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EMBRACE
the Middle East



**Annual Report
and Accounts
2012**

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Embrace the Middle East Group (formerly BibleLands)

Registered company number 03706037 (England and Wales)
Registered charity number 1076329

Embrace the Middle East seeks to improve the lives of vulnerable and disadvantaged people in the Middle East. We do this in partnership with local Christians, focusing on education, healthcare and community development.

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A message from the chair of trustees

These are challenging times for many charities in the UK, not least because of the difficult economic climate. Despite these challenges, we set ourselves some ambitious targets at Embrace in 2012 and I am pleased to report that significant progress has been made on a number of fronts. We ended the year in a strong position, with a record level of income and a healthy reserves position. This places us in a unique position to respond generously and quickly to the many problems that afflict the Middle East at this time, and to support our Christian partners as they share the compassion of Christ with those around them who are vulnerable and disadvantaged.

Our year in summary

- The biggest change of the year was that in August we successfully rebranded the charity changing from BibleLands to Embrace the Middle East. As part of our re-launch we re-issued our iconic Bethlehem Carol Sheets as a free church resource, and this has been very successful in bringing the work of the charity to the attention of a wider audience.
- Our programme expenditure remained in line with previous years at just under £1.9 million (including support for the Helen Keller Centre in Jerusalem). We established several new partnerships in the Middle East and overall were able to fund grants to some 50 partners in Egypt, Lebanon, Israel and Palestine. We also responded with emergency relief grants to partners working in Gaza and with Syrian refugees and internally displaced persons.
- Despite a small fall in voluntary income in 2012 compared to 2011, individual donor numbers continued to show growth, albeit at lower average levels of individual giving. This was a pleasing result in a year of considerable change for the charity.
- Our legacy income increased by over £1 million to more than £1.7 million, which enabled us not only to increase our grants programme but also set up a reserve to fund future programmes should legacy income be volatile in future years.
- We continued our planned withdrawal from child sponsorship in Palestine and Lebanon and set up a new £100,000 bursary scheme, focused initially on Palestine only, which will target our support more effectively on the most disadvantaged children.

A more detailed review of our activities and achievements during 2012 and our plans for 2013 are laid out in the remainder of this document.

We remain extremely grateful for the generosity and prayers of our supporters and the faithfulness of our partners in the Middle East.



Rev Brian Jolly
Chair of trustees

TRUSTEES ANNUAL REPORT

The trustees of Embrace the Middle East who are also directors of the Charity for the purposes of the Companies Act 2006 present their report with the financial statements of the Charity for the year ended 31 December 2012. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities' issued in March 2005.

From BibleLands to Embrace the Middle East

In last year's report and accounts we set out the rationale behind the decision of the trustees to change the name of the charity from BibleLands. The major objective in 2012 was the implementation of this decision and in August we formally re-launched as Embrace the Middle East, having advised our supporters, overseas partners and other stakeholders of the change and the reasoning behind it through a series of communications over the preceding months. Change is always difficult and the senior management team took great care to address every concern raised. As a result, the reaction from all our partners and nearly all our supporters was overwhelmingly positive. Most understood the need for change and a fresh image so that our work and that of our partners could continue to flourish.

Our launch at the Greenbelt festival in August was extremely successful, despite the appalling weather conditions. Our new look enabled us to attract the attention and interest of a large number of prospective supporters. Clever use of guerrilla and viral marketing tactics enabled us to maximise our impact and the success of this became apparent when the Greenbelt survey results were released, reporting that almost 54% of the 20,000 festival attendees present were aware of our presence.

By giving away our iconic Bethlehem Carol Sheets in return for an event centred around our work, we were able to engage with over 3,000 churches and organisations, building awareness of the new brand and raising over £90,000 for our partners in Israel and Palestine.

The costs of the rebrand were carefully monitored and controlled throughout the process and the entire costs were covered by the surplus made on the sale of our previous office building. The final total amounted to £140k. We were able to minimise the reprinting costs of the rebrand through a planned run-down of leaflet stocks and by launching in August when many of our resources are routinely updated. The re-launch also coincided with the start of the Christmas trading season both to minimise the branded product wastage and to maximise the overall impact. At the same time we took the opportunity to overhaul our website (www.embraceme.org) which is used by a growing number of potential and existing supporters as well as 34% of our trading customers. The website now offers a more interactive and dynamic experience and is a key part of the drive to increase interest, income and supporter numbers.

The charity in numbers

FIVE YEAR SUMMARY

Year ending 31 December	2008	2009	2010	2011	2012
	£'000s	£'000s	£'000s	£'000s	£'000s
Donations	2 103	2 181	1 869	1 948	1 904
Legacies	554	1 036	783	510	1 778
Investment income	172	115	124	124	122
Local HKC income	188	220	497	316	381
Other	80	17	2	2	32
Total	3 097	3 569	3,275	2 900	4,217

Grants	1 453	1,981	1,632	1 660	1 554
Helen Keller support	619	821	769	878	750
Helen Keller less local income	431	601	272	562	369
UK staff costs	509	531	525	538	586
Other costs	437	448	364	489	667
Total resources expended	3 018	3 781	3,290	3 565	3 557
Net surplus/(deficit)	79	(212)	(15)	(665)	660

Assets as at 31 December	2008	2009	2010	2011	2012
	£'000s	£'000s	£'000s	£'000s	£'000s
Investments	2 374	2 636	2 752	2,633	2 753
Cash at bank and in hand	1,329	1 047	1,595	936	1 593
Other net assets	18	34	947	901	886
Total funds	3 720	3 717	5,294	4 470	5 232

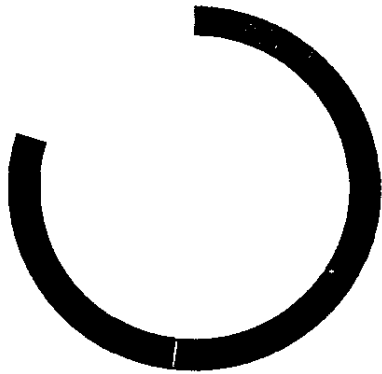
Notes

¹ Actual results to April 2008 and December 2008 restated to a December year end – management estimates

The charity in numbers continued

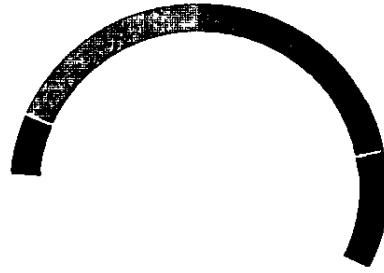
DIRECT CHARITABLE EXPENDITURE BY REGION AND TYPE IN 2012

2012 Grants by region



■ Israel & Palestine	£1 012k
■ Lebanon	£531k
■ Egypt	£379k
TOTAL	£1 922k

2012 Expenditure by type



■ Community Development	£422k
■ Healthcare	£195k
■ Special needs/disability	£423k
■ Education and training	£414k
■ Bursary scheme	£99k
■ Helen Keller Centre	£369k
TOTAL	£1 922k

Financial review

All comparisons to the previous year are based on the annualised numbers in the table on page 03. Figures are expressed in k (thousands) since this is how the accounts are presented.

In summary 2012 was a year of solid financial progress for the Charity. Whilst voluntary income was virtually unchanged from 2011, the generosity of those from whom we received legacies enabled us to make additional unbudgeted grants to our partners in the Middle East and to build up our reserves to respond to future needs.

