

Alfanar

Report and financial statements

For the year ended 31 December 2016



Company limited by guarantee no. 05141908
Registered Charity no: 1105048

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Trustees	Lubna S. Olayan Amjad Bseisu Hakeem Belo-Osagie Charlotte Boyle Sherif Foda Laila Iskander Julia Middleton Cynthia J. Oakes Lady Nadia Plumbly	Chair
Programmes and Investments Committee	Julia Middleton Hakeem Belo-Osagie Matthew Courey Mark Huang Barbara Ibrahim Laila Iskandar Mona Mourshed Nadia Plumbly	Chair (Appointed 22 February 2016)
Finance Committee	Charlotte Boyle Sirene Al Shirawi Siham Bortcosh Sherif Elkholy	Chair (Resigned 31 August 2016) (Appointed 8 September 2016)
Fundraising and Communications Committee	Cynthia J. Oakes Rabih Hage Cherine Helmy Lady Nadia Plumbly Amanda Scott	Chair (Appointed 14 April 2016) (Appointed 14 June 2016)
Executive Director	Myrna Atalla	
Company Reg. no.	5141908	
Charity Reg. no.	1105048	
Registered Office	38 Artillery Lane London E1 7LS	
Bankers	C. Hoare & Co 37 Fleet Street London EC4P 4DQ	
Auditors	Mazars LLP Sixth Floor Times House Throwley Way Sutton SM1 4JQ	
Accountants	JS2 Limited One Crown Square Woking Surrey GU21 6HR	
Solicitors	Withers LLP 16 Old Bailey London EC4M 7EG	

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The Trustees, who act as the directors of Alfanar ("the Charity") for the purposes of the Companies Act, and trustees for charity law purposes, submit the annual report and the financial statements of Alfanar for the year ended 31 December 2016. 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 documents and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities (revised 2015)'.

Objectives and Activities

What we do

Alfanar was founded in 2004 by Tarek Ben Halim after a career in investment banking. He wanted to contribute to the economic and social development of the Arab world but he wanted that contribution to have the financial rigour and results-orientated approach that he had used during his years working in finance. He set out to challenge the culture of donor dependency among social purpose organisations by introducing a venture philanthropy approach that encourages sustainable social change in the region.

Alfanar is the Arab region's first venture philanthropy organisation. Our vision of success is the growth of ambitious, entrepreneurial and self-reliant social ventures that provide valued opportunities for disadvantaged people in the Arab world to improve their lives and experience dignity. Given the high social returns on investing in education and women's economic empowerment, the majority of social ventures we support are in these sectors.

We provide tailored technical and financial support to our investees in the Arab region; helping them achieve lasting social change in their communities through effective impact models, strong financial management systems and sustainable plans for growth.

To date, the majority of Alfanar's financial support has taken the form of grants. Starting in 2015, we introduced zero-interest repayable grants as an additional form of financing to those investees who reach reliable levels of cost-recovery. This tool encourages financial independence and, at a later stage, impact investor readiness.

In tandem with financing, the glue to Alfanar's venture philanthropy work is the regular coaching and technical assistance provided to our investees through our country teams. In 2016 we further consolidated our technical assistance during the pilot year of investment through the introduction of the Alfanar Sustainable Social Enterprise Training (ASSET) programme, which covers foundational trainings on social entrepreneurship, impact modelling and monitoring, governance, financial management and business planning. We are grateful to UK Aid for their support, which enabled us to achieve this.

Finally, Alfanar conducts quarterly monitoring of investee performance against impact and financial targets. Monitoring not only ensures that Alfanar funds are spent appropriately, but that plans are adjusted as and when needed to ensure that the social impact of each investment continues to flourish.

At the end of 2014, Alfanar's Board approved the organisation's 2015-2018 business plan, which aims to significantly increase Alfanar's impact over the period of the plan. The Trustees decided to invest in the organisation's infrastructure, operations and human resources to build a strong and sustainable platform from which to grow impact. 2016 marked the second year of this plan and Alfanar achieved a number of key quantitative and qualitative investment milestones for example, we increased the average grant size by supporting more mature organisations with a larger reach. We also diversified the income by increasing the number of repayable grants. Out of a total of 26 investments made since 2004, Alfanar added two to the portfolio in 2016.

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Grant expenditure in 2016 increased by nearly 100% from 2015. This reflects Alfano's focus on implementing its new investment cycle, which includes creating three-year business plans and making longer-term, larger investments in social enterprises.

In 2016, Alfano positively impacted 11,167 lives (with 7,682 beneficiaries in Egypt, and 3,485 beneficiaries in Lebanon). Since inception, Alfano has directly impacted over 33,000 lives by dedicating both financial and technical resources to 26 aspiring social enterprises (in Egypt and Lebanon), enabling them to make lasting changes within their communities. Due to security concerns, our venture philanthropy work in Libya, which commenced in 2012, remains suspended.

As stated in Alfano's Memorandum and Articles of Association, the Charity's objects are:

- i) The advancement of education and learning for the public benefit and, in particular, to educate men, women and young people of all ages from a broad range of geographical, ethnic, social and economic backgrounds in the Arab World, to enable them to realise their full potential as individuals, within their communities and within society as a whole.
- ii) 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 out of any activity for any purposes except those regarded as charitable by the laws of England and Wales.

Vision Statement

Alfano envisions an Arab world in which the poor and vulnerable, especially women and children, are able to access the education and opportunity they need to lead productive and dignified lives.

Mission Statement

To achieve this vision, we employ a venture philanthropy approach which fosters the growth of ambitious, entrepreneurial and self-reliant social ventures that provide valued opportunities for disadvantaged people in the Arab world to improve their lives and experience dignity. At Alfano, we believe that self-reliance and income generation are critical to achieving lasting social impact. Our mission is to help social enterprises in the Arab region improve the lives of more people over time while increasing their financial sustainability by offering a combination of grants, repayable grants and tailored management support, particularly around social impact, financial management and business planning.

We give special – but not exclusive – focus to investments that improve children's education and women's economic empowerment due to their long-term impact and multiplier effect.

Structure, Governance and Management

Alfano is a company limited by guarantee (Registration no. 5141908) and has no share capital. As a charity registered in England and Wales (registration no. 1105048), it is governed by its Memorandum and Articles of Association, most recently updated on 10 July 2013.

Alfano's Board of Trustees has overall responsibility for ensuring Alfano has an appropriate system of controls, financial and otherwise. It is responsible for keeping proper accounting records, which explain the transactions, disclose the financial position and comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the Charity and for taking reasonable steps to detect and prevent fraud and other irregularities.

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Alfanar has a risk register which identifies the major risks to the Charity. This register is regularly updated and activities put in place to mitigate risks. This is reviewed by the Trustees quarterly. In 2016, the following risks were identified by Trustees as the principal risks facing the Charity: dependence on the Board to cover costs; the changeable regulatory requirements in the countries where we support social enterprises, that may delay our work; potential gains or losses in currency exchanges; and staff turnover. Alfanar's Board works closely with its senior management team to consistently assess risks and the strategies put in place to mitigate them.

Alfanar's focus on diversifying its income, as well as its strong reserves policy, helps mitigate these risks. Furthermore, the country offices' continuous monitoring of regulatory requirements, in addition to support from Trustees and pro-bono legal advice, ensures Alfanar's compliance with regulatory requirements. Alfanar has been monitoring its currency reserves closely and has been ensuring that conversions between currencies are conducted only when necessary. Alfanar also has a policy of employing experienced development professionals in the UK, Egypt and Lebanon. Not only do these professionals bring years of development experience and acumen to their jobs, but also a deep understanding of the political and socio-economic context on the ground, which enables them to monitor and mitigate arising risks more effectively. Furthermore, Alfanar's venture philanthropy approach is premised on the fact that team members on the ground maintain a high level of engagement with investees and are able to both monitor performance and provide regular support in real time. The Charity's efforts to systematise and document its venture philanthropy approach and other operations are a key aspect of professionalising the organisation and making it less vulnerable when staff turnover occurs. In 2016, the Charity also completed data protection registration and further secured its website, shared server and other data housing systems.

