

ALFANAR
(Company limited by guarantee no. 5141908
registered charity no. 1105048)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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ALFANAR

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**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

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**LEGAL AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 DECEMBER 2006**

Trustees	Tarek Ben Halim Dr Laila Iskander Julia Middleton Lubna Olayan	(appointed 27 April 2006)
Company Secretary	Margherita Gatt	
Company reg. no.	5141908	
Charity reg. no.	1105048	
Registered office	18 Parkside 28-56 Knightsbridge London SW1X 7JW	
Bankers	C Hoare & Co 37 Fleet Street London EC4P 4DQ	
Accountants	Gotham Erskine LLP Chartered Accountants Friendly House 52 - 58 Tabernacle Street London EC2A 4NJ	
Solicitors	Withers LLP 16 Old Bailey London EC4M 7EG	

**BOARD OF TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

The Trustees, who act as the directors of the Charity for the purposes of the Companies Act, and trustees for charity law purposes, submit the annual report and the financial statements of Alfamar for the year. The Trustees confirm that the annual report and financial statements of the Charity comply with current statutory requirements, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities (revised 2005)'

Organisation, structure and change of name

Legal and administrative information as set out on page 1 forms part of this report

The Charity formerly known as Arab Learning Initiative changed its name on 12th October 2006. It is a company limited by guarantee and has dispensation from the relevant authorities to omit "Limited" from its name. The Company was incorporated on 1st June 2004 and granted charitable status on 22nd July 2004.

Aims and Objects of the Charity

The Charity's original objects were the advancement of education and learning for the public benefit and in particular to educate men and women and young people of all ages from a broad range of geographical, ethnic, social and economic backgrounds in the Arab World (this includes all member countries of the Arab League), to enable them to realize their full potential as individuals, within their communities and within society as a whole, provided always that nothing contained herein shall authorize, or be deemed to authorize, the carrying on of any activity for any purposes except those regarded as charitable by the laws of England and Wales.

As a result of preliminary development work in Egypt, the Board felt that a more expanded definition of the Charity's objects would be helpful both in defining the Charity's specific purpose and as providing greater clarity for supervising authorities and beneficiaries abroad. The Board wished to ensure that the scope of the Charity's intended activities would enable it to support as wide a beneficiary group as possible, both by reaching a wider audience and also by diversifying the means by which the Charity does so in furtherance of its mandate to advance education and learning for the public benefit. The Charity Commission agreed the following wording of the Charity's objects clause on 29th April 2005.

The Charity's objects are

- a the advancement of education and learning for the public benefit and in particular to educate men and women and young people of all ages from a broad range of geographical, ethnic, social and economic backgrounds in the Arab World (this includes all member countries of the Arab League), to enable them to realise their full potential as individuals, within their communities and within society as a whole,
- b to develop the capacity and skills of the members of socially and economically disadvantaged communities in countries in the Arab World (including all member countries of the Arab League) in such a way that they are better able to identify, and help meet, their needs and to participate more fully in society, provided always that nothing contained herein shall authorise or be deemed to authorise the carrying on of any activity for any purposes except those regarded as charitable by the laws of England and Wales

**BOARD OF TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

Report of activity

2006 was our second full year of operation. We continue to develop our work in Egypt where we have made excellent progress. Our aim remains to expand our work into a second Arab country in 2007. Some of our main achievements to date are:

- We have sourced and funded a total of six projects in Egypt
- In addition, we have funded the second stage of three of those projects
- We have, at last, become a registered NGO in Egypt
- We have received our US tax exempt status as a 501(c)(3) public charity - no mean feat for an organisation supporting grass roots projects in the Arab world. Thank you Jeff Hurwit and Dan Hershy
- We began fund raising and achieved some notable successes and incurred a few disappointments. However, in spite of some of the challenges posed by fund raising, we raised money both from individuals as well as from institutions
- We joined the European Venture Philanthropy Association www.evpa.eu.com as a full member, to learn from others who also work in venture philanthropy
- We hired staff that will work with Nada in Cairo, and support her with Administration
- Finally, and after much deliberation, we changed our name to Alfanar which in Arabic means 'beacon' or 'lighthouse'. Arab Learning Initiative gave the impression our primary focus is on education, which is misleading. Our new website is www.alfanar.org.uk