INCOME AND EXPENDITURE

In 2012 income increased by £1,317k over the level in 2011. That year had been the lowest level of income for five years, whereas the 2012 income level is the highest in recent years. The increased level of income is due to legacy income increasing by £1,268k. Also, income received from the Israeli Ministry of Education for the Helen Keller Centre increased by £62k, so the two areas of potential concern noted in last year's report have improved significantly. Donations fell by £44k, which was just over 2% of the 2011 level. The reasons for this are fully explained below under Fundraising. Rental income of £27k was received following the letting of the ground floor at our office in Amersham.

Expenditure fell by £8k compared to 2011. There was a reduction of £128k in the expenses of the Helen Keller Centre, £81k of which was employment expense due to redundancies following the closure of the boarding section in 2011.

UK staff costs increased by £48k. Of this, £30k was accounted for by staff changes, including the full year costs of two new staff members appointed during 2011. Other costs increased by £178k, of which £140k represented one-off expenditure on the rebrand, details of which are set out below.

BALANCE SHEET

Due to the strong performance of legacy income, there was an increase in total funds of £762k. Much of this increase occurred towards the end of the year and has been held in cash, giving rise to the increase at cash at bank and in hand of £657k. The market value of investments increased, contributing to an increase in investments of £120k. As part of a review of our IT systems, there was an increase in computer-related fixed assets of £56k.

TRADING

Embrace the Middle East Trading is a subsidiary of the Charity whose main business is selling greetings cards and other seasonal and Middle East-related gifts through its Christmas catalogue. The business broke even in 2012, which represents a significant improvement on the previous year's £28k loss. This was achieved as a result of a more focused selection of goods in the catalogue, lower unit costs and the production of a catalogue which was cheaper but more attractively set out. As reported on page 06, the Charity took the decision to use its well-known Bethlehem Carol Sheet as a free church resource rather than selling it as a paid-for item. This decision meant that a significant trading product no longer contributed any profit to the trading company; its contribution in 2011 was £15k. Thus the effective turnaround in the trading result from 2011 was £43k, a very pleasing result.

The Trading catalogue was redesigned to focus more on the work of the Charity. The total of alternative gifts sales and charity donations received through Trading for the Charity was £122k, £32k more than in 2011. With the added benefit of the Trading company generating new contacts for the Charity, the Trading operation was an undoubted success in 2012 and we shall look to build on this in future years.

RESERVES AND INVESTMENT POLICY

During 2012 the Charity continued to adopt the policy agreed in 2011 to designate those reserves which are not freely available for immediate charitable use. This included the value of the fixed UK and Jerusalem-based assets and a sum set aside (and spent during the year) to fund our re-branding. Trustees reviewed the reserves policy in January 2013 and as a result have agreed, in addition, to set up a Legacy Equalisation Fund with £700k of the extraordinary UK legacy income received during 2012. This fund has been designated for use in future years in order to better protect our three year grant programmes from future variations in legacy income, which is notoriously difficult to predict.

In a further change, the method used to calculate the required level of free liquid reserves (defined as cash and investments less restricted or designated funds) was amended so that the calculation is now based on budgeted income levels rather than expenditure requirements. The risk attached to each component of the 2013 income budget was assessed in terms of both likelihood and impact. A minimum total for the reserves was calculated and described in terms of so many months of total budgeted income for 2013 and

Financial review continued

a maximum was determined by taking a figure of 50% more than the minimum level. This approach reflects the fact that the Charity's policy before any adjustment to reflect a surplus or shortfall in free liquid reserves is to have a balanced budget each year and thus we need to hold reserves, on an income risk basis to meet planned expenditure.

On the above basis trustees have resolved that free liquid reserves should fall within a range of between nine and twelve months of the budgeted income for the year in question. If the level of free liquid reserves falls below the minimum threshold or rises above the maximum threshold, then trustees will give priority to increasing or decreasing the level of free reserves as appropriate.

As at 31 December 2012 general unrestricted reserves were £3,135k (2011 £2,966k) so being at the top of the range set under the new reserves policy, the minimum being £2,356k (2011 £2,209k) and the maximum £3,142k (2011 £3,051k).

Given our healthy balance sheet, resulting mainly from our strong legacy income, trustees also agreed that a managed drawdown of reserves should be implemented until the minimum of the range was achieved. Our investment managers have therefore been instructed to propose a programme of orderly realisation of investments for the trustees to approve. Some of the surplus reserves thus released have already been sent for work with Syrian refugees in the early part of 2013.

FUNDRAISING

Our Communications and Fundraising team worked exceptionally hard to keep our voluntary income steady whilst at the same time delivering the new brand identity. Much time was spent informing and reassuring supporters, some of whom were concerned not only by our new name, but also about significant changes to our sponsorship programme and the ending of some long term partnerships in the Middle East. A handful of donors could not be reassured, and decided to find other avenues for their giving, but we ended the year with 14,414 individual donors, 773 more than the previous year.

Throughout the year we maintained our existing communication pattern with supporters. Our magazine 'The Star in the East' became 'Embrace' with a new content style that was well received by supporters. We continued our monthly email newsletter which increased circulation by 50% during the year. We were able to maintain individual and church support at the 2011 levels, but 2012 was a difficult year for trust income which finished the year £65k down on 2011. Our three appeals raised £176k for a food security

programme for Palestinian farmers who had lost access to their land, education for women in rural Egypt and the rehabilitation of former child detainees in the West Bank. In December 2012 we raised £8k through an additional appeal to help our partners working in Gaza following the fighting between Israelis and Palestinians in November.

We managed to attract a record number of new regular donors during the year but also lost a significant number with the changes in our sponsorship programme and some concerns over our new name adding to the usual attrition rate. As a result the value of our annual commitments fell slightly and in 2013 we will be focusing on reversing this trend.

We were blessed in 2012 with an exceptional level of legacy income which rose from £510k in 2011 to £1,778K by the end of the year. The number of legacies received remained relatively static but two exceptionally large residuary amounts which together exceeded £1 million were received in the fourth quarter.

In August 2012 we launched Embrace Christmas a new campaign based around the free distribution (subject only to postage and packing) of our famous Bethlehem Carol Sheets in return for donations and awareness raising activity. Some 3,121 orders were received for 17,409 packs of carol sheets and in addition to donations which more than covered the cost of the printing, we gained the attention of over 300 churches and 1,000 individuals who had not previously been on our mailing list. Although the costs of this campaign are reflected in the 2012 figures, most of the responses were not received until after the year-end and a major follow up campaign will continue throughout 2013.

During the year we amalgamated Friends of BibleLands with our regional volunteer force to allow us to support and resource our volunteers more effectively. We increased the number of active volunteers during 2012, thereby extending our speaker network and our representation at major Christian events and festivals. In addition to these, our Annual Lecture at St James's Piccadilly in May, given by HRH Princess Badiya bint El Hassan of Jordan was extremely successful, bringing awareness of our work to a new constituency. We are indebted to our volunteer team who work tirelessly to raise funds and raise the profile of the work of our partners.

As stated above, our trading company added to our income through sales of alternative gifts of just under £53k and donation income of £69k as well as providing 1,708 new donors and a further 1,822 potential donors for the Charity.

What we do and how we operate

LEGAL BASIS

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

OBJECTIVES, PRINCIPAL ACTIVITIES AND PUBLIC BENEFIT

The work of Embrace began in 1854 through what was then known as the Turkish Missions Aid Society. On 18 October 2011 trustees approved new Articles of Association for the Charity based on the Charity Commission's model articles. These Articles included a slightly revised set of objectives for the Charity as follows:

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.