In 2014, Alfanar's Board established three sub-committees –Programmes and Investments, Finance, and Fundraising and Communications – in order to create areas of efficiency and expertise at the governance level. Each sub-committee is chaired by an Alfanar Trustee and is composed of a mixture of Trustees and external subject experts. In 2015, the Board added a Nomination Committee composed of three Trustees, which helps the Board identify the appropriate mix of skills and capabilities to further strengthen the Charity's governance.

Shortly after appointment, new Trustees have an induction meeting with the Executive Director to review and better understand Alfanar's business plan and targets; the way it selects and manages investees, and other operations. The Board endeavours to hold at least one Board meeting in either Egypt or Lebanon every other year to ensure that Trustees meet in-country team members and witness Alfanar's venture philanthropy process and investments first-hand. The Board also tries to conduct onsite visits to investees throughout the year. The Charity's senior management team regularly updates the Board on venture philanthropy industry developments, Alfanar's progress against targets, and how the Charity is managing risks. This ensures that Alfanar's investment approach remains in line with best practice.

Alfanar's Board delegates authority for the operational delivery of the strategy to the executive director and the senior management team. The Board of Trustees and the senior management team comprise the key management personnel of the Charity in charge of directing and controlling, running and operating the Charity on a day to day basis. All Trustees give of their time freely and no trustee received remuneration in the year. No Trustee received any reimbursement of expenses in the year (see Note 10 to the accounts). Details of related party transactions are disclosed in Note 18 to the accounts.

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Staff pay is reviewed annually. In view of the nature of the Charity, the directors endeavour to benchmark against pay levels in other charities of a similar size. The remuneration benchmark is the mid-point of the range paid for similar roles. Alfanar decided to secure human resource management support in 2017 to further clarify and strengthen its pay and remuneration policy.

Alfanar operates through a number of offices to deliver its mission and objectives:

- **UK:** Alfanar has a Head Office in London which employed seven staff members as of December 2016.
- **Egypt:** Alfanar operates a registered branch in Egypt (number 67/2015; expiry 25 May 2020). Alfanar is up to date on all filings, reports and follow-up correspondence with the Egyptian Ministries of Social Solidarity and International Co-operation. The transactions of this branch are included in these financial statements. Alfanar in Egypt is headed by a Country Director and has employed an Investments and Finance Officer since 2015.
- **Lebanon:** Alfanar in Lebanon (registration number 907) is an independent affiliate of the UK registered charity, which has not been activated yet. Income and expenditure in respect of Lebanon are included in these accounts. A full-time Country Director manages Alfanar's activities in Lebanon.
- **Libya:** Alfanar in Libya (registration number 1651) is an independent affiliate of the UK registered charity. Due to security issues, Alfanar activity in Libya is currently suspended.
- **USA:** Alfanar, Inc., US is an affiliated and independent 501(c)(3) not-for-profit entity (EIN-75-31970321) that actively supports Alfanar's mission through grants and is striving to increase public support. Its transactions are not included in these financial statements. They are independently reported to the US Internal Revenue Service and the states of Massachusetts and New York.

Alfanar is supported regularly by interns, volunteers and pro-bono advisors across its offices, branches and affiliates, who generously help strengthen and further Alfanar's venture philanthropy work, fundraising and communications. We are very grateful indeed for all their support.

Review of 2016

Objective 1: Increase impact by exiting sustainable investees, growing the average grant size for successful investees, making zero-interest repayable grants and adding an appropriate number of new social investments in Egypt and in Lebanon to maintain quality technical support.

In 2016, Alfanar met a number of key quantitative and qualitative investment milestones. Out of a total of 26 investments made since 2004, Alfanar added two to the portfolio in 2016. Alfanar maintained its portfolio, in absolute terms, at 15 in 2016. Alfanar also began the process of exiting four social enterprises in Egypt, which is in line with its strategy.

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Alfanar's approach aims to enhance portfolio organisations' ability to economically empower more women and deliver high-quality education to more disadvantaged children using financially-sustainable strategies that create economies of scale over time. During the year, Alfanar concentrated on finalising business plans and taking seven social enterprises to long-term investment – three social enterprises in Egypt and four in Lebanon. Moreover, the average grant size grew by 133%, which is in line with the 2015-2018 business plan. Alfanar also continued to support the portfolio through a mixture of financing and technical assistance. In 2016, Alfanar made one zero-interest repayable grant.

In 2016, Alfanar positively impacted 11,167 lives representing 33% of total lives impacted since our establishment in 2004.

Alfanar also conducted its second investee perception report, which aims to measure investee satisfaction and inform management on key success factors and areas of development. In both surveys, investees expressed their satisfaction with the quality of their relationships with Alfanar and the confidence and trust they have in its team.

Overview of Alfanar's Venture Philanthropy Portfolio in 2016

Investing in Women's Economic Empowerment

Alfanar has invested in the following social purpose organisations working on women's empowerment in Egypt and Lebanon:

Egypt

The Helwan Association for Community Development (Bashayer)

Economic empowerment through handmade textile production in Helwan

Between 2007 and 2016, Alfanar invested in Bashayer, which provides economic and social support to women in Helwan, an impoverished industrial district outside Cairo. Bashayer's flagship programme, a crochet and sewing production unit, has been Alfanar's primary focus. When Alfanar started working with Bashayer in 2007, it was a charity involved in many varied activities, which were detracting from its impact. Alfanar has helped Bashayer to focus its efforts, improve quality and modernise its approach (including investing in cost accounting, marketing, and product design).

In the final phase, Bashayer employed 182 women, of which 34% were trained and employed for the first time, and its production unit saw a 36% increase in revenue. Bashayer also began reaping the benefits of a marketing strategy Alfanar helped develop; shifting its production focus from clothing and accessories to towels and homewares, its two most profitable lines. Bashayer also expanded its market presence in Cairo to fifteen outlets, set up a new in-house showroom, and exported its products to Japan and Oman. Following nine years of support, Alfanar exited this investment in 2016. Alfanar thanks Six of October Development and Investment (SODIC) for its support to Bashayer, which enabled the successful growth and exit of this social enterprise. To date, with SODIC's support, Bashayer has impacted a total of 4,372 lives.

The Shomoo Association for Sustainable Development (Shomoo)

Psychosocial support and economic empowerment for victims of domestic violence in Minya

Since 2012, Alfanoar has supported Shomoo (meaning 'candles' in Arabic) to develop and professionalise a multi-faceted psychosocial support programme aimed at combating domestic violence and promoting gender equality in 42 villages in Minya through literacy, awareness-raising and counselling services. Alfanoar's investment has also enabled Shomoo to run a vocational training and microloan programme that further develops the resilience of female beneficiaries. To date, with funding from SODIC, Shomoo has impacted a total of 6,961 lives. Alfanoar exited this investment in 2016 as planned. Alfanoar also thanks SODIC for its support to Shomoo, which enabled the successful growth and exit of this social enterprise.

The Future Eve Foundation (FEF)

Economic empowerment for widows and female heads of household in Minya and Beni Suef

Widows and female breadwinners head an estimated 40% of Egyptian households. This number rises to 57% in slum areas. Without the requisite support, skills and training, widows often suffer a life of economic disenfranchisement and extreme poverty even greater than other women. Since 2012, Alfanoar has invested in FEF's Amal (meaning 'hope' in Arabic) Project, which has provided vocational and financial literacy training along with microloans and widow-to-widow social lending groups. The Amal project equips widows with the skills, resources and support needed to establish microenterprises, and in turn generate the income they need to sustain themselves and their families.

In 2016 through the support of Alfanoar, FEF enabled women to establish and expand microenterprises through the use of microloans, which impacted a total of 1,031 lives in 2016. The loans increased average income for beneficiaries by 11.5%, and 100% of all microloans were repaid. Alfanoar also supported FEF in developing a sustainable business plan focused on expanding the Amal Project in order to create economies of scale through providing loans to support the full value chain of duck breeding. The Amal project has made the results of this successful investment public through www.amalproject.org. Alfanoar thanks UK Aid and The Global Fund for Widows for their support to FEF.

