

The STARS Foundation

Annual report for the year ended 31 July 2011

Registered company number: 4250105

Registered charity number: 1087997

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Trustees' Report

The Trustees present the tenth report and financial statements of the STARS Foundation ("the Foundation") for the year ended 31 July 2011. The financial statements have been prepared in accordance with the accounting policies set out on pages 20 and 21 and comply with the charity's Memorandum and Articles of Association, applicable law and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005.

Reference and Administration Details

Trustees

Amr A Al Dabbagh (Founding Chairman)

Mark Bridges (Company Secretary)

John Crawshaw

Gavyn Davies

Mohamed Jazeel

John Quelch (Resigned 31 January 2011)

Sally Tennant

Chief Executive

Muna Wehbe (to June 2011, thereafter on maternity leave)

Julian Gore-Booth (Interim CEO from June 2011)

Correspondence address

11 Belgrave Road

London SW1V 1RB

Auditors

Kingston Smith LLP

Devonshire House

60 Goswell Road

London EC1M 7AD

Bankers

EFG Private Bank Limited

Leconfield House, Curzon Street

London W1J 5JB

Solicitors

Farrer & Co

66 Lincoln's Inn Fields

London WC2A 3LH

Trustees' report (continued)

The Foundation was constituted as a Charitable Company limited by guarantee on 11 July 2001 and is subject to the laws of England & Wales. It was registered by the Charity Commission as a UK charity on 13 August 2001 as charity number 1087997.

As a company limited by guarantee having no share capital and, in accordance with the Memorandum of Association, every member is liable to contribute a sum of £1 in the event of the company being wound up. At 31 July 2011 there were 6 members (2010: 7 members). There is no controlling entity.

Objects and Mission

Objects

The Foundation has broad charitable objects which give the Trustees the power to apply the charity's assets, at their discretion, for exclusively charitable purposes. The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity.

Mission

In fulfilling its charitable objects, The STARS Foundation's mission is to improve the lives of disadvantaged children around the world by supporting organisations which meet their health, education and protection needs. STARS believes that effective and well-run local NGOs are best placed to respond to the needs of those they serve. Founded by the Dabbagh Group in 2001 and based in London, STARS has provided grants to non-profit making organisations working with disadvantaged children and in 2007 launched the STARS Impact Awards.

Structure, Governance and Management

During this financial year under review, the governance of STARS was led initially by seven and subsequently (after 31 January) by six Trustees. The method of appointment of the Foundation's Trustees is set out in the Articles of Association.

The CEO of the Dabbagh Group, the Foundation's founding donor, is a Trustee of the Foundation. Two other Trustees of the Foundation are connected to it, by virtue of services provided to the Foundation through other organisations in which they have an interest. Further details are provided at Note 4 to the statutory accounts.

New Trustees are provided with the following information:

- Overview of STARS at a meeting with the Chief Executive
- A copy of the Memorandum and Articles of Association, and Charity Commission guidelines for Trustees
- Financial reporting and current performance, including budget and management accounts
- The previous year's audited accounts

Trustees' report (continued)

Trustees are kept up-to-date on any key changes regarding Charity Commission guidelines on the responsibilities of charity Trustees and receive invitations to Trustee workshops. A number of our Trustees are also actively involved with other charities.

A full-time Chief Executive handles the Foundation's day-to-day operations from its London-based headquarters, supported by a team of four or five people. The core operations team of the STARS Foundation includes two Programme Officers (one for Africa-Middle East region, one for Asia-Pacific region), a Development Director and an Administrative Officer (appointed November 2010). The Trustees have delegated the management of STARS to the Chief Executive who reports on the performance against the budget and strategic plan, which are approved annually by the Trustees. Management accounts are sent out monthly to the Trustees. The Trustees meet quarterly, with additional support provided more regularly by one Trustee.

Internal Financial Control and Risk Assessment

The Trustees report that the charity's internal financial controls, where possible, conform to guidelines issued by the Charity Commission.