These charitable objectives reflected the refreshed vision and mission for the Charity agreed by trustees in the course of 2010:

Vision (what we seek to achieve)	<i>Embrace seeks to improve the lives of vulnerable and disadvantaged people in the Middle East.</i>
Mission (how we are doing it)	<i>We do this in partnership with local Christians, focusing on education, healthcare and community development.</i>

The slight change in our charitable objectives did not result in any revision of the activities which the Charity undertakes. Our purpose remains to raise funds from donors, primarily in the UK, and to use these funds to:

- Provide grants and other non-financial support to autonomous Christian-led organisations involved in education, healthcare and community development in Israel, Palestine, Lebanon and Egypt.
- Provide financial and other support to the Helen Keller Centre for Visually Impaired Children in East Jerusalem, which is a branch of the Charity.

Trustees confirm that in setting and pursuing these objectives, they have had regard to the Charity Commission's general guidance on public benefit. The Charity implements or funds programmes which give relief to persons who, without those programmes, would not receive the help they require. While the

Charity works exclusively through Christian-led agencies in the Middle East, no ultimate beneficiaries are excluded from help on the grounds of race or religion.

GOVERNANCE

The governing body of the company is the board of trustees, known as the Council, whose members are also directors of the company. The trustees who served during the year and up to the date of this report are listed under 'Who We Are' on page 16. The Council met four times during the year – in March, July, September and December. In addition, the Council delegated some of its responsibilities to three UK committees which met as follows:

- Finance & Audit – three times in January, May and November.
- Governance – three times in January and May and November.
- Partnerships – three times in January, May and October.

A further committee of the Council is the Helen Keller Centre Jerusalem Board, which has a majority of local members from Israel and Palestine and which takes day-to-day management responsibility for the activities of the Helen Keller Centre for Visually Impaired Children in East Jerusalem, a wholly owned division of the Charity. The Chair of the Council, or his or her representative, sits as an ex-officio member of the Jerusalem Board and this role is currently held by Rev Brian Jolly. The Chief Executive of Embrace also sits as an ex-officio member of the Jerusalem Board which met three times during 2012, in March, May and November.

One trustee, Keren Lewis, resigned in January 2012, and trustees express their gratitude to Keren for her valued input during her time as a member of Council.

Trustees are recruited through an open and transparent process, including by public advertisement on charity job websites and the Charity's own website, and are selected with the aim of ensuring that we have the professional skills and experience needed for Embrace to operate effectively. We also strive for a diverse and gender-balanced board, including trustees from different denominations. Trustees are elected for a three-year term that may be renewed for further periods up to a maximum of fifteen years. Following the changes to the Articles of Association approved by trustees in October 2011, all trustees are required to be practising Christians (this formalises what was in effect the practice previously), and the maximum number of trustees has been set at 12, with provision for an additional two co-opted directors if this is needed to fill particular skills gaps.

What we do and how we operate continued

As reported in last year's accounts in February 2012 we were pleased to welcome two new trustees to the board. Mariam Tadros, a Coptic Christian of Egyptian origin, works for the Christian development charity Tearfund, and Tanas Alqassis, a Palestinian Christian from Beit Sahour, is employed by the Church Mission Society. In December 2012 we were pleased to welcome two further new trustees to the Board. Rev Andrew Ashdown and Rev Canon Anthony Ball are both Anglican priests. Both have specialist knowledge of the Middle East and Anthony Ball was previously the Archbishop of Canterbury's secretary for inter-religious dialogue between Muslims and Christians.

Some trustees lead pilgrimages to the territories in which we operate, and the travel and accommodation costs of this are not borne by the Charity. Trustees occasionally visit the territories in which we work in order better to exercise their strategic function, but during 2012 there were no such visits. The Rev Brian Jolly travelled to Jerusalem three times during the year to attend meetings of the Helen Keller Centre Board, of which he is a member. Trustees are each encouraged to have a specialist focus on a particular country, and the Charity will only normally meet travel and subsistence costs in relation to travel (for induction or familiarisation purposes) to the relevant country. The cost to the Charity of trustee overseas travel in 2012 was £2k (2011: £2k).

MANAGEMENT & ORGANISATIONAL STRUCTURE

Trustees, working through the Council and its committees, are the ultimate decision-makers for Embrace the Middle East. They entrust day-to-day management of the Charity to a senior leadership team which operates within the frameworks set by the trustees. Led by a Chief Executive Officer, the senior leadership team includes the Head of Communications & Fundraising and the Principal of the Helen Keller Centre for Visually Impaired Children in East Jerusalem. Senior and middle management team members based in the UK and other senior staff members attend Council 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, Jeremy Moodey, who is also Company Secretary) which provides overall strategic leadership and day-to-day management of the Charity. Jeremy also takes senior management responsibility for finance and partnerships, as well as line management of the Principal of the Helen Keller Centre for Visually Impaired Children in East Jerusalem.
- The Communications & Fundraising team (headed by Tricia Pruden, who is also Deputy Chief Executive) which takes responsibility for all matters relating to communications and fundraising, including appeals publications, the Charity's website and the Charity's trading operations, effected through Embrace the Middle East Trading Limited, a wholly owned subsidiary of the Charity.
- The Finance team (headed day-to-day by Andrew Green) which is responsible for managing the income and expenditure of the Charity, and also financial systems.
- The Partnerships team (headed day-to-day by Morag Gillies until December 2012) which is responsible for managing the Charity's grants programme and overseas partnerships.
- IT and Systems (headed day-to-day by Peter Jones) which is responsible for information technology and communication systems.

In December 2012 trustees agreed to a significant restructuring of the Partnerships team, involving the recruitment of two specialist partnerships (programmes) managers to cover Egypt/Lebanon and Israel/Palestine respectively, and the recruitment of an experienced Head of Partnerships to join what will become the senior leadership team. By March 2013 the partnerships managers were already in place at the time of this annual report; the recruitment process for the Head of Partnerships, a key position in the charity, is ongoing.

RISK MANAGEMENT

Over the last two years the Council and management have increased their focus on risk analysis. All significant activities undertaken are subject to a risk review by management. Major risks are identified and recorded in a detailed risk register which assesses them for potential impact and likelihood of occurrence, and then outlines the appropriate management using the 4 Ts approach (treat, tolerate, transfer or terminate). The risk register is reviewed by trustees at each meeting of the Finance and Audit Committee and once a year by the full Council.

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

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

How we performed against our 2012 objectives

Our last annual report set out the detailed objectives set by trustees in 2012 for the Chief Executive and the senior management team. A summary of our progress in meeting the agreed objectives is set out below.

