	–	17	–	17	16
Total group costs	759	3,561	681	5,001	5,025

The £681k (2017: £725k) of support costs, which includes Governance costs of £125k (2017: £137k), have been allocated across the categories based on time spent.

Support costs includes £382k (2017: £284k) of staff costs which reflects a full year of Chief Executive, Head of Information Systems and Security and HR manager and full capacity across a number of teams including Supporter Care, IT and Finance.

The balance of support costs includes £52k for establishment/premises costs (includes; insurance, power, water, rates, repairs and maintenance and waste collection), IT systems/support and equipment £35k, office and communication costs £33k (includes: telephone, supplies, photocopying and postage), bank charges £16k, one off currency revaluation charge of £14k, life cover costs £9k, recruitment costs £8k and training costs £7k.

Governance costs of £125k comprise £61k of staff costs, an allocation of £38k of support costs, £19k of audit costs and £7k for trustee meeting and travel expenses.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

5 Details of grants we paid to our partners

	2018 £'000	2017 £'000
Egypt		
Anafora	21	21
BLESS (Coptic Orthodox Bishopric, Ecumenical & Social Services)	107	87
CEOSS (Coptic Evangelical Organisation of Social Services)	–	55
Christian Medical Fellowship	13	11
Episcocare	86	71
Fairhaven School	15	15
Habitat for Humanity	–	20
Harpur Memorial Hospital	45	18
Multi-partner	–	10
Refuge Egypt	63	60
Salaam Center	45	57
Shams El Birr	15	15
The Deaf Unit	23	15
Think & Do	151	99
Total of Egypt	584	554
Lebanon		
Al Kafaàt	135	160
Beit El Nour	26	24
Cedar Home	–	10
DI	10	56
Habitat for Humanity	97	42
Ecumenical Relief Services (formerly ICNDR)	53	53
Karagheusian	22	51
Johan Ludwig Schneller School	18	14
Joint Christian Committee	55	65
Learning Centre for the Deaf	36	35
Lebanese Society for Social Education and Development	121	155
Pontifical Mission for Lebanon	52	89
Tahaddi	46	–
Zvartnotz Centre	35	17
Total of Lebanon and Syria	706	771

	2018 £'000	2017 £'000
Palestine and Israel		
Al Ahli Arab Hospital	153	97
Arab Evangelical School	5	5
Aviv Ministries	21	21
Bethany Girls School	34	–
Bethlehem Arab Society for Rehabilitation	41	63
Bursary Scheme (Secretariat of Solidarity)	125	120
Caritas Jerusalem	52	27
East Jerusalem YMCA	113	83
Four Homes of Mercy	58	58
Helen Keller School	283	367
International Christian Committee in Israel	23	23
Joint Advocacy Initiative	35	31
Musalaha	22	22
Nazareth School of Nursing	17	20
Near East Council of Churches	81	112
Palestinian Bible Society	58	55
Pontifical Mission of Palestine	128	157
Princess Basma Centre	52	61
Rawdat	12	12
SIRA School	12	12
Society of St Yves	31	24
St Luke's Hospital	25	25
Talitha Kumi	12	12
Total of Palestine and Israel	1,393	1,407
Grand Total	2,683	2,732

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

6 Net incoming/(outgoing) resources

	Year ended 2018 £'000	Year ended 2017 £'000
Net resources are stated after charging:		
Auditors' remuneration	21	21
Depreciation – owned assets	24	28
Staff pension contributions	152	111
Services provided by the Charity's auditor during the year:		
Audit of the Charity and consolidated financial statements	14	14
Audit of the Trading subsidiary incl provision of annual report and accounts	5	5
Corporation tax calculation for Charity and Trading subsidiary	2	2
	21	21

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 necessary travel expenses incurred by trustees. The total of these expenses was:

	2018 £'000	2017 £'000
Trustee travel expenses	7	16

The key management personnel of the charity comprise the trustees, and the Senior Leadership Team comprising the Chief Executive, the Director of Fundraising and Marketing, the Director of Programmes and Partnerships, and the Heads of Information Systems and Security, Finance and HR.

The total employee benefits of the Senior Leadership Team in 2018 were £386k (2017: £343k) with the increase mainly due to a full year of the Chief Executive, Head of Information Systems and Security and 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, pay and benefits are determined by the Chief Executive, subject to the overall budget agreed by the trustees.

8 Staff Costs

	2018 £'000	2017 £'000
Wages and salaries	962	830
Social Security costs	88	77
Pension plan contributions	152	111
	1,202	1,018

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

	2018	2017
UK management staff	5	5
UK administrative staff	31	25
	36	30

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

	2018	2017
£60,000 – £70,000	–	1
£70,000 – £80,000	1	1
£90,000 – £100,000	1	–

9 Tangible fixed assets

Group

	UK freehold property £'000	Jerusalem freehold Property £'000	Fixtures and fittings £'000	Computer related £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 January 2018	968	–	119	159	–	1,246
Additions	–	–	–	14	35	49
At 31 December 2018	968	–	119	173	35	1,295
Depreciation						
At 1 January 2018	68	–	81	147	–	296
Charge for the year	10	–	8	6	–	24
At 31 December 2018	78	–	89	153	–	320
Net Book Value						
At 31 December 2018	890	–	30	20	35	975
At 31 December 2017	900	–	38	12	–	950