We have learnt a lot in 2006 and are very proud of the calculated risks Alfanar is willing to take in its selected projects. For example, we were willing to pilot a project to test the hypothesis that quarry owners in Minia would take a small loan to improve the health and safety standards of their workers. This project has been a great success. Currently, the NGO has a waiting list of over 20 quarry owners for credit. Most satisfying however, is the plummeting accident rate in the participating quarries which has dropped to zero.

We also took a calculated risk in funding two start-up projects: Establishment of the Information and Research Centre and Al Nafeza Paper-Making Centre. Both of these are now in phase 2 of funding, undergoing the shift from start-up to institutionalisation and doing very well.

We have begun forging partnerships with institutions and individuals who are helping our partner NGOs develop their business capacity and improve their financial sustainability. Pharos Capital, a private equity firm in Egypt is a good example of this cooperation. They have contributed significant time to work with the Wadi el Nil Association for the Protection of Quarry Workers to help develop the second phase of the project that we have funded. That is one example of the strategic partnerships we are developing that complement our work. To them and others, we and our NGO partners are extremely grateful.

Since the end of 2006 the Trustees have decided to recruit a full time executive to manage Alfanar day to day. We expect to have identified and hired someone before the year end.

Reserves policy

The Trustees consider the Charity's free reserves of £6,400 is sufficient to meet its immediate needs. The Board of Trustees will review this level as the Charity expands its activities.

**BOARD OF TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

Risks policy

The risks facing the Charity are primarily associated with the establishment and operation of the Egypt branch. The rigorous selection of projects supported by the Charity is designed to mitigate these risks.

Statement of Trustees' responsibilities

The Board of Trustees is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company and charity law applicable to charities in England and Wales requires the Board of 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 surplus or deficit of the Charity for that period. In preparing those financial statements the Board of Trustees have

selected suitable accounting policies and applied them consistently,
made judgements and estimates that are reasonable and prudent,
stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Charity will continue in operation).

The Board of Trustees have overall responsibility for ensuring that the Charity has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

By order of the Board



Tarek Ben Hailim

Trustee

Date September 25 2007

Reporting accountants' report to the members on the unaudited accounts of Alfanar

We report on the financial statements for the year ended 31 December 2006 set out on pages 6 to 11

Respective responsibilities of Board of Trustees and reporting accountants

As described on page 4, the Board of Trustees, which is the board of directors of Alfanar for the purposes of company law, is responsible for the preparation of the financial statements, and considers that the Company is exempt from the requirements for an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the Company, and making such limited enquiries of the officers of the Company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion

- (a) the financial statements for the year ended 31 December 2006 are in agreement with the accounting records kept by the Company under section 221 of the Companies Act 1985,
- (b) having regard only to, and on the basis of, the information contained in those accounting records
 - i. the financial statements have been drawn up in a manner consistent with the accounting requirements specified in section 249C(6) of the Act, and
 - ii. the Company satisfied the conditions for exemption from an audit of the financial statements for the year specified in section 249A(4) of the Act as modified by section 249A(5) and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in section 249B(1)

Gotham Erskine LLP

Gotham Erskine LLP
Chartered Accountants
Friendly House
52 - 58 Tabernacle Street
London EC2A 4NJ