Objective	Commentary
1 Finalise and start implementing re-branding strategy by end of 2012	Achieved A new brand was agreed and was implemented in August 2012. Whilst there were some negative reactions from a small number of supporters the feedback, in particular from younger supporters, was overwhelmingly positive and this was reflected in the strong response to our Embrace Christmas campaign.
2 Achieve growth in both voluntary and legacy income	Partially achieved Legacy income at £1,778k was over three times the level of 2011. Voluntary income from churches and individuals remained stable but income from trusts fell. Individual donors grew in 2012 to 14,414, which was an excellent result given the changes in the charity.
3 Stabilise the financial position and management at the Helen Keller Centre	Partially achieved Income was stabilised and the relationship with the Israeli Ministry was strengthened. The local board was strengthened with new members. Despite efforts to appoint a vice principal a suitable candidate was not found and the recruitment process will be re-launched in 2013.
4 Continue to revise partnerships strategy in line with the 'Fit for Fifteen' strategic plan agreed in September 2011	Achieved A new strategy was agreed by trustees in December 2012. This will involve the re-structuring of the Partnerships team so that our grant-making and other charitable activities can be as professional as possible. The bursary scheme was also established for the 2012/2013 academic year and the first year's funding was paid out in December 2012.
5 Stabilise contribution from the Charity's trading operation and align trading more closely with Charity objectives	Achieved The Trading operation broke even in 2012, despite a loss of £15k gross profit arising from the Charity's decision to offer the Bethlehem Carol Sheet as a free resource rather than selling them. Without this change the Trading company would have made a larger profit. Trading also added to our income through sales of alternative gifts of £53k and donation income of £69k as well as providing 1,708 new donors and a further 1,822 potential donors for the Charity.
6 Maximise stewardship of Charity assets, especially the new office in Amersham and the investment portfolio	Achieved The ground floor at the new offices in Amersham was fully let by mid 2012, yielding an annual rent of £34k. The Charity's investment portfolio, managed by Investec Wealth & Investment, outperformed the agreed benchmarks.
7 Ensure full compliance of Charity and trading with all necessary legislation and best business practice	Partially Achieved The Charity continues to comply with all charity, corporate and trading regulations. However, in some areas such as data protection, payments and business recovery, we were not able to bring our policies and procedures up to best practice because of other priorities during the year.

Our 2012 charitable activities in detail

In support of our vision and mission our core activities are

- The provision of grants and other non-financial support to autonomous Christian-led projects in the Middle East
- The provision of financial support to our wholly owned division based in East Jerusalem, the Helen Keller Centre for Visually Impaired Children

In September 2011 trustees approved a four-year (2012-15) plan for the Charity presented by the Chief Executive Entitled 'Fit for Fifteen' the plan envisaged a major overhaul of the Charity and its operations, with the twin aims of reversing the long-term decline in income and supporter numbers and establishing the Charity's reputation by 2015 as a 'best-in-breed' mid sized Christian development charity. The plan covers the Charity's charitable activities and communications and fundraising strategy as well its ownership and management of the Helen Keller Centre in Jerusalem. Much of 2012 was spent delivering against this plan including focusing on the re-branding, strengthening governance and financial sustainability at the Helen Keller Centre and restructuring the Partnerships team.

GRANT-MAKING CRITERIA

Following a consultation with partners in 2011 we changed the way we go about supporting them with grants. Our new approach involved the following:

- The refocusing of our ministry to ensure that we targeted our help on the most vulnerable and disadvantaged in the Middle East, irrespective of their faith background. We proposed in particular to focus over the next few years on disability, healthcare, vulnerable and disadvantaged children and young adults and those suffering from the effects of conflict.
- Our clearer commitment to supporting the ministry of 'local' Christians which would exclude support for the ministry of Christians who were not indigenous to or naturalised in their country of operation.
- Our more systematic and strategic approach to our grant-making, based on objective country needs assessments, clear accountability through partnership agreements and a reduced emphasis on grants towards our partners' operating expenses. We suggested a new focus on project grants for one-off projects which built up the local capability of our partners, including project development, income generation and the promotion of best practice.
- Our plans to change significantly our approach to supporting mainstream (non-special needs) education in the Middle East based on the above changes but also replacing our long-standing child sponsorship scheme with a bursary scheme which could better target the most vulnerable and disadvantaged children. We would also apply financial caps to our support of individual educational institutions.

Following the partner consultation, we confirmed our continued commitment to working exclusively in 'the lands of the Bible', concentrating on the following countries:

- Israel and Palestine (West Bank, including East Jerusalem, and Gaza)
- Egypt
- Lebanon

With regards to the definition of 'local Christians', we made clear that although we encouraged work which benefited all members of the community, whatever their faith, our calling was only to support projects which, in their implementation, were clearly Christian-led and inspired, and which were seen, by their nature and presentation, to reinforce the local Christian presence.

Our published grant criteria therefore state that we require evidence from prospective partners:

- That the organisation/project has Christian leadership, whether at board or executive level
- That the organisation/project demonstrates its Christian inspiration, for example through an appropriately worded statement of faith or mission statement or through an organic link with a local indigenous church or membership of an appropriate ecumenical body

We also require all our partners to enter into a partnership agreement which will clearly state our shared, common Christian mission as the basis for the work we are doing in partnership. As an inter-denominational organisation we do not show preference between any of the mainstream Christian denominations or groups.

We state that the work must be implemented directly by the partner organisation which receives the funds and which is accountable to us. There should be no discrimination by projects in respect of the recipients/beneficiaries of their work on religious, ethnic or other grounds except where specified by the nature of the project

OUR GRANT ACTIVITIES IN 2012 – ISRAEL AND PALESTINE

In the course of 2012 we disbursed grants totalling £544,212 to partners working in Israel and Palestine in addition to support for the Helen Keller Centre in Jerusalem. Details of these grants are below

Partner	Project, category & beneficiaries	Amount £
Nazareth School of Nursing	Education and training – school for 200 students	100,000
Al Ahli Arab Hospital Gaza	Healthcare – hospital treating 40,000 out patients and 4,500 in-patients per year, total includes £50,000 towards medical response to November 2012 bombings and £15,000 for generator fuel during spring 2012 fuel shortage	80,000
Arab Evangelical School Hebron	Education and training – school for 350 students aged between 4 and 12 years	48,855
Talitha Kum: Beit Jala	Education and training – school for 900 students	47,979
Bethany Girls School	Education and training – school for 350 pupils aged between 4 and 15 years total includes £5,983 towards setting up a special education programme	47,490
Four Homes of Mercy Bethany	Special needs/disability – home providing rehabilitation for up to 85 adults and children with physical and/or learning disabilities, total includes £11,165 to pay the salary of the director for 6 months	42,809
Rawdat El Zuhur School, Jerusalem	Education and training – primary school for 250 children aged between 4 and 12 years	34,616
Princess Basma Centre Jerusalem	Special needs/disability – a referral centre for the rehabilitation of children with disabilities treating over 200 new in-patient children each year	21,000
SIRA School Bethlehem	Special needs/disability – Swedish-run school for 70 pupils with special educational needs	18,750
Hope School Beit Jala	Education and training – secondary school for 130 pupils	17,418
DSPR – ICC	Community development – food security programme for 35 families in Tulkarem	15,829
Bethlehem Arab Society for Rehabilitation	Healthcare – out-patient and rehabilitation departments treating over 40,000 people each year	15,000
East Jerusalem YMCA	Special needs/disability – work with disabled young people and their families across the West Bank	15,000
Spafford Children's Centre Jerusalem	Healthcare – 4,000 patients seen and 4,000 vaccinations administered yearly	12,000
Pontifical Mission Jerusalem	Special needs/disability – contribution towards the installation of a lift at Beit Jemima in Beit Jala	10,000
Annahda Centre Ramallah	Special needs/disability – various activities serving approximately 25 children and parents	8,935
St Luke's Hospital, Nablus	Healthcare – 3,500 hospital admissions each year	7,921
Helen Keller Centre, Jerusalem	Special needs/disability – Children's Easter and Christmas gifts	610
Total		544,212
	Of which Children's Gifts	5,935
	Grants excluding Children's Gifts	538,277

Our 2012 charitable activities in detail continued

In addition £99,070 was paid to an Embrace partner in Jerusalem, the Secretariat of Solidarity, for our new bursary scheme for marginalised students in East Jerusalem and the West Bank. The scheme will support 546 students in 15 Palestinian Christian schools from a wide range of denominations (Anglican/Episcopal Lutheran Orthodox Catholic and Independent) for the academic year 2012-2013.