The systems of financial control are designed to provide reasonable assurance against material misstatement or loss. They include:

- An annual budget approved by the Trustees
- Management accounts submitted monthly to the Trustees
- Authority to spend within defined limits
- Clear internal financial controls which are reviewed annually

An updated document covering the major strategic and operational risks that the charity faces was circulated to the Trustees on 25 October 2011 and was approved. The potentially significant risks identified are:

- The loss of Dabbagh Group funding without replacement funding having been secured
- Lack of fundraising income
- Management of cash flow
- Negative publicity and damage to STARS Foundation's reputation

This risk assessment document, prepared by the Chief Executive and circulated to the STARS team, ensures that systems are in place to mitigate against the risks identified as far as is practical. The Trustees review these systems and controls on an annual basis.

Trustees' report (continued)

Achievements and Performance

Each year, the STARS Impact Awards identify and support local organisations that achieve excellence in the provision of services to disadvantaged children and that demonstrate effective management practices. Through a rigorous two-stage process, applicants are evaluated against eight criteria, developed with PricewaterhouseCoopers LLP, that reflect the hallmarks of effective practice.

Each Award provides a package of support comprising:

- US\$100,000 of unrestricted funding - Giving recipient organisations the flexibility to respond more effectively to the challenges they face and to the needs of the children they serve
- Tailored consultancy support - Offering recipient organisations access to training or skills and helping them to maximise the benefits of their Award
- Media training, content and access - Providing recipient organisations with the tools and opportunities to use the Award to enhance their profile

There are six Impact Awards in total: three Awards for Africa-Middle East and three for Asia-Pacific, across the categories of Health, Education and Protection. In addition, one or two smaller Awards may be made at the discretion of the STARS Board of Trustees to recognise the work of organisations whose applications demonstrate potential as a 'Rising Star'. Eligible countries all feature in the top 100 Under-Five-Mortality Rank listing from UNICEF's *State of the World's Children Report 2009*. With the support of the Dabbagh Group, STARS' founding donor, the Awards are now open to eligible organisations working across 80 countries in Africa, Asia, the Middle East and Pacific regions.

Through the Impact Awards and the feedback it collects from applicants, STARS is encouraging the replication of effective approaches and practices amongst both frontline NGOs and funders. As a part of this, STARS offers personalised feedback to all Award applicants, which many find a valuable part of the process and of genuine benefit to them as they seek to strengthen their services to children and their funding applications to other donors.

During this year under review, the STARS Trustees have paid due regard to Charity Commission guidance on public benefit in deciding what activities the charity should undertake. A summary of key objectives, activities and achievements carried out for the public benefit are listed below:

- To manage the 2011 Awards process to completion successfully
 - Feedback from potential and actual 2010 Award applicants was reviewed in detail before the 2011 application form, guidance notes and assessment process were adapted in response.
 - The 2011 Awards process was launched in September 2010 across 80 countries in Africa, the Middle East, Asia and Pacific regions.

Trustees' report (continued)

- 976 applications were received from 60 countries, compared with 701 from 50 countries the year before.
- The scoring and shortlisting of eligible applications was completed, with 15 applications from Asia-Pacific and 18 from Africa-Middle East presented to two regional voluntary Independent Award Panels for further consideration. The Panels for each region nominated recipients and runners-up for each category of Health, Education and Protection, they also provided recommendations for organisations in each region that might be suitable for Rising Star Awards. 14 organisations were subsequently visited by STARS representatives in August 2011.
- To develop practical methods of sharing effective approaches and practices of organisations working with children and to provide more support to a wider number of organisations reaching the final stages of the Awards assessment process.
 - Feedback to all 2011 applicants has been provided, offering detailed information on each application's strengths and weaknesses. Stage 2 applicants also received a graph showing how their organisation's application performed compared to the average Stage 2 applications in their respective region (Asia –Pacific/Africa-Middle East).
 - Continued emphasis was placed on communications efforts this year to showcase the work of the organisations receiving the Award and their achievements in improving the lives of children, both locally and internationally with the support of STARS.
 - Direct feedback was sought from applicants to map out the various needs and challenges facing local NGOs. This information and STARS' desire to broaden the scope of its support to benefit more Award applicants has led to the development of a new programme of activities looking to engage the private sector with a number of STARS Award applicants.
 - Direct feedback was sought from 2010 recipients and previous Impact Award applicants to discuss the potential development of a Knowledge Management platform, where organisations have the opportunity to share and learn from others and access valuable resources. This has fed directly into the design and development of the proposed Knowledge Management Programme.
- To continue working closely with previous Award recipients and providing consultancy support as appropriate and to measure and quantify the impact the Award has had on each recipient organisation
 - STARS Programme Officers have continued to work in close partnership with previous recipients to help them plan how best to use their Award funding and to provide consultancy support that is tailored to their needs.
 - In March of this year STARS Programme Officers undertook follow-up visits to the 2010 Award recipients, in order to discuss their progress and ensure STARS was providing the right level of support required.