Life Vision for Development (LV)

Enabling small-hold female farmers in Minya to increase yields

Employing the Food and Agriculture Organisation of the United Nations' (FAO) farmer-field school approach, LV offers experiential training through which small-hold female farmers in Minya receive technical training on modern farming techniques and an opportunity to test them out on an LV plot of land before venturing to use these techniques in their own farms. LV-trained farmers can experience increases in yields that reach 15% after introducing these techniques. In addition, LV helps these farmers develop essential life skills and functional literacy by administering the International Youth Foundation's Passport to Success (PSP) programme with them in parallel. PSP is a life skills (also referred to as soft skills) training aiming to bridge the gap between current employment opportunities and today's young jobseekers. This enables women farmers to develop their soft-skills and ultimately better run their businesses.

In 2016, a total of 200 female farmers were trained. Alfanoar supported LV in the development of a five-year business plan, which centres on the purchase of three soya bean presses in order to generate oil and animal feed. The income from this venture will be used to subsidise LV's Farmer Fields Schools model. Additionally, Alfanoar helped LV to improve financial sustainability by funding a 'tractor rental' income generating unit, which achieved a 59% profit. Alfanoar is also providing support in strengthening LV's internal systems by providing Alfanoar Sustainable Social Enterprise Training (ASSET) in HR, Governance, Communications and Monitoring and Evaluation. This investment is supported by the Minya Restricted Fund.

Together for You (TFY)

Training low-income women in Cairo to become elderly caregivers

TFY was established by a focused and motivated young team to respond to the dual challenge of limited employment opportunities for low-income women and the needs of a growing elderly population in Egypt. TFY has developed a 21-day training programme for low-income women, largely female heads of households, coming from poor areas within Greater Cairo. TFY's two-part training enables women to become qualified professional home caregivers for the elderly. TFY then places women who have successfully graduated the course in steady employment with elderly people in need of care. TFY monitors both client and caregiver satisfaction and provides further training and refresher courses over time.

Alfanar worked with TFY throughout 2016 to define its mission, values and theory of change, and also delivered a series of ASSET trainings on financial management, reporting, risk management and communications. This process culminated in the development of a three-year business plan, devised in consultation with specialists in marketing, vocational training and social enterprise. In parallel, Alfanar facilitated the work of a group of students from Arcadia University who conducted a three-month research initiative into global practices in elderly care. The project shed valuable light on new approaches and potential areas of improvement for TFY. During 2016, TFY was able to train a further 136 women and men on its training programme, which includes hands-on experience in elderly nursing homes in Cairo. TFY impacted a total of 406 lives in 2016. Alfanar supports this investment through a mixture of unrestricted and restricted funding, including support from The Brighter Vision Foundation.

Lebanon

The Women's Program Association (WPA)

Empowering women refugees in Lebanon through community development – catering, microloans and a children's centre

With unemployment in Lebanon's Palestinian camps as high as 90%, many women, especially those who are sole breadwinners, struggle to provide for their families. Since 2013, Alfanar has worked with WPA in the Burj al-Barajneh Palestinian refugee camp in Beirut to establish a catering unit that trains and employs refugee women from the camp. Alfanar funding has enabled WPA to brand its unit as *Soufra* (meaning 'feast' in Arabic). Today, *Soufra* is recovering its operating costs. In 2015, Alfanar helped WPA develop a three-year business plan, which aims to improve its offering; secure the funding for a *Soufra* foodtruck; grow its microloan portfolio and set up an independent, high-quality day care centre within an underserved area of the camp.

After the successful Kickstarter campaign of 2015, Alfanar significantly supported WPA in identifying and purchasing a food truck for their *Soufra* catering unit. Alfanar has also been working with both WPA and filmmaker Thomas Morgan in the production of a feature-length documentary film about the food truck, due for completion in mid 2017. Furthermore, in 2016, Alfanar helped WPA to successfully apply for funding from BILD, for the purpose of constructing a children's centre within the camp. The building work is expected to start in 2017. Through their microloans programme, WPA impacted a total of 32 women in 2016; with 87% of microloans repaid. WPA also underwent Alfanar's ASSET Finance training, delivered by Alfanar's Egypt Country Director. Alfanar supports this investment through a mixture of unrestricted and restricted funding.

ShareQ's M Social Catering

Supporting disadvantaged women to secure work through culinary training

Women from low-income communities in Lebanon have restricted access to employment due to a lack of marketable skills. As a result, they are unable to contribute to the economic development of their households or communities. Unleashing the economic productivity of these women is M Social Catering's mission. Established in 2012 as Mommy Made, ShareQ's M Social Catering is a social enterprise which provides culinary vocational training to low-income women followed by placement in steady employment within the food and beverage sector. In parallel, M Social Catering runs a catering operation that helps cross-subsidise the training and placement work it does and enables it to grow sustainably.

In early 2016, Alfanoar worked with M Social Catering to launch their 'hummus cups' product line after the organisation won an entrepreneurship award for the concept. In the summer Alfanoar worked with Mommy Made to develop a sustainable business plan. This led to the organisation's rebranding as M Social Catering; the separation and expansion of their training programme formerly known as STEP ('select, train and employ'), and the addition of the hummus cups line to their organisational strategy. The organisation now consists of one for-profit and one non-profit entity. In 2016, M Social Catering impacted a total of 136 lives and achieved a 58% employment rate after training. They were able to increase their catering unit profit margin by 20%, and also reduced the catering unit's operating costs by 35%. Alfanoar supports this investment through a mixture of unrestricted and restricted funding.

Inaash

Enabling women refugees in Lebanon to generate an income through embroidery

Inaash was set up in 1969 to economically empower Palestinian refugee women through embroidery and textile production. Today, Inaash's embroidery orders enable 279 refugees to generate steady income. The quality of its products is high and its brand is increasingly well-known, both within Lebanon and beyond. Alfanoar began investing in Inaash in 2015 at a moment when its Board took a strategic decision to concentrate its efforts on becoming a full social enterprise that can cover its costs through sales revenue.

In 2016, Alfanoar worked with Inaash's new General Manager on strategy planning and improving internal processes and management. Alfanoar also helped Inaash to register an affiliated for-profit entity, making them the third investee in Alfanoar's Lebanon portfolio to employ a hybrid structure. Alfanoar supports this investment through unrestricted funding.

Investing in Children's Education

Alfanar has invested in the following social purpose organisations working on children's education in Egypt and Lebanon:

Egypt

Bedayaat Foundation (Bedayaat)

Basic education for working children in Minya's slums

Since 2011, Alfanar has provided support to Bedayaat (meaning 'beginnings' in Arabic) to set up and formalise a children's learning and recreation centre within Minya city's Badawi Shelters, an extremely impoverished area of public housing just outside the city. The shelters house a large number of children in need, the majority of whom rarely received formal schooling and spent their days selling trinkets in the street. Bedayaat's centre now provides a safe space where both boys and girls are able to attend literacy and numeracy classes as well as extracurricular arts and sports classes on a regular and flexible basis. The capacity of Bedayaat's educators was strengthened through ongoing workshops on active learning and classroom management techniques. In 2016, 146 students benefitted directly from Bedayaat's numeracy and literacy classes, and 422 benefitted from their extracurricular activities. Through Alfanar's support, Bedayaat was also able to train its entire staff in first aid procedures, thereby adding a health component to its educational outreach. Bedayaat now has relations with 21 medical institutions; has registered the medical records of 367 individuals and has helped 151 to gain medical insurance. In this year Bedayaat impacted a total of 331 lives.

To date, with SODIC's support, Bedayaat has impacted a total of 962 lives. Alfanar thanks SODIC for its support of Bedayaat.