Date *27 Sept 2007*

STATEMENT OF FINANCIAL ACTIVITIES

(incorporating Income and Expenditure Account & Statement of Total Realised Gains and Losses)
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Gift in kind	9	-	26,847	26,847	52,027
Voluntary income	2	55,375	12,689	68,064	65,554
Bank interest receivable		191	-	191	107
TOTAL INCOMING RESOURCES		55,566	39,536	95,102	117,688
RESOURCES EXPENDED					
Charitable activities					
Donations to projects	3	43,185	12,689	55,874	30,762
Other charitable expenditure	4	39,845	26,847	66,692	58,970
Accountants' fees - annual accounts		1,410	-	1,410	1,175
TOTAL RESOURCES EXPENDED		84,440	39,536	123,976	90,907
Net income/(expenditure) before transfer		(28,874)	-	(28,874)	26,781
TOTAL FUNDS AT 1 JANUARY 2006		35,679	-	35,679	8,898
TOTAL FUNDS AT 31 DECEMBER 2006		£ 6,805	£ Nil	£ 6,805	£ 35,679

The annexed notes form part of these financial statements

ALFANAR

BALANCE SHEET AS AT 31 DECEMBER 2006

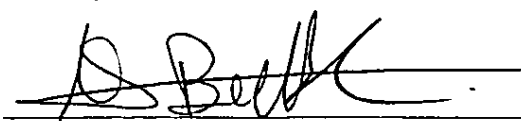
	Notes	£	2006	£	£	2005	£
FIXED ASSETS							
Tangible assets	7			529			705
CURRENT ASSETS							
Cash at bank and in hand			11,250			36,149	
CREDITORS: amounts falling due within one year	8		(4,974)			(1,175)	
NET CURRENT ASSETS				6,276			34,974
NET ASSETS				<u>£ 6,805</u>			<u>£ 35,679</u>
FUNDS							
Unrestricted funds							
General fund	9			6,805			35,679
				<u>£ 6,805</u>			<u>£ 35,679</u>

The Trustees are satisfied that the Company is entitled to exemption under Section 249A(1) of the Companies Act 1985 and that no member or members have requested an audit pursuant to section 249B(2) of the Act

The Trustees acknowledge their responsibilities for

- (i) ensuring that the company keeps proper accounting records which comply with Section 221 of the Companies Act 1985, and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226 of the Companies Act 1985, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company

The financial statements have been prepared in accordance with the provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities, (effective January 2005) They were approved and authorised for issue by the Board of Trustees on ~~September 25~~ 25, 2007 and signed on its behalf by -



TAREK BEN HAILIM, Trustee

The annexed notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Charities SORP (Statement of Recommended Practice "Accounting and Reporting by Charities (revised 2005)") and the Financial Reporting Standard for Smaller Entities (effective January 2005)

The effects of events relating to the period ended 31 December 2006 which occurred before the date of approval of the financial statements by the Board of Trustees has been included in the financial statements to the extent required to show a true and fair view of the state of affairs at 31 December 2006 and the results for the period ended on that date

Company status

Alfanar is a company limited by guarantee. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the Charity

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objects of the Charity and which have not been designated for other purposes. All the income in the year was unrestricted

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the Charity for particular purposes

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy

Resources Expended

All expenditure is accounted for on an accruals basis

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Charity

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets over their estimated useful lives on the following rates

Office equipment	-	25% of net book value
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All assets costing more than £250 are capitalised

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2 VOLUNTARY INCOME - DONATIONS	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Tarek Ben Halim	37,000	-	37,000	-
Tarek Ben Halim - Gifts in kind	-	26,847	26,847	52,027
Oakes Ben Halim Family Charitable Trust	-	-	-	40,000
Safwan Petrol Co	-	-	-	24,988
Westminster Foundation for Democracy	-	12,689	12,689	-
Dr Nabil Qaddumi	12,743	-	12,743	-
Gift aid receivable	522	-	522	-
Other donations	5,110	-	5,110	566
	£ 55,375	£ 39,536	£ 94,911	£ 117,581

As referred to in note 11, Tarek Ben Halim provided office costs and paid for salary and other staff costs in the year

3. PROJECT DONATIONS	2006 £	2005 £
Wadi Environmental Science Centre	7,171	9,641
El Nafeza Foundation for Cultural Development	19,740	11,104
Wadi El Nil Association for Protection of Quarry Workers	7,580	10,017
Information and Technology Support	15,847	-
Mobile Opportunities Via Education (MOVE)	5,536	-
	£ 55,874	£ 30,762