OUR GRANT ACTIVITIES IN 2012 – LEBANON

In the course of 2012 we disbursed grants totalling £531,323 to partners working in Lebanon. Details of these grants are below.

Partner	Project, category & beneficiaries	Amount £
Al-Kafaat Foundation	Special needs/disability – projects reaching over 1 000 children with disabilities and 120 elderly people	243 645
LSESD (Lebanese Society for Educational & Social Development)	Community development – relief work in response to humanitarian crisis in Syria	75 300
Pontifical Mission, Lebanon	Community Development – relief work in response to humanitarian crisis in Syria	47 000
J L Schneller School	Education and training – school for 350 disadvantaged students	40 649
Joint Christian Committee for Social Service (part of DSPR)	Community development – study station at Dbayeh refugee camp and playground at Sabra refugee camp	19 309
Habitat for Humanity, Lebanon	Community development – a housing project in the Bekaa valley benefitting 40 families	19 122
Cedar Home Orphanage	Education and training – care for 20 at-risk girls and young women aged between 3 and 25 years	15 941
Evangelical Swiss School, Mejdelanjar	Education and training – school for 130 elementary and intermediate level pupils	13 500
Armenian Evangelical School, Anjar	Education and training – school for 500 students aged between 3 and 17	11 200
Armenian Evangelical School, Beirut	Education and training – school for students aged between 2 and 18 years	10 754
Birds Nest Orphanage, Byblos	Education and training – caring for 35 underprivileged children aged between 3 and 15 years	8 062
Armenian Evangelical Guertmenian School	Education and training – school for 110 children aged between 3 and 16 years	6 772
Armenian Evangelical Torosian School	Education and training – school for 270 children from pre school to grade 9	5 865
CAHL	Special needs/disability – education for disabled children aged between 8 and 20 years	3 723
Armenian Evangelical Central High School	Education and training – schooling for 250 children aged between 3 and 18 years	3 409
Zvartnotz	Special needs/disability – care for people with physical or learning disabilities aged between 6 and 22 years	2 906
Learning Centre for the Deaf	Special needs/disability – teacher training at this centre for children with hearing impairments	2,900
Armenian Evangelical College	Education and training – school for children aged between 4 and 18 years	1 266
Total		531,323
Of which Children's Gifts		8 995
Grants excl Children's Gifts		522,328

OUR GRANT ACTIVITIES IN 2012 – EGYPT

In the course of 2012 we disbursed grants totalling £379,210 to partners working in Egypt. Details of these grants are below.

Partner	Project, category & beneficiaries	Amount £
CEOSS (Coptic Evangelical Organisation for Social Services)	Community development – micro credit scheme in Greater Cairo and Upper Egypt	50 000
Habitat for Humanity, Egypt	Community development – housing and healthcare project in Minya	50 000
Harpur Memorial Hospital, Menouf (part of the Diocese of Egypt)	Healthcare – project to identify, manage and treat cases of Hepatitis C in the Nile Delta	49 490
Think & Do	Community development – projects in villages in Upper Egypt including life skills and work with widows	40 888
Refuge, Egypt (part of the Diocese of Egypt)	Community development. Healthcare – including health projects benefitting over 4 000 refugees	40 000
Deaf Unit, Cairo (part of the Diocese of Egypt)	Special needs/disability – services benefitting 600 people with deafness	36 935
Salaam Centre for Medico Social Services	Community development. Education and training – including work among the 25 000 rubbish pickers	30,000
EpiscoCare (part of the Diocese of Egypt)	Community development – projects in and around Cairo including healthcare, a kindergarten and work among the poor	30 000
BLESS (Coptic Orthodox Church Bishopric of Public, Ecumenical and Social Services)	Community Development – comprehensive integrated development work in Upper Egypt	30 000
El Saray Church, Alexandria	Healthcare. Special needs/disability – including the Fairhaven School serving 200 children with learning disabilities	12 000
Shams El Birr Centre, Cairo	Special needs/disability – rehabilitation and vocational training for 100 children and young people	10 200
DUET (Development of Upper Egypt Trust)	Community development – integrated development work with villagers in Upper Egypt	6,000
Christian Medical Fellowship	Healthcare – mobile clinics in Upper Egypt	5 000
DUET (Development of Upper Egypt Trust)	Amount accrued in 2011 for work not undertaken. The expense has been reversed	£11 303
Total		379,210

Our 2012 charitable activities in detail continued

HELEN KELLER CENTRE FOR VISUALLY IMPAIRED CHILDREN

The Helen Keller Centre for Visually Impaired Children is located in the East Jerusalem suburb of Bert Hanina and caters for children with special educational needs particularly those with visual impairment and additional disabilities. The school's location on the main road between Jerusalem and Ramallah makes it convenient for access from the West Bank and from different parts of Jerusalem.

The Helen Keller Centre is wholly owned by Embrace and is registered as a special education school with the Israeli Ministry of Education. The school has established a very good relationship with the Israeli Ministry, the Palestinian Ministries of Education and Social Welfare and with other educational and service institutions in Jerusalem and the West Bank.

The school is a centre of excellence for the education and rehabilitation of children with special needs and promotes strong links between parents, local civil society and the school. Most of the children at the school are Muslim, but with its strong but inclusive Christian ethos the Helen Keller Centre focuses on the holistic development of each individual student, spiritually, emotionally, morally, academically and physically. The school's management has incorporated into the school plan a number of policies including related to child protection, which are required by Israeli law.

The school currently has 64 students in five elementary classes and one kindergarten, evenly divided between boys and girls, and 34 staff. Many of the staff, and 14 of the children, come from the West Bank. One significant change in recent years has been the expansion of the rehabilitation services offered by the school to include students with multiple disabilities, that is visual impairment and additional needs such as learning disabilities and/or physical disabilities. Some 28 of the 64 students at the school are classified as having multiple disabilities. This changed focus has required Embrace to invest in staff development and training and the school has worked closely with the Israeli Ministry of Education in this connection.

The school's total budget amounted to NIS 4,125,000 in 2012. Embrace the Middle East's total funding for the school in 2012 was NIS 1,851,000 (net of capital expenditures), while NIS 2,214,000 came from other sources including the Israeli Ministry of Education. The Ministry funding is provided under the Special Education Law 1988 which is supposed to guarantee state-funded special education for disabled people under the age of 21.

The school is also seeking to increase funding in other areas. Early in 2013 the school signed a five-year agreement to lease the west wing of the school building to the Al-Bakriyeh school for disabled children.

Future plans

Trustees have set a number of key objectives for the Chief Executive (and through him for the whole Charity) in 2013. These are detailed below, together with the timelines and planned assessment indicators.