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

9 Tangible fixed assets continued

Charity

	UK freehold property £'000	Jerusalem freehold Property £'000	Fixtures and fittings £'000	Computer related £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 January 2018	968	–	118	159	–	1,245
Additions	–	–	–	14	35	49
At 31 December 2018	968	–	118	173	35	1,294
Depreciation						
At 1 January 2018	68	–	80	147	–	295
Charge for the year	10	–	8	6	–	24
At 31 December 2018	78	–	88	153	–	319
Net Book Value						
At 31 December 2018	890	–	30	20	35	975
At 31 December 2017	900	–	38	12	–	950

10 Fixed asset investments

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Market value as at 31 December 2017	1,897	7	1,904
Additions	596	–	596
Disposals	(220)	–	(220)
Revaluations	(151)	(1)	(152)
Market value as at 31 December 2018	2,122	6	2,128
Historical cost of the investments were:			
31 December 2017	1,430	2	1,432
31 December 2018	1,854	2	1,856

Charity

	Listed investments £'000	Unlisted investments £'000	Holding in trading company £'000	Total £'000
Market value as at 31 December 2017	1,897	7	1	1,905
Market value as at 31 December 2018	2,122	6	1	2,129

Listed investments were comprised of the following:

	2018 £'000	2017 £'000
UK equities	1,117	1,015
UK bonds	410	305
Property	85	–
Far East and Australasian equities	91	46
North American equities	169	174
European equities	68	86
Emerging economies	25	19
Other investments	157	252
Total	2,122	1,897

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

	Market value at 31 December 2018 £'000	Market value at 31 December 2017 £'000
UK 2.5% Gilt 17/07/24	128	128
HICL Infrastructure ORD	–	95

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

11 Debtors: amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade debtors	24	59	21	31
Other debtors	29	199	28	199
Prepayments	33	39	30	39
Total	86	297	79	269

12 Creditors: amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	137	154	48	54
Amount due to group undertaking	–	–	16	34
Social security and other taxes	45	57	27	26
Other creditors	7	4	6	3
Accruals	204	161	196	152
Total	393	376	293	269

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

13 Accrued grants

	2018 £'000
At 1 January 2018	107
New grants committed (note 5)	2,683
Grants paid in year	(2,643)
At 31 December 2018	147

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 £150k, (period to 31 December 2017 £109k). There were £4k of contributions outstanding at 31 December 2018 (period to 31 December 2017 £0k).

15 Analysis of net assets between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	2018 total funds £'000
2018				
Fixed assets	–	975	–	975
Investments	2,128	–	–	2,128
Current assets	97	6,202	108	6,407
Current liabilities	(393)	–	–	(393)
	1,832	7,177	108	9,117

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

16 Designated funds

	As at 1 January 2018 £'000	New Designations £'000	Designations released £'000	As at 31 December 2018 £'000
2018				
Fixed Assets ¹	950	25	–	975
Programme Fund ²	2,850	–	–	2,850
Helen Keller School Grants ³	789	–	(300)	489
Projected Deficits ⁴	1,339	1,524	–	2,863
	5,928	1,549	(300)	7,177

Fixed Assets

- 1 Trustees have resolved to designate funds to the value of £975k 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 £489k to reflect the current sterling value (at an exchange rate of 4.8 New Israeli Shekels to the £) of the Charity's grant commitments to the Helen Keller School for the three years from 2019 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 have designated funds to cover projected operating deficits 2019–2025. Current projections for achievable income growth and a small annual increase in grant spend over the period would allow the Trustees to maintain the Charity's reserves within the target of one to six months of budgeted income and plan for a balanced budget being achieved by 2025.

	As at 1 January 2017 £'000	New Designations £'000	Designations released £'000	As at 31 December 2017 £'000
2017 comparatives				
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 additional investment delivers the anticipated income growth that will deliver income/expenditure breakeven.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

17 Restricted funds

2018

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 2018 £'000	Spending during 2018 £'000	Closing balance £'000
General Funds¹				
Education	–	270	270	–
Health	–	110	110	–
Community development	–	223	123	100
Refugees	–	198	198	–
Special needs and disability	–	26	26	–
Women's education and empowerment	–	–	–	–
Country specific funds	–	546	546	–
Alternative Gifts²	–	24	24	–
Partners working within the following fields³				
Education	46	91	129	8
Health	19	22	41	–
Community development	–	27	27	–
Special needs and disability	–	80	80	–
Other restricted funds	–	50	50	–
Total restricted funds	65	1,667	1,624	108

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

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.

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

2017 comparators

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

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

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.

3 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 2018

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.

	2018 £'000	2017 £'000
Donations received on behalf of the Charity	83	82
Alternative Gifts sold on behalf of the Charity	207	179
Total	290	261

As at 31 December 2018 a net figure of £5k was owed by the Trading company to the Charity.

At the end of 2017 a sum of £34k was owed by the Charity to the Trading company.

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

	2018 £'000	2017 £'000
Surplus on ordinary activities	1,489	2,174
Income from investments	(60)	(56)
Write-off of assets	–	5
Net (gains)/losses on investments	152	(154)
Depreciation charges	24	27
Decrease/(increase) in trade and other debtors	211	(156)
Decrease/(increase) in stock	27	(5)
Increase/(decrease) in trade and other creditors	17	(172)
	1,860	1,663

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:

	31 December 2018 £'000	01 January 2018 £'000
Year ended 31 December 2018		
Cash and cash equivalents	6,292	4,797

	31 December 2017 £'000	01 January 2017 £'000
Year ended 31 December 2017		
Cash and cash equivalents	4,797	3,175

21 Company limited by guarantee

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

22 Post balance sheet events

There were no post balance sheet events.

24 London Road West, Amersham,
Buckinghamshire HP7 0EZ
t: 01494 897950
e: info@embraceme.org

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

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24 London Road West, Amersham, Buckinghamshire HP7 0EZ

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