Educate Me (EM)

Education and whole child development for children in Cairo's slums

In late 2014, Alfanar approved investment in EM. Initially an afterschool learning centre in the slum area of Talbeya, Giza, EM applied for community school status in 2015. EM employs a learner-centred, skill-based teaching approach that builds character and emphasises self-actualisation alongside the instruction of traditional curriculum topics. With the support of an education expert, EM finished developing the majority of its early elementary curriculum as well as a significant portion of its afterschool programme. Using lessons learned in its community school, EM has also developed five teacher training packages, which are currently being sold for fees to private schools and corporates funding education work in public schools. The sale of these teacher trainings is both a way to scale EM's impact beyond the children it directly teaches as well as a long-term means to achieve financial sustainability.

EM was approved for long-term investment by Alfanar in August 2016, after receiving support from Alfanar in the development of a three-year business plan. In 2016, EM reached a total of 209 children through its schools, and trained a total of 2,783 teachers, directly impacting 3,073 individuals. A total of 101 schools participated in EM's development programme in 2016. In addition to financial support, Alfanar also provided EM with technical assistance in order to improve its financial sustainability and communications through ASSET training. We are grateful to SODIC for its support of this investment.

Future Lights for Development Organisation (FLDO)

Early learning in Cairo's slum areas

Alfanar has worked with FLDO in Cairo since 2007 to establish a Montessori-style nursery school in Deir el-Malak. In that time, FLDO has not only grown enrolment in this nursery school by 125% and achieved financial sustainability, but also created a training hub for other nurseries operating in slum areas. In 2014, Alfanar funding enabled FLDO to consolidate all of its training for principals, teachers, assistants and parents into expert-reviewed manuals. Additionally, an external evaluation conducted by Cairo University established that FLDO's training leads to statistically significant improvements in children's cognitive development as well as teacher understanding and skill. In 2016 Alfanar worked with FLDO and the Global Fund for Children to identify consultants to work on strengthening the organisation's communications, strategic planning and monitoring and evaluation. Alfanar thanks SODIC and The Global Fund for Children for their support of FLDO.

Nafham.com

Providing high quality cost-effective education at the click of a button

Alfanar began investing in Nafham.com in late 2016. Founded in 2011, Nafham.com is a 'massive open online course' (MOOC) learning platform, designed to bring quality education material to Egyptian children through simple, open-source means. MOOCs are an exciting new development in the field of education, with the potential to revolutionise the sector. Over the last three years, Nafham.com has become the top online video learning platform in the Arab region. It attracts 4 million unique visitors annually and has doubled its user base yearly, without incurring any extra cost to its operations. It has accumulated a library of more than 23,000 videos, digitised to make the public school curricula of Egypt, the Kingdom of Saudi Arabia, Algeria, Kuwait and Syria easily accessible. Of these videos, 14,000 are external videos embedded on Nafham's site; a further 1,000 were developed by Nafham.com directly and the remaining 8,000 secured through crowd-sourcing.

Alfanar's pilot year of investment in Nafham.com began in September 2016 with the purpose of conducting a comprehensive assessment of Nafham.com's online crowd-sourced learning videos. This included developing a revised set of video selection criteria to ensure improved learning outcomes and better user experience. Through the support of Alfanar, Nafham.com also commissioned an education consultant to conduct the assessment in early 2017. Alfanar is grateful for the support of SODIC for this investment.

Lebanon

Ana Aqra Association

Literacy support for disadvantaged children and Syrian refugees across Lebanon

Ana Aqra (meaning 'I read' in Arabic) encourages lifelong learning among at-risk children in Lebanon by strengthening their literacy skills and helping them stay in school. With Alfanar funding since 2012, Ana Aqra has consolidated its literacy training for educators into five modules that have been expert-reviewed and printed into manuals.

In 2016, Alfanar completed a business plan with Ana Aqra and long-term investment in Ana Aqra was approved in June, since when Alfanar has focused on strengthening and re-assessing Ana Aqra core organisational structure. In 2016 alone, 20 teachers were trained and over 1,200 children supported. To date, over 35,000 children and 600 teachers have been impacted by Ana Aqra's literacy manuals. Alfanar supports this investment through unrestricted funding.

MMKN

Volunteer tutoring to empower disadvantaged ninth-graders to pass national exams

After the fourth grade, the second peak in drop-out rates within the Lebanese public school system occurs in the ninth grade, when the national 'brevet' exam takes place. This exam determines whether a student is able to continue on to high school. It is also a prerequisite for many jobs. Having developed an effective tutoring programme, MMKN (meaning 'It is possible' in Arabic) engages university student volunteers; trains them on its peer-reviewed tutoring manuals and value system; and then matches these students with small afterschool classes of at-risk public school students for intensive tutoring and mentoring ahead of the 'brevet' exam.

Alfanar began investing in MMKN in 2015 with the goal of helping it reach more students sustainably. With Alfanar's support, MMKN has deepened its impact and expanded its reach to seventh, eighth and ninth graders. In 2016, the organisation trained 194 volunteer tutors and reached a total of 1,771 students. Alfanar also supported MMKN in marketing its 'Study Room', a for-profit programme through which university students provide tutoring to students at the Brevet level. With Alfanar's support, MMKN has been able to expand the number of schools and students served by tutors, and also to increase the number of subjects being taught. MMKN was approved for long-term investment in October 2016. This investment is supported through a mixture of restricted and unrestricted funding.

Other

NaTakallam

Giving a voice to Syrian refugees through Arabic tutoring

NaTakallam (meaning 'We Speak' in Arabic) is a social enterprise registered in the US and France which creates sustainable employment opportunities for Syrian refugees worldwide, and Lebanon in particular. Taking advantage of today's technology to respond to the issues of the refugee crisis, NaTakallam matches Arabic language students to Syrian refugees in order to provide tailored language tuition sessions via Skype.

Alfanar began investing in NaTakallam in November 2016 with the aim of increasing the number of refugees in employment to 100 over the course of the pilot year. Alfanar is also providing NaTakallam with technical assistance in order to improve its operational capabilities through ASSET training in marketing and communications, and financial and human resource management. NaTakallam is supported by a number of restricted funders.

Social Enterprise Mapping in Egypt

In 2016 Alfanar invested in a mapping exercise of social enterprises operating in Egypt. The purpose of the exercise is to improve Alfanar's pipeline of investments by developing a map of prospective investees working to improve education in disadvantaged communities in Egypt. The results of the mapping are expected to be available by the second quarter of 2017. Alfanar is grateful to SODIC for its support of this research.

Supporting Investee Learning

Study Mission

Visiting successful, sustainable education enterprises in developing contexts

In December 2014, Alfanoar embarked on its first study mission, taking two investees, FLDO from Egypt and Ana Aqra from Lebanon, to Bangalore, India, to learn about the operations of social enterprise Hippocampus Learning Centre (HLC), which has developed a scalable preschool learning venture. No study mission was conducted in 2015. In 2016, a second study mission was organised for two other investees (WPA from Lebanon and FEF from Egypt) to Bangladesh to expose them to sustainable social enterprise models, foster new ideas, and exchange best practices. The Alfanoar team and investees visited Brac, the largest scale NGO in the world, and Grameen Bank, the winner of the 2006 Nobel Peace Prize. Alfanoar's study missions are made possible through restricted funding.

Networking Opportunities

Organising annual investee gatherings

Alfanoar organises annual meet-ups between current and exited investees within the same country to encourage the sharing of lessons learned, peer-to-peer problem-solving and collaboration when appropriate. In Lebanon, these meetings became quarterly in 2015 at the request of the investees themselves. In Egypt, one in-country study mission was organised to exchange experiences within the education sector.

Objective 2: Test and finalise Alfanoar's social enterprise training programme, video offerings and monitoring and evaluation online platform.