The **Wadi Environmental Science Centre** undertakes pilot testing of a science education programme currently provided to children from private schools, in order to provide the same service to public school children

The **El Nafeza Foundation for Cultural Development** undertakes a project setting up a learning centre to teach the craft of papermaking

Wadi El Nil Association for Protection of Quarry Workers is an organisation aiming to improve the working conditions of quarry workers in Minia, Egypt, by upgrading the machinery they are using as well as providing them with the appropriate clothing to protect them from the hazardous health conditions in which they work

The **Information and Technology Support** project aims to provide a new, unique service in Egypt that is increasingly relevant given the rising number of opposition and independent publications. Funding will be used to establish an organisation to carry out two main activities. The first is to set up a website that is updated daily with all information collected from the press pertaining to certain topics of public interest. The second is to provide more detailed, client-tailored research to organisations upon demand for a fee.

Mobility Opportunities Via Education (MOVE) is a programme that allows children with cerebral palsy to rely more on themselves and depend less on others to lead more productive lives. The programme is based in Cairo, Egypt, and targets health workers from both NGOs and governmental facilities nationwide. Training is carried out at a fee that will enable the organisation to cover part of its costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

4 OTHER CHARITABLE EXPENDITURES

	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Staff costs	24,434	3,277	27,711	35,962
Office and other expenses	1,069	9,832	10,901	8,330
Bank charges & exchange costs	829	-	829	443
Secretarial support	-	4,369	4,369	2,765
Consultancy	9,038	-	9,038	1,428
Rent - Cairo office	2,923	-	2,923	822
Rent - London office	-	5,000	5,000	5,000
Depreciation	176	-	176	235
Legal and professional fees	1,376	4,369	5,745	3,985
	<u>£ 39,845</u>	<u>£ 26,847</u>	<u>£ 66,692</u>	<u>£ 58,970</u>

5. NET MOVEMENT IN FUNDS

The net movement in funds is stated after charging	2006 £	2005 £
Accountants' fees - annual accounts	1,410	1,175
Accountants' fees - other	306	-
Depreciation	<u>176</u>	<u>235</u>

6. TRUSTEES AND STAFF

	2006 £	2005 £
Salaries of overseas staff	<u>27,711</u>	<u>35,962</u>

The Company employed 2 part time staff in the period (2005 same)
 No employee received remuneration of more than £50,000
 The Trustees received no remuneration nor reimbursement of expenses

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

7. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 January 2006 and at 31 December 2006	<u>940</u>
Depreciation	
At 1 January 2006	235
Charge for the year	<u>176</u>
At 31 December 2006	<u>411</u>
Net book value	
At 31 December 2006	<u>£ 529</u>
At 31 December 2005	<u>£ 705</u>

8 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Accruals	<u>4,974</u>	<u>1,175</u>

9 STATEMENT OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Carried Forward £
RESTRICTED FUNDS				
Westminster Foundation for Democracy	-	12,689	(12,689)	-
Gifts in kind (note 11)	-	26,847	(26,847)	-
	<u>£ Nil</u>	<u>£ 39,536</u>	<u>£ (39,536)</u>	<u>£ Nil</u>
SUMMARY OF FUNDS				
General Funds	35,679	55,566	(84,440)	6,805
	<u>35,679</u>	<u>55,566</u>	<u>(84,440)</u>	<u>6,805</u>
Restricted Funds	-	39,536	(39,536)	-
	<u>£ 35,679</u>	<u>£ 95,102</u>	<u>£ (123,976)</u>	<u>£ 6,805</u>

10. ANALYSIS OF NET ASSETS BETWEEN FUNDS

All assets and liabilities held at 31 December 2006 were unrestricted

11 RELATED PARTIES

Mr Tarek Ben Halim, a Trustee of the Charity, paid £26,847 (2005 £52,027) for staff costs, Cairo office expenses, secretarial support costs and US legal fees. In 2004, he made a donation of £10,000 to the Charity for its general purposes.