Objective	Criteria for success
1 Implementation of new partnerships strategy (agreed December 2012)	Approval of progress made by December 2013 Council
2 Achieve growth in voluntary income (excluding legacies) – to exceed budgeted figure in Fit for Fifteen plan of £2,087k	Voluntary income in 2013 to exceed £2,087k. Committed giving to remain stable at 2012 level (£801k)
3 Continue to stabilise contribution from Charity's trading operation and align trading more closely with wider Charity objectives	Trading to at least break even in 2013. Alternative gifts and trading donations increased from 2012 levels of £52.8k and £68.7k respectively
4 Continue to stabilise the Helen Keller Centre	Approval of progress made by December 2013 Council
5 Ensure full compliance of Charity and trading with all necessary legislation and best business practice	Trustee approval of compliance and business recovery plan by the end of the year

Who we are

TRUSTEES

Tanas Alqassis (*from 2 February 2012*)
Rev Andrew Ashdown (*from 4 December 2012*)
Rev Canon Anthony Ball (*from 4 December 2012*)
Rev Daniel Burton (*until 12 March 2013*)
Hugh Bradley (*Chair of Trustees until 13 September 2012*)
Rev Brian Jolly (*Vice Chair of Trustees until 13 September 2012 then Chair of Trustees also trustee representative on the Jerusalem Board*)
Victoria Smith (*Treasurer and Chair of Finance & Audit Committee*)
Douglas Callander
Judy Hackney
Keren Lewis (*until 2 January 2012*)
Dr Brian McGucken (*Chair of the Governance Committee*)
Joanna Robertson MBE (*Chair of the Partnerships Committee*)
Mariam Tadros (*from 2 February 2012*)
Lisa Toner
Dr Cyril Young DL (*until 13 March 2012*)

PATRONS

His Grace Bishop Angaelos, General Bishop of the Coptic Orthodox Church in the UK
Rev David Coffey OBE former President, Baptist World Alliance
Rt Rev Dr Michael Langrish Bishop of Exeter
Rev Baroness Richardson of Calow OBE, former President of the Methodist Conference

SENIOR LEADERSHIP TEAM

Jeremy Moodyey (*Chief Executive Officer and Company Secretary*)
Tricia Pruden (*Deputy CEO and Head of Communications and Fundraising*)
Suad Younan (*Principal of the Helen Keller Centre for Visually Impaired Children*)

REGISTERED OFFICE

24 London Road West Amersham, Buckinghamshire HP7 0EZ

AUDITORS

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

BANKERS

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

SOLICITORS

Anthony Collins Solicitors LLP, 134 Edmund Street, Birmingham B3 2ES

INVESTMENT ADVISERS

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

Statement of trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity 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
- 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.

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

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

So far as the trustees are aware, there is no relevant information (as defined by Section 495 and 496 of the Companies Act 2006) of which the Charity's auditors are unaware, and each trustee has taken all the steps that he or she ought to have taken as a trustee/director in order to make himself or herself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

Approved by the Board of Trustees on 31 May 2013 and signed on its behalf by



Rev Brian Jolly
Chair of Trustees
31 May 2013

Report of the independent auditors

For the year ended 31 December 2012

We have audited the financial statements of Embrace the Middle East for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE AND AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure for the period 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' Report, for the financial period for which the financial statements are prepared, is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Wilkins Kennedy LLP
M Wilkes (Senior Statutory Auditor)

For and on behalf of Wilkins Kennedy LLP, Statutory Auditor

Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

31 May 2013

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities*(incorporating an income and expenditure account)*

For the year ended 31 December 2012

	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2012 £'000	Total 2011 £'000
Incoming resources					
Incoming resources from generated funds					
Subscriptions and donations	3	885	1 019	1 904	1 948
Legacies	3	1 777	1	1 778	510
Total voluntary income		2 662	1 020	3 682	2 458
Incoming resources from investments					
Investment income	3	113	-	113	117
Interest income	3	9	-	9	7
Incoming resources from trading operations					
Income from Trading	2	297	-	297	335
Incoming resources from charitable activities					
Resources generated from HKC	3	28	353	381	315
Other incoming resources	3	31	1	32	3
Total incoming resources		3 140	1 374	4,514	3 235
Resources expended					
Cost of generating voluntary funds	4	707	-	707	634
Costs of trading activities	2	307	-	307	363
Investment management costs		20	-	20	20
Total expenditure incurred in generating resources		1 034	-	1 034	1 017
Funds available for charitable activities		2 106	1 374	3,480	2 218
Charitable activities					
Information and education about our work	4	124	-	124	105
Grants to partners	3 4	353	1 201	1 554	1 660
Other direct support to partners	4	185	-	185	189
Helen Keller Centre	3 4	18	732	750	878
Total costs of charitable activities		680	1,933	2,613	2,832
Governance costs	4	77	-	77	79
Cost of re-branding	4	140	-	140	-
Total charitable activity cost		897	1 933	2,830	2,911
Net incoming / (outgoing) resources	5	1,209	(559)	650	(693)
Transfers between funds		(508)	508	-	-
Other recognised gains/losses					
Net gains / (losses) arising from investment assets	9	108	-	108	(139)
Impairment of fixed assets – Jerusalem		6	-	6	(3)
Unrealised foreign exchange losses		-	-	-	(18)
Other realised gains or losses on disposal of assets		-	-	-	-
Net movement in Funds		815	(51)	764	(853)
RECONCILIATION OF FUNDS					
Total funds brought forward		4 296	157	4 453	5,306
TOTAL FUNDS CARRIED FORWARD		5 111	106	5 217	4 453

Continuing operations

All incoming resources and resources expended arise from continuing activities

The charitable company has no recognised gains and losses other than the profits for the current year or previous year

The notes form part of these financial statements

FINANCIAL STATEMENTS

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 Group £'000	2011 Group £'000	2012 Charity £'000	2011 Charity £'000
Fixed Assets					
Tangible assets	8	1,066	1 034	1 066	1 034
Investments	19	2,752	2 632	2,753	2 633
		3 818	3 666	3 819	3 667
Current Assets					
Stocks		48	46	-	-
Debtors					
Amounts falling due within 1 year	10	50	143	114	189
Cash at bank and in hand		1 636	963	1 593	936
		1 734	1 152	1 707	1 125
Creditors					
Amounts falling due within 1 year	11	(335)	(365)	(294)	(322)
Net Current Assets		1 399	787	1 413	803
Net Assets		5 217	4 453	5 232	4 470
Funds					
Restricted funds	15	106	157	106	157
Designated funds	14	1,991	1 345	1,991	1 345
Reserves available for charitable purposes		3,135	2 966	3 135	2 968
Non charitable Trading funds		(15)	(15)	-	-
Total Funds		5 217	4 453	5,232	4 470

The financial statements were approved by the Board of Trustees on 31 May 2013 and were signed on its behalf by

Rev Brian Jolly
Chair of Trustees
31 May 2013



Consolidated Cash Flow Statement

For the year ended 31 December 2012

RECONCILIATION OF NET (OUTGOING)INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Net incoming / (outgoing) resources	650	(693)
Unrealised foreign exchange losses	(4)	(18)
Depreciation charges	34	58
Interest received	(9)	(7)
Interest paid	-	-
Dividends received	(113)	(117)
Increase in stock	2	8
Decrease in debtors	93	143
Decrease in creditors	(30)	(95)
Net cash outflow from operating activities	623	(721)
Returns on investments and servicing of finance		
Interest received	9	7
Interest paid	-	-
Dividends received	113	117
Net cash inflow for returns on investments and servicing of finance	122	124
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(66)	(54)
Sale of tangible fixed assets	-	-
Purchase of fixed asset investments	(357)	(441)
Sale of fixed asset investments	345	422
Impairment of Jerusalem assets	6	-
Net capital outflow for capital expenditure and financial investment	(72)	(73)
Increase / (Decrease) in cash for the period	673	(670)
Movement in net debt in the period		
Cash at bank and in hand as at 1 January	963	1 633
Change in net debt arising from cash flows	673	(670)
Cash at bank and in hand as at 31 December	1 636	963

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value as modified by the revaluation of certain assets pursuant to the Companies Act 2006 the requirements of the Statement of Recommended Practice Accounting and Reporting by Charities (SORP) and the Charities Act 2011

Basis of consolidation

The financial statements consolidate on a line-by-line basis the results of the Charity (which includes the results of the Helen Keller Centre for Visually Impaired Children) and its wholly owned subsidiary Embrace the Middle East Trading Limited. A separate statement of financial activities and income and expenditure for the Charity is not presented because the Charity has taken advantage of the exemptions afforded by the Companies Act 2006 and paragraph 397 of the SORP

Incoming resources

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 can be 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.