In line with Alfanoar's 2015-2018 business plan objectives, the Charity continued the work it started in 2015 in consolidating its technical assistance offering. Completed in 2016, Alfanoar Sustainable Social Enterprise Training (ASSET) represents a new chapter in Alfanoar's venture philanthropy management support. ASSET systematises capacity-building efforts, especially with pilot-year investees. It consists of modules in English and Arabic, which were reviewed by external experts and tested throughout the year in both Lebanon and Egypt with 13 out of 15 active investees. ASSET is currently undergoing final refinement. The training modules cover foundational principles for social enterprises. ASSET training has become standard operating procedure with all pilot-year investees. Topics include: Introduction to Social Entrepreneurship, Theory of Change, Impact Modelling, Impact Measurement, Financial Management, Governance, Legal Structures for Social Enterprises, Communicating for Results, Business Planning and Options for Scale.

In parallel with full training modules, Alfanoar developed short animation videos in English and Arabic, which provide a basic introduction to key ASSET training modules. These videos will be available on Alfanoar's website. Finally, as part of ASSET, Alfanoar has refined its indicators of success and impact measurement approach. Alfanoar adapted this revised monitoring and evaluation system to an online platform, which will be accessible to management, investees, and other key stakeholders through smartphones, tablets or computers, and which will be implemented in 2017. Alfanoar seeks to encourage investees to input their performance data simply and seamlessly on an ongoing basis; thus allowing them to reduce reporting costs, assess performance in real time and make data-driven management decisions about their social ventures more regularly and reliably. Alfanoar thanks UK Aid for its generous support of ASSET.

Objective 3: Promote venture philanthropy and social entrepreneurship within the Arab world through active communications, publications and event participation.

In 2016, Alfanoar increased its outreach efforts to promote venture philanthropy and social entrepreneurship within the Arab world. This was achieved through enhanced human resources in communications and external relations. This growth in capacity enabled support for multiple outreach events, speaking engagements and a strengthened social media presence.

In November 2016, Alfanoar held its annual dinner in London, which brought together over 220 guests. They not only received a progress report on Alfanoar's venture philanthropy portfolio, but were also updated on the full-length documentary film being made by director Thomas Morgan and executive producer Susan Sarandon about Alfanoar investee WPA's journey to secure the first food truck in Lebanon, owned and run by women refugees. The film is expected to be released in 2017.

Additionally, in 2016, Alfanoar senior managers attended and/or spoke at the following events: Arab Foundations Forum, CSR Lebanon, Alt City LAUNCH Summit (Lebanon), UNDP Arab Human Development Report in Lebanon, GESR Social Innovation Summit in Cairo, Rise Up Egypt and European Venture Philanthropy Association (EVPA) annual conference in Paris.

In 2016, Alfanoar strengthened its social media presence, communicating news more regularly about its investees and encouraging wider engagement through the Charity's newsletters, blog, and Facebook and Twitter accounts.

Objective 4: Maintain income levels and further diversify streams of revenue.

In 2016, Alfanoar achieved an income of £1,011K, (£1,085K in 2015). This represents a 7% decrease year on year, and is due to the timing of our flagship annual dinner in late November 2016, which has resulted in the receipt of a range of contributions in early 2017. Alfanoar maintained a healthy spread of donor income, with contributions from the annual London dinner (31%), Board members (14%), corporate donors (14%), international aid donors (11%), Alfanoar, Inc., US (17%), trusts and foundations (7%) and individual donors (5%). Alfanoar's ability to grow the support of current donors and reach new supporters is a result of consistent support from its Board, increased capacity, steady cultivation and improved systems. For example, since 2015, Alfanoar has invested in a donor database, which enhances the Charity's ability to receive secure online donations, reach out to donors regularly, and track interactions more effectively.

Alfanoar held its annual dinner in London in November 2016, raising £314K (2015: £299K) in support of the organisation's venture philanthropy work. Further funds in relation to the 2016 dinner continued to be received in 2017. Alfanoar is extremely grateful to its Board of Trustees, its Dinner committee and all the generous supporters who have enabled the Charity to approach its venture philanthropy work in 2016 with more confidence.

For more details on our donors, please see our website: www.alfanoar.org.

ALFANAR
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016
TRUSTEES' REPORT

Objective 5: strengthen Alfanar's infrastructure, especially back-office operations, human resource management and communications, to enable sustainable growth.

The Board is committed to actively investing in Alfanar's infrastructure, operations and human resources over the coming years to ensure organisational resilience. Alfanar's 2015-2018 business plan dedicates the resources needed to grow and strengthen Alfanar's team to achieve clear investment, income and infrastructure targets. This investment in the organisation should enable Alfanar to effectively and sustainably build up its portfolio of investees working with communities in need across the Arab world; strengthen its internal operations; grow and diversify its income, and build awareness about its venture philanthropy work.

In 2016, Alfanar appointed a full-time Operations Director to help strengthen the Charity's operational and financial management systems, and the capacity-building it offers investees. Additionally, Alfanar appointed a Fundraising Co-ordinator and a Communications Assistant to properly manage the donor database as well as support senior management with the growth in outreach and communications. Alfanar also has a full-time Country Director leading the Lebanon Office, and an Investment Assistant in London in order to meet growing investee needs.

The Charity is especially grateful for the generous support provided by volunteers around special research projects, administrative needs and event organisation.

Financial review

Income for the year was £1,011K (2015: £1,085K), a reduction of 7% on the previous year.

The Board, with contributions of £148K (2015: £100K) coupled with unrestricted grants including funds from Alfanar, Inc. US of £170K (2015: £170K) covered much of the Charity's fundraising and support costs in 2016, enabling additional donations raised through the annual dinner to be directed towards support of Alfanar's grants and technical assistance to investees.

The Trustees appreciate the invaluable support from other individuals amounting to £51K (2015: £85K). This is lower than in the previous year as the Charity did not repeat the 2015 crowdfunding campaign. The support of Alfanar, Inc. US remains important to the operations.

A further major source of income was the London annual dinner, which was held in November 2016, and which generated £314K (2015: £299K) in 2016, and further funds continued to be received in 2017. This continued the success of the tenth anniversary dinner held in 2014. There are no plans to hold a large-scale London dinner in 2017, although we are developing plans for such an event in May 2018. Following the three-year business plan adopted by the board in 2015 the Trustees have commissioned work to lessen the organisation's reliance on the dinner as a direct source of income.

The funds from the 2015 London dinner were designated by the Trustees into two funds – a Long-term Investment Fund (£180k) and a Pilot-year Investment Fund (£60k). These funds were used throughout the year, combined with an additional unrestricted amount of £267k, to fund two pilot projects and six investees who, with our assistance, had developed sustainable business plans.

Alfanar continued to receive substantial support from institutional donors, notably UK Aid, £112K (2015: £296K) and corporate donors, notably SODIC, £117K (2015: £100K).

In 2016, resources expended rose to £1,354K (2015: £793K), an increase of 71%. Of this amount, grants to investees grew by 85% to £639K (2015: £346k). This significant increase reflects the success of Alfanar's investees in being able to move from their pilot year into a long-term agreement, having passed our due diligence process and demonstrated the sustainability of their project and business plans.

ALFANAR
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TRUSTEES' REPORT

Staff costs in 2016 amounted to £322K (2015: £314K). Of this sum, £201K or 63% (2015: £167K, 53%), was expended on staff dedicated to the provision of technical assistance and support to investees.

The total cost of generating funds was £216K (2015: £180K), representing 16% of total expenditure (2015: 23%) and 21% of income (2015: 17%).

At 31 December 2016 reserves totalled £476K (2015: £819K), of which £141K represented restricted funds and £335K represented unrestricted funds. Unrestricted funds cover 6.4 months of expected unrestricted technical assistance and overhead expenditure in 2017. This is in keeping with Alfano's recommended reserves policy of holding reserves to cover 6 months of operating costs.

Alfano extends its deep gratitude to all of our donors. It is through your invaluable support that we have been able to make our dream of growth and consolidation a reality, extending our venture philanthropy investment and support to more social enterprises in Egypt and Lebanon, continuing to develop and offer more systematic and measurable technical assistance, and communicating more regularly about developments.

Future plans

At the end of 2014, Alfano's Board approved the organisation's 2015-2018 business plan, which aims to significantly increase Alfano's impact over the period of the plan. The Trustees have decided to invest in the organisation's infrastructure, operations and human resources in order to build a strong and sustainable platform from which to grow impact.