Resources expended

All overhead expenditure is accounted for on an accruals basis and classified under headings which aggregate all costs relating to the categories listed below.

Costs of generating voluntary income

Costs of generating funds are those costs incurred in seeking voluntary donations and include employment costs of fund raising employees along with the direct costs of publications.

Investment management fees are the fees charged by the fund managers who manage the investment portfolio.

Charitable activities

Charitable activities are both the grants made and the costs directly incurred in the support of expenditure on the Charity's objectives, also the cost of the Helen Keller Centre.

Information and education about our work costs are those costs incurred in providing information to supporters and other interested parties about the work of the Charity, both that which has taken place and that which is planned for the future. The cost includes employment costs of employees producing literature and making presentations, along with direct costs of the publications.

Governance costs

Governance costs include the costs of trustees' meetings including employment costs of facilitating them and producing reports for them. It also includes other costs primarily undertaken to comply with regulatory and statutory requirements such as audit fees.

Costs of re-branding include all direct costs incurred as a result of the trustees' decision made in 2011 to re-brand the charity. Employment costs which relate to staff time devoted specifically to the project are included, but no support costs have been allocated.

Support costs

Support costs are those costs that cannot be attributed directly to one of the above headings. The costs are necessarily undertaken but are not specific to a particular operation. Accounting, data processing, payroll, utilities are examples of the costs included. The costs are allocated to the above categories in proportion to allocations of hours worked by employees on the above headings.

Irrecoverable VAT

Irrecoverable VAT is included in the costs on which it was incurred.

Reserves and Funds policies

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.

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 – 20% on a straight line basis over 4 years, with a 20% residual value at the end of that period

Computer equipment (including software) – 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.

The property in Jerusalem is valued at £1 due to the uncertainty of determining its marketability due to the political, social and economic situation prevailing in Israel and Palestine. This policy is reviewed each year.

Stocks of goods held by the trading company are valued at the lower of cost and net realisable value.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling at the rate on the balance sheet date. Transactions in foreign currencies are converted into sterling at the exchange rate of the day the transaction took place. Exchange differences are taken into account in the operating results.

Pension costs and other post-retirement benefits

The group operates a defined contribution scheme including a salary sacrifice arrangement. The Charity's contributions are charged as an expense in the pay period to which they relate.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

1 ACCOUNTING POLICIES CONTINUED

Investment assets and income

Investments are held primarily to generate capital growth in order to support the work of the Charity over a long term period. Fixed asset investments are shown at open market valuation in line with the SORP with net gains and losses arising on revaluations or disposals included in the accounts for the period concerned.

Income from equity and bond holdings is accounted for in the period in which it is received while income from gilts and rental income is accounted for in the period to which it relates on an accruals basis.

Unrealised gains and losses arise when fixed assets or fixed asset investments for Charity use are included in the balance sheet at revalued or market amounts. They are included in the Statement of Financial Activities as an incoming resource or additional depreciation as appropriate in the period in which they arise. Realised gains or losses are accounted for in the period when the asset is disposed of.

2. COMMERCIAL TRADING ACTIVITIES OF THE TRADING SUBSIDIARY

Embrace the Middle East Trading Limited is a wholly owned subsidiary of the charity incorporated in England and Wales.

A summary of the trading results is as follows:

Summary Profit and Loss account

	2012 £'000	2011 £'000
Turnover	297	335
Cost of sales and administrative expenses	(307)	(363)
	(10)	(28)
Contribution from parent company towards rebrand disposals costs	10	–
Profit (loss) for the year	–	(28)

Summary balance sheet as at the year end

	2012 £'000	2011 £'000
Current assets		
Stock	47	46
Debtors	14	47
Cash	43	27
	104	120
Creditors falling due within one year	119	135
Net current liabilities / (assets)	(15)	(15)
Called up share capital	1	1
Capital redemption reserve	8	8
Profit and loss account	(24)	(24)
Shareholders' funds	(15)	(15)

3 CHARITABLE ACTIVITIES

The Charity has two principle charitable activities the provision of grants to Christian partners in the areas where we work and owning and managing the Helen Keller Centre a school in East Jerusalem which is a centre of excellence for the rehabilitation of children and young people with visual impairment

A summary of our charitable activities is given below

	Grant making £'000	Helen Keller Centre £'000	Total 2012 £'000	Total 2011 £'000
Incoming resources				
Voluntary income				
Unrestricted funds	885	–	885	869
Restricted funds	1 019	–	1 019	1 079
Legacies				
Unrestricted funds	1 777	–	1 777	466
Restricted funds	1	–	1	44
Ministry of Education				
Restricted funds	–	335	335	273
Other Israeli income	–	46	46	42
Other income	32		32	3
Total charitable incoming resources	3 714	381	4,095	2 776
Grants paid	1 554	–	1 554	1 660
Other support to partners	185	–	185	189
Information and education about our work	124	–	124	105
School running expenses	–	750	750	878
Total charitable activity expense	1,863	750	2 613	2 832
Net surplus / (deficit) for the year	1 851	(369)	1 482	(56)
Transfers between activities	(335)	335	–	–
Surplus / (deficit) on charitable activities	1 516	(34)	1,482	(56)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

4 ANALYSIS OF RESOURCES EXPENDED

Category	Direct staff costs	direct costs	support costs	Total 2012	2011
Cost of generating funds	213	271	223	707	634
Charitable activities					
Information and education	28	80	16	124	105
Grants to partners		1 554	–	1 554	1 660
Other support to partners	87	20	78	185	189
Helen Keller Centre	587	158	5	750	878
	702	1 812	99	2 613	2 832
Governance					
Governance costs	25	29	23	77	79
Costs of rebranding	35	105	–	140	–
	60	134	23	217	79
Total costs of the charity	975	2 217	345	3 537	3 545
Trading company	58	249	–	307	363
Investment management	–	20	–	20	20
Total group costs	1 033	2 486	345	3 864	3,928

5. NET INCOMING / (OUTGOING) RESOURCES

Net resources are stated after charging

	2012 £'000	2011 £'000
Auditors remuneration	20	54
Depreciation – owned assets	34	26
Staff pension contributions	57	45
Services provided by the Charity's auditor during the year		
Audit of the Charity and consolidated financial statements	12	21
Audit of the trading subsidiary	4	6
Fees relating to 2010 under accrued in that year	–	11
Fees for printing the 2010 accounts	–	2
Audit of the Helen Keller Centre by Israeli auditors	4	14
	20	54

6 TRUSTEES' REMUNERATION AND BENEFITS

The trustees neither received nor waived any emoluments during the year

During the year the Charity reimbursed travel expenses to all trustees and patrons that served during the year. The total expenses were

	2012 £'000	2011 £'000
Trustee travel expenses	12	10

7 STAFF COSTS

	£'000	£'000
Wages and salaries	1 069	1 148
Social Security costs	85	83
Pension plan contributions	57	45
	1,211	1 276

Employment costs in respect of the Helen Keller Centre included above totalled £656k. The equivalent number in 2011 was £668k

The average monthly number of employees during the year was as follows

	2012	2011
UK Administrative staff	13	13
Helen Keller Centre staff	34	36
UK management staff	5	5
	52	54

Nos of employees receiving emoluments, including pension contributions and severance, in the ranges

	2012	2011
£60 000 – £70 000	0	1
£70 000 – £80 000	1	0

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

8. TANGIBLE FIXED ASSETS

Group

	UK Freehold Property £'000	Fixtures and fittings £'000	Computer related £'000	Motor vehicles £'000	Totals £'000
Cost					
At 1 January 2012	968	90	179	10	1,197
Additions	-	16	50	-	66
At 31 December 2012	968	106	179	10	1,263
Depreciation					
At 1 January 2012	10	37	108	8	163
Charge for the year	10	9	15	-	34
At 31 December 2012	20	46	123	8	197
Net Book Value					
At 31 December 2012	948	60	56	2	1,066
At 31 December 2011	958	53	21	2	1,034

Charity

	UK Freehold Property £'000	Fixtures and fittings £'000	Computer related £'000	Motor vehicles £'000	Totals £'000
Cost					
At 1 January 2012	968	89	129	10	1,196
Additions	-	16	50	-	66
At 31 December 2012	968	105	179	10	1,262
Depreciation					
At 1 January 2012	10	36	108	8	162
Charge for the year	10	9	15	-	34
At 31 December 2012	20	45	123	8	196
Net Book Value					
At 31 December 2012	948	60	56	2	1,066
At 31 December 2011	958	53	21	2	1,034

The Helen Keller Centre in East Jerusalem, was revalued in US Dollars on 15 September 1999 on the basis of vacant possession by Quity, Dahleh and Associates. This value has previously been stated in the accounts at the exchange rate prevailing on that date, which amounted to \$5,832k, translated to £3,600k. The Trustees believe that, due to the uncertain political and economic situation in East Jerusalem, it would not be prudent to record the existence of the property at this substantial valuation.

The value was written down to a nominal value of £1 in the year ended 30 April 2006.

9 FIXED ASSETS INVESTMENTS

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Market value as at 31 December 2011	2 625	7	2 632
Additions	357	–	357
Disposals	345	–	345
Revaluations	108	–	108
Market value as at 31 December 2012	2 745	7	2 752

	Listed investments £'000	Unlisted investments £'000	Total £'000
Historical cost of the investments were			
31 December 2011	2 355	1	2 356
31 December 2012	2 379	1	2 380

Charity

	Listed investments £'000	Unlisted investments £'000	Holding in trading company £'000	Total £'000
Market value as at 31 December 2011	2 625	7	1	2 633
Market value as at 31 December 2012	2 745	7	1	2,753

The listed investments were comprised of the following

	2012 £'000	2011 £'000
UK Equities	1191	1192
UK Bonds	578	583
Property	249	239
Far East and Australasian equities	222	111
North American equities	180	126
European equities	134	114
Emerging economies	88	82
Other investments	103	98
Overseas bonds	–	80

No holding constituted more than 5% of the total market value of the portfolio

Of the unlisted investments, £7k were invested overseas

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

10 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	14	46	-	-
Amount owed by group undertaking	-	-	78	93
Other debtors	15	74	15	74
Prepayments	21	23	21	22
Total	50	143	114	189

11. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade creditors	30	50	14	33
Social security and other taxes	37	44	17	24
Other creditors	198	192	198	191
Accruals	70	79	65	74
Total	335	365	294	322

12 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 £57k, (period to 31 December 2011 £42k). There were £ contributions outstanding at 31 December 2011 (period to 31 December 2011 £).

13 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	2012 total funds £'000	2011 total funds £'000
Fixed assets	-	1066	-	1066	1,034
Investments	2,752	-	-	2,752	2,632
Current assets	703	925	106	1,734	1,152
Current liabilities	(335)	-	-	(335)	(365)
	3,120	1,991	106	5,217	4,453

14 DESIGNATED FUNDS

	As at 1 Jan 2012 £'000	New designations £'000	designations released £'000	as at 31 Dec 2012 £'000
Capital expenditure at Helen Keller	7	-	7	0
Ground floor refurbishment at Amersham	16	-	16	0
Implementation of the rebranding strategy ¹	188	-	188	0
Fixed assets ²	1034	32	-	1066
Helen Keller Centre assets ³	75	-	-	75
Lift at Shams El Birr (Egypt) ⁴	25	-	25	0
Legacy equalisation fund ⁵	-	700	-	700
IT upgrade ⁶	-	100	-	100
Marketing fund ⁷	-	50	-	50
	1345	882	236	1991

¹ The activities for which these funds were designated were completed during the year

² Trustees have resolved to designate funds to the value of £1 066k to reflect the value of fixed assets being unavailable for use in the charity's usual operations

³ Trustees have designated £75k to reflect the value of the assets necessary for its day to day operations at the Helen Keller centre and therefore outside of the UK and not available to the charity for its usual operations

⁴ The project to provide a lift at Shams El Birr was discontinued because of uncertainty about building permissions

⁵ The Legacy equalisation fund has been set up in order to set aside funds so that the conditionally renewable grants programme in future years can be sustained in the event that legacy income in those years does not meet budget

⁶ Trustees have designated these funds so that the charity's IT capabilities can be upgraded as part of the Fit for Fifteen programme

⁷ Trustees have set this sum aside in order to build on the progress made during the rebrand in 2012

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

15. RESTRICTED FUNDS

The table below shows the income and expenditure with opening and closing balances where appropriate, for the main categories of restricted funds. The only significant sums outstanding at year end were funds received or allocated to specific partners and which have now been disbursed to them.

	Opening balance £'000	Income during 2012 £'000	Spending during 2012 £'000	Transfers between funds ⁶ £'000	Closing Balance £'000
General funds¹					
Education	6	148	105	(49)	-
Health	-	49	-	(49)	-
Community Development²	-	29	-	-	29
Country specific funds	-	49	8	(41)	-
Appeals³					
Christmas 2011	67	16	83	-	-
Lent 2012	-	79	-	(79)	-
Summer 2012	-	36	-	(36)	-
Christmas 2012	-	40	40	-	-
Alternative gifts⁴	1	53	-	(54)	-
Partners within the fields of their work⁵					
Education	11	315	402	87	11
Health	4	16	79	59	-
Community Development ²	55	10	136	134	63
Special needs and disability	13	180	218	28	3
	157	1020	1071	-	106

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

² These funds were allocated to projects at year end and at the time of this report payments had been made or scheduled.

³ Appeals are made for specific projects or activities usually in response to needs that reflect current conditions at the time. In order for us to make an appropriate response to these needs additional funds may be required to be allocated from general funds.

⁴ Alternative gifts are sold through the trading subsidiary's catalogue and the funds received are passed by the company directly to the Charity. The gifts specify a purpose to which the funds would be put, for example school meals for disadvantaged children, Braille textbooks, bus travel for visually impaired children from refugee camps to school and so on. The gifts are held in funds identified for each purpose and used to support projects of that nature.

⁵ There are 51 funds in this section, which are restricted to specific partners working in the fields shown.

⁶ Transfers between funds take place where a specific project has not received sufficient funds to meet agreed grants and so transfers are made from more general restricted funds for the field in which the partner is engaged.

16 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.

Total donations from trustees and former trustees totalled £3k (2011 £5k) during the year and it is not considered that any donations made influenced the policy of the charity.

Embrace the Middle East Trading Limited collected donations on behalf of the charity through its catalogue and web-site sales and also sold alternative gifts which are a form of donation.

	2012 £'000	2011 £'000
Donations received on behalf of the charity	69	44
Alt gifts sold on behalf of the charity	53	46
Total	122	90

As at 31 December a sum of £78k (2011 £93k) was receivable from the trading company.

17 COMPANY LIMITED BY GUARANTEE

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

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