This commitment to organisational investment began in 2016 with a focus on strengthening the organisation's human resources in three key areas – social investments, back-office operations and fundraising.

Building on lessons learned in 2016, Alfano's objectives for 2017 include:

- 1) Increasing impact by maintaining the average grant size for successful investees, making more zero-interest repayable grants and adding an appropriate number of new social investments in Egypt and in Lebanon to maintain quality technical support.
- 2) Implementing the finalised Alfano social enterprise training programme (ASSET); providing video offerings, and employing a data-analysis platform (Qlik) for monitoring and evaluation.
- 3) Strengthening Alfano's infrastructure, especially in back-office operations, human resource management, fundraising and communications, all designed to enable sustainable growth.
- 4) Maintaining income levels and further diversifying streams of revenue; and
- 5) Promoting venture philanthropy and social entrepreneurship within the Arab world by activating a clear outreach communications strategy, and through publications and event participation.

ALFANAR
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016
TRUSTEES' REPORT

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 standard United Kingdom accounting practice.

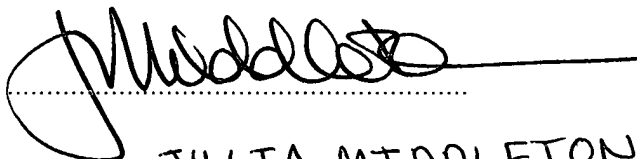
In preparing these financial statements, the Board of Trustees has:

- 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.
- Prepared the financial statements on a 'going concern' basis.
- Each of the Trustees has confirmed that, so far as they are aware, there is no relevant audit information of which the Charity's auditor is unaware, and that they have taken all the steps that they individually ought to have taken as a Trustee in order to make themselves aware of any relevant audit information, and to establish that the Charity's auditor is aware of that information.

Public Benefit Statement

The Trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers and duties. The public benefit of the charity's activities is outlined under 'Objectives and Activities' above.

Signed on behalf of the Trustees



JULIA MIDDLETON

Trustee

Date: 15/6/2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFANAR

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

Respective responsibilities of trustees and auditor

As explained more fully Trustees' Responsibilities Statement in the Trustees' Report, the Trustees (who are also the directors of the Charity 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 Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2016 and its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Report.



Nicola Wakefield (Senior Statutory Auditor)

For and on behalf of

Mazars LLP

Chartered Accountants & Statutory Auditor

Times House, Throwley Way,

Sutton, Surrey,

SM1 4JQ

Date: 22nd June 2017

ALFANAR**STATEMENT OF FINANCIAL ACTIVITIES**

(incorporating an Income and Expenditure Account & Statement of Total Recognised Gains and Losses)
For the year ended 31 December 2016

	Note	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
INCOME					
Donations	2	180,044	18,738	198,782	184,689
Other trading activities: annual dinner	3	266,752	47,500	314,252	299,020
Income from investments	4	406	-	406	1,079
Income from charitable activities	5	206,938	266,742	473,680	599,792
Other income: gain on foreign exchange		23,701	-	23,701	-
TOTAL INCOME		677,841	332,980	1,010,821	1,084,580
EXPENDITURE					
Expenditure on raising funds		215,967	-	215,967	179,713
Expenditure on charitable activities		707,896	429,652	1,137,548	613,707
TOTAL EXPENDITURE	6	923,863	429,652	1,353,515	793,420
Net (expenditure) / income		(246,022)	(96,672)	(342,694)	291,160
Transfers between funds	14	(6,550)	6,550	-	-
NET MOVEMENT IN FUNDS		(252,572)	(90,122)	(342,694)	291,160
TOTAL FUNDS BROUGHT FORWARD		587,390	231,395	818,785	527,625
TOTAL FUNDS CARRIED FORWARD		334,818	141,273	476,091	818,785

All of the Charity's operations are continuing.

ALFANAR
 (Company limited by guarantee no. 05141908)
BALANCE SHEET
 As at 31 December 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	11		7,693		1,636
CURRENT ASSETS					
Debtors	12	19,962		123,792	
Cash at bank and in hand		<u>686,063</u>		<u>732,352</u>	
		706,025		856,144	
Creditors: amounts falling due within one year	13	(237,627)		(38,995)	
NET CURRENT ASSETS			<u>468,398</u>		<u>817,149</u>
NET ASSETS			<u><u>476,091</u></u>		<u><u>818,785</u></u>
FUNDS					
Restricted funds	14		141,273		231,395
Unrestricted funds					
Designated funds	15	7,693		241,636	
General fund	16	<u>327,125</u>		<u>345,754</u>	
			334,818		587,390
			<u><u>476,091</u></u>		<u><u>818,785</u></u>

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved, and authorised for issue, by the trustees on 14 June 2017 and signed on their behalf by:-


 JULIA MIDDLETON

Trustee

The annexed notes form part of these financial statements

ALFANAR
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016		2015	
	£	£	£	£
Cash provided by operating activities				
Net movement in funds	(342,694)		291,160	
Add back depreciation charge	724		545	
Less interest income	(406)		(1,079)	
Decrease / (increase) in debtors	103,830		(48,902)	
Increase in creditors	<u>198,632</u>		<u>7,147</u>	
Net cash (used in) / provided by operating activities		(39,914)		248,871
Cash flows from investing activities				
Interest income	406		1,079	
Purchase of tangible fixed assets	<u>(6,781)</u>		<u>-</u>	
Net cash (used in) / provided by investing activities		(6,375)		1,079
(Decrease) / increase in cash and cash equivalents in the year		(46,289)		249,950
Cash and cash equivalents at the beginning of the year		732,352		482,402
Total cash and cash equivalents at the end of the year		<u>686,063</u>		<u>732,352</u>

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. Accounting Policies

These financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charity is a public benefit entity for the purposes of FRS 102 and therefore has also prepared the financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP) and the Charities Act 2011.

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the Charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular the trustees have considered the Charity's forecasts and projections. After making enquiries the trustees have concluded that there is a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. The Charity therefore continues to adopt the going concern basis in preparing its financial statements.

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.

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.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

Income

All income is 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.

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Gift aid recoverable is recognised at the date the related donation is received.

Gifts in kind are included in income and expenditure at the value of the gift to the Charity.

Expenditure

All expenditure is accounted for on an accruals basis. Irrecoverable VAT is charged in line with the expense it relates to.

Expenditure is allocated to a particular activity where the cost relates directly to that activity. Support, overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the basis of the staff costs directly attributed to each activity.

Investment payable

Investments payable are reflected in the accounts at the point at which they are approved by the Board and communicated to the investee before the year-end.

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

Foreign currencies

Transactions in foreign currencies during the year are recorded at the average rate ruling at the time of the transaction. Monetary assets and liabilities at the year end denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Financial Activities.

Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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 as follows:

Office equipment - 25% of net book value

Branch accounting

The Charity has an overseas branch in Egypt and a non-activated affiliate in Lebanon. These financial statements include the branch's transactions during the year, and its assets and liabilities at the year end (after adjusting for transactions and balances between the branch and the UK office). All the costs of operating in Lebanon are borne directly by the Charity.

2. DONATIONS

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Board	147,704	-	147,704	99,819
Other individuals	32,340	18,738	51,078	84,870
	<u>180,044</u>	<u>18,738</u>	<u>198,782</u>	<u>184,689</u>

Donations in 2015 included £44,144 of restricted income, with the balance of £140,545 being unrestricted.

3. OTHER TRADING ACTIVITIES

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Annual dinner	<u>266,752</u>	<u>47,500</u>	<u>314,252</u>	<u>299,020</u>

Other trading activities in 2015 included £3,000 of restricted income, with the balance of £296,020 being unrestricted.

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

4. INCOME FROM INVESTMENTS

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Bank interest receivable	406	-	406	1,079

Income from investments in 2015 consisted entirely of unrestricted income.

5. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
UK Aid	-	111,854	111,854	296,024
Asfari Foundation	-	24,600	24,600	-
BILD	-	40,155	40,155	-
Global Fund for Children	-	-	-	17,624
Six of October Development and Investment (SODIC)	26,923	90,133	117,056	99,799
The Golden Bottle Trust	-	-	-	1,000
Alfanar, Inc., US	170,131	-	170,131	169,732
Other organisations	9,884	-	9,884	15,613
	206,938	266,742	473,680	599,792

Income from charitable activities in 2015 included £430,060 of restricted income, with the balance of £169,732 being unrestricted.

6. EXPENDITURE

	Direct Staff costs £	Other Direct costs £	Support costs £	Total 2016 £	Total 2015 £
Costs of raising funds	49,301	135,880	30,786	215,967	179,713
Charitable activities	200,855	811,270	125,423	1,137,548	613,707
	250,156	947,150	156,209	1,353,515	793,420

Support costs are detailed in Note 8 and are allocated on the basis of direct staff costs.

Expenditure in 2015 included £364,102 of restricted expenditure on charitable activities, with the balance of £429,318 being unrestricted.

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

7. NET MOVEMENT IN FUNDS

This is stated after charging:	2016	2015
	£	£
Auditors' remuneration for audit (including VAT)	9,900	6,013
Depreciation	724	545
Operating lease rentals: property	20,974	21,343

8. SUPPORT COSTS

	2016	2015
	£	£
Governance: Audit fee	9,900	6,013
Staff costs	71,998	58,895
Staff development	5,126	-
Contractors	2,000	-
Accounting, payroll and compliance	25,071	12,468
Rent	20,974	21,398
Organisational planning	3,967	9,409
Recruitment	70	4,583
Legal and professional fees	3,763	4,045
Bank charges	2,030	2,755
Other	11,310	5,253
	156,209	124,819

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

9. DIRECT COSTS OF CHARITABLE ACTIVITIES

	2016 £	2015 £
Grant Investments awarded - UK		
NaTakallam	12,154	-
Grant Investments awarded - Egypt		
Al Mawred Al Thaqafy	-	869
Bedayaat	5,410	10,060
Educate Me	104,451	-
FEF	89,013	220,179
FLDO	-	10,130
Bashayer	1,812	905
Life Vision	112,038	10,573
Nafham.com	14,780	-
Shomoo	1,809	19,446
Together For You	-	18,149
Grant Investments awarded - Lebanon		
Ana Aqra	59,363	-
Inaash	53,591	3,346
MMKN	43,155	13,911
ShareQ's M Social Catering	75,718	16,248
WPA	65,979	22,346
Total Grant Investments awarded	639,273	346,162
Alfanar Sustainable Social Enterprise Training (ASSET)	134,373	18,185
Other direct costs	37,624	-
	811,270	364,347

10. STAFF COSTS

	2016 £	2015 £
Gross salaries	216,081	219,102
Social security costs	16,621	21,466
Salaries of overseas staff	87,564	58,810
Other overseas staff costs	1,888	14,199
	322,154	313,577

A total of 11 individual staff members were employed by the Charity in the year (2015: 10).

One employee received remuneration of between £80,000 and £89,999 in the year (2015: same).

The key management personnel of the Charity comprise the Trustees, the Executive Director and the senior management team. The total employee benefits of the key management personnel of the Charity were £223,230 (2015: £219,159).

The Trustees received no remuneration nor the reimbursement of expenses in either year.

ALFANAR
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

11. TANGIBLE FIXED ASSETS - Office equipment

	£
Cost	
At 1 January 2016	4,517
Additions in the year	6,781
At 31 December 2016	<u>11,298</u>
Depreciation	
At 1 January 2016	2,881
Charge for the year	724
At 31 December 2016	<u>3,605</u>
Net book value	
At 31 December 2016	<u>7,693</u>
At 31 December 2015	<u>1,636</u>

12. DEBTORS

Due within one year

Accrued income
Prepayments

2016	2015
£	£
17,338	122,389
<u>2,624</u>	<u>1,403</u>
<u>19,962</u>	<u>123,792</u>

13. CREDITORS

Due within one year

Trade creditors
Taxation
Accrued grants
Other accruals

2016	2015
£	£
6,767	748
7,800	7,215
195,897	9,484
<u>27,163</u>	<u>21,548</u>
<u>237,627</u>	<u>38,995</u>

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14. RESTRICTED FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers £	Carried Forward £
UK					
1. NaTakallam	-	19,093	(12,154)	-	6,939
Egypt					
2. Bedayaat	11,511	-	(5,472)	-	6,039
3. FEF and ASSET	34,957	111,854	(153,361)	6,550	-
4. Educate Me	17,018	56,187	(104,451)	67,172	35,926
5. FLDO	80,978	-	-	(67,172)	13,806
6. Bashayer	7,533	-	(1,812)	(5,721)	-
7. Minya Fund	42,030	-	(42,030)	-	-
8. Nafham.com	-	24,582	(14,780)	-	9,802
9. Shomoo	2,914	-	(2,914)	-	-
10. Social enterprise mapping	-	9,364	(5,216)	5,721	9,869
11. Study Mission	5,000	-	(5,000)	-	-
12. Together For You	-	3,000	-	-	3,000
13. Egypt general	-	20,000	(2,000)	-	18,000
Lebanon					
14. Ana Aqraa	-	100	(100)	-	-
15. WPA Foodtruck	29,454	21,000	(48,701)	-	1,753
16. WPA-General	-	45	(45)	-	-
17. WPA- Childrens Centre	-	40,155	(4,016)	-	36,139
18. MMKN	-	3,000	(3,000)	-	-
19. ShareQ's M Social Catering	-	24,600	(24,600)	-	-
TOTAL RESTRICTED FUNDS	231,395	332,980	(429,652)	6,550	141,273

Details of restricted funds

1. NaTakallam leverages online communication technology to pair Arabic-speaking refugees, mainly based in Lebanon, with Arabic learners worldwide. Through NaTakallam refugees are able to secure a valuable source of income for themselves and for their families, thereby escaping the poverty trap and gaining stability, independence and choice.
2. Bedayaat runs an informal children's education centre in the impoverished Badawi Shelters of Minya City. With Alfanoar's support in 2015, Bedayaat strengthened its children's centre by building the capacities of its educators and establishing a health clinic that treated 99 children. Alfanoar thanks SODIC for its support of Bedayaat.
3. FEF and ASSET: FEF runs a micro-loan, financial literacy and vocational training programme in Minya, Egypt for widows and female heads of household. This project was supported by UK Aid and Alfanoar, Inc., US. Additionally UK Aid provided funding for the establishment of the ASSET programme. This programme is made up of 10 training modules to help social enterprises become more sustainable. It was pilot tested on FEF, among a selection of other Alfanoar investees.

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4. Educate Me runs an innovative community school in Talbeya, a slum outside of Cairo, which emphasises character development and self-actualisation alongside the traditional curriculum. It also conducts teacher training to a wider group of educators. This project is generously supported by SODIC.
5. FLDO runs a Montessori-style nursery school that doubles as a training hub for nurseries that operate in Cairo's slum areas. In 2015, FLDO's model nursery school achieved financial break-even. Alfano will help FLDO strengthen its financial management systems before exit in 2017. This project is supported by SODIC, and the Global Fund for Children. By agreement with the funder, a transfer of £67,172 has been made to the Educate-Me fund.
6. Bashayer operates a sewing and production unit in Helwan, an industrial area outside Cairo. Through the support of SODIC, Alfano has helped Bashayer strengthen its design and sewing skills, operational capacities, and marketing abilities. By agreement with the funder, a transfer of £5,721 has been made to the Social Enterprise Mapping fund.
7. Minya Fund: is a restricted fund created to support Alfano's activities in Minya including the funding of investees and the provision of technical assistance. In 2016, the Minya Fund was used to support Alfano's Investee, Life Vision.
8. Nafham.com is an award winning Massive Open Online Course (MOOC) in Egypt that hosts short crowd-sourced videos based on topics from national curricula across the Arab world. Alfano contracted Nafham in 2016 to undertake a research study in order to strengthen the site's learning outcomes and user interface. The study will allow the generation of 600 new videos and will identify how to make them more effective. This project is made possible through the support of SODIC.
9. Shomoo trains non-governmental organisations to run literacy and awareness-raising classes in Minya in addition to counselling and operating a micro-loan and vocational training programme for female victims of domestic violence. In 2016, Alfano seeded a catering unit within Shomoo, which is helping the organisation recover costs and cross-subsidise its social purpose outreach. This investment is made possible through the support of SODIC.
10. Social Enterprise Mapping: Funds for an exercise to develop a comprehensive map of existing or aspiring education social enterprises in Cairo, Giza and Alexandria. In conjunction with SODIC, Alfano chose an Egyptian consultancy firm, Innovety LLC, to conduct the mapping exercise. It began in 2016 and will be completed in the second quarter of 2017. To date over 100 organisations, institutions, and individuals have been approached. A shortlist of candidates identified by the mapping exercise will be approached by Alfano in 2017 as potential education investments. This project is made possible through the support of SODIC.
11. Study Mission: is a restricted fund created through the support of an individual donor to enable Alfano to expose rising star investees to sustainable social enterprise models in different developing countries. In 2016 Alfano was able to take staff from the Women's Programme Association in Lebanon and the Future Eve Foundation in Egypt to Bangladesh to visit BRAC, the largest NGO in the world, and the Grameen Bank, the winner of the 2016 Nobel Peace Prize.
12. Together For You provides vocational training to low-income women in Cairo to become elderly caregivers and then secures job placements for them. This investment, supported by the Brighter Vision Foundation, enabled TFY to train 116 women and place at least 39 of them in steady jobs.
13. The Egypt general fund is for that income which is specifically received for activities in the country.

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14. Ana Aqra: Since 2013, Ana Aqra has focused on improving its training package and enhancing the capabilities of its training team. With the help of Alfanar, Ana Aqra was able to present a training solution to international and local NGOs who are working on integration and retention programs in support of out of school Syrian refugee children and struggling Lebanese public school students.
15. WPA Foodtruck is a restricted fund created to secure the funding needed to enable WPA's catering operation -- Soufra -- to purchase a foodtruck that will significantly improve the sustainability of this venture run by refugees. It is supported by The Golden Bottle Trust and 778 individuals who mostly gave through Alfanar's online Kickstarter crowd funding campaign.
16. WPA General: Since 2013, Alfanar has worked with The Women's Program Association (WPA) to:
 - a) help create steady employment opportunities for women refugees through the establishment of a catering unit called Soufra (meaning 'feast' in Arabic),
 - b) enable WPA to serve a wider group of women micro-entrepreneurs by growing WPA's microloan portfolio
 - c) educate the next generation of refugees within the camp by establishing its first independent, non-religious preschool
17. WPA Children's Centre: The creation of the Child Care Centre is the latest tool for WPA to increase its impact, with a specific focus on children within the refugee camp of Burj el Barajneh. The centre, which in its first year plans to reach 30 students, will be the first non-secular and non-affiliated nursery in the camp. Additionally, WPA hopes to make this a third source of unrestricted tuition income (\$185/yr per child on average) to help cover the nursery's operating costs. This investment was made possible with the support of the BILD Foundation.
18. MMKN helps at-risk Lebanese public school students pass the Brevet (9th grade) exam, which is required for entry into high school. Using a mentoring curriculum developed by MMKN, volunteer university students coach disadvantaged pupils to prepare for the exam., Alfanar has supported MMKN to establish a fee-based tutoring programme for private students. In the long-run, tutoring revenue will help cross-subsidise MMKN's work with disadvantaged students in public schools. MMKN is supported by an individual donor.
19. ShareQ's M Social Catering is a Lebanon social enterprise that runs a learn and earn vocational training program across Lebanon for disadvantaged Lebanese women and youth. Once graduated from the training programme, ShareQ places its trainees in employment in the food and beverage sector. The organisation's impact work is subsidized by their catering arm, Mommy Made, which also employs the trainees on a part time basis. In 2016 Alfanar worked to expand both the organization's training and job placement capacities, and its financial self-sufficiency through investment in a new product line for Mommy Made. This investment was made possible with the support of the Asfari Foundation.

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15. DESIGNATED FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers £	Carried Forward £
Fixed Assets	1,636	-		6,057	7,693
Long-term Investment	180,000	-	(180,000)	-	-
Pilot-year Investment	60,000	-	(60,000)	-	-
TOTAL DESIGNATED FUNDS	241,636	-	(240,000)	6,057	7,693

Fixed Asset Fund represents the net book value of tangible fixed assets in use and therefore not available to meet future expenditure.

Long-term Investment Fund brought forward balance amounted to £180K and was designated to six successful investees in both Egypt and Lebanon who have developed sustainable business plans that Alfamar backed. The funds were fully spent in the year.

Pilot-year Investment Fund brought forward balance amounted to £60K and was designated to new investees which were added to the portfolio in 2016. The funds were fully spent in the year.

16. MOVEMENT OF FUNDS IN THE YEAR

Current year

	Brought Forward 1 January 2016 £	Income £	Expenditure £	Transfers £	Carried Forward 31 December 2016 £
Designated funds	241,636	-	(240,000)	6,057	7,693
General fund	345,754	677,841	(683,863)	(12,607)	327,125
	587,390	677,841	(923,863)	(6,550)	334,818
Restricted funds	231,395	332,980	(429,652)	6,550	141,273
TOTAL FUNDS	818,785	1,010,821	(1,353,515)	-	476,091

Prior year

	Brought Forward 1 January 2015 £	Income £	Expenditure £	Transfers £	Carried Forward 31 December 2015 £
Designated funds	17,002	-	(545)	225,179	241,636
General fund	380,270	607,376	(428,773)	(213,119)	345,754
	397,272	607,376	(429,318)	12,060	587,390
Restricted funds	130,353	477,204	(364,102)	(12,060)	231,395
TOTAL FUNDS	527,625	1,084,580	(793,420)	-	818,785

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Current year

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £
Tangible fixed assets	7,693	-	7,693
Net current assets	327,125	141,273	468,398
	334,818	141,273	476,091

Prior year

	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Total Funds 2015 £
Tangible fixed assets	1,636	-	1,636
Net current assets	585,754	231,395	817,149
	587,390	231,395	818,785

18. RELATED PARTIES

The Founder of the Bedayaat Foundation (Bedayaat), Mr Karim Gohar, is the brother of one of Alfanoar's trustees, Lady Plumbly. Bedayaat independently submitted a proposal to Alfanoar's January 2011 call for proposals in Egypt. Given its alignment with Alfanoar's selection criteria, Bedayaat successfully progressed through Alfanoar's screening, shortlisting, and due diligence process. The Board of Trustees approved a grant to Bedayaat in 2011, 2013, 2015 and 2016. Trustee Lady Plumbly has consistently removed herself from Board meetings when discussions about and/or voting on this investment took place. Mr Karim Gohar received no personal benefit from any of Alfanoar's disbursements under approved grants, including Alfanoar's grant in 2016 of £5,410 (2015: £10,060). In 2014, Mr Karim Gohar stepped down as Chief Executive of Bedayaat to serve as the Foundation's Board Chair.

Lady Plumbly is also a member of the governing council of the Alfanoar charitable association registered in Lebanon.

Alfanoar rents and pays for UK office space at less than market rates from 'Common Purpose', where Julia Middleton (trustee) is the Chief Executive. The cost in the year was £17,000 (2015: £13,167).

Cynthia J. Oakes continues to serve as a director of Alfanoar, Inc. US.

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19. LEASE COMMITMENT

At the reporting end date the charity had the following future minimum lease payments under non-cancellable operating leases (all for property) which fall due as follows:

	2016	2015
	£	£
Less than 1 year	12,498	9,000
Between 2 and 5 years	3,847	-
	<u>16,345</u>	<u>9,000</u>