Trustees' report (continued)

- To measure and quantify the impact the Award has had on each recipient organisation
 - The current data collection mechanism in place since launch was reviewed and refined in 2010, with additional questions requested from Award applicants to understand more clearly the impact of the type of funding and support offered by STARS.
- In the first four years of the Impact Awards, STARS has directly benefited 19 local NGOs working with more than 400,000 children and young people across nine different countries. In many cases, the Awards have enabled recipients to source additional funding, raise their profile and build new partnerships.
- In terms of activities and results from the 2010 Award recipients:
 - ACE Africa (Africa Health Award) - www.ace-africa.org

Since 2004 Action in the Community Environment (ACE) Africa works to reduce the impact of HIV/Aids and build sustainable nutritional capacity and livelihoods of rural communities in western Kenya

With its Award funding, ACE is building shelters for 20 vulnerable families, campaigning in 42 schools against jigger infection which can lead to disability if left untreated, improving nutrition of hundreds of malnourished children, lifting barriers to accessing education for over 2,000 school girls and increasing accessibility to HIV testing and counselling services to over 900 people. Additionally ACE is conducting a human resources review to bolster its staff and volunteers' capacity to deliver quality programmes and has improved its monitoring system by upgrading its database.

Part of ACE consultancy support has been used to provide a residential course on management accounting. ACE has also been exploring opportunities to diversify its funding base to support its operational cost and ensure sustainability of its charitable services. As a consequence it has successfully identified some income generating activities and registered as a social enterprise.

- AET Somaliland (Africa Education Award) - www.aetsomaliland.org

Established in 1998, Africa Educational Trust (AET) Somaliland is one of the only organisations in the country specialising in education and working with internally displaced communities in areas affected by conflict.

AET Somaliland has decided to use its Award funding to purchase office materials, provide literacy classes to 400 internally displaced children and set up a digital library. Additionally AET will use a multi-disciplinary approach to strengthen its profile; this includes making a documentary about their work and strengthening their relationship with the local media.

AET is yet to decide how to utilise their consultancy support.

Trustees' report (continued)

- Childline Kenya (Africa Protection Award) – www.childlinekenya.co.ke

Established in 2005, Childline Kenya promotes child rights and operates a national 24-hour toll free helpline which brings children in need of support together with the organisations that can help them.

Childline Kenya is using its Award funding to increase access to child protection services to the vulnerable children of Kenya through the use of technologies and a multidisciplinary approach which includes: the launch of an SMS campaign and the provision of online counselling to hard to reach children including those with disabilities and mapping and integration of their referral partners into an electronic directory using Geographic Information Systems (GIS). Additionally they have purchased a rescue vehicle to conduct home and school visits, assess referral partners and carry out outreach services. Childline Kenya is also carrying out a public education campaign through the media on the subject of violence and abuse of children. STARS funding has allowed Childline to cover the salary of three staff members for a year, strengthening operational capacity. Finally a proportion of their funding has been invested in a fixed deposit account for 12 months.

Childline Kenya has expressed interest in utilising their consultancy support to set up a fully-fledged research and advocacy department, developing an effective Monitoring and Evaluation computerised framework and strengthening their Communication and Human Resources strategies. These activities are yet to be implemented.

- Home from Home Trust (Africa Rising Star) – www.homefromhome.org.za

Established in 2005, Home from Home supports and supervises community based foster care for orphaned, abandoned and vulnerable children across Cape Town and in a number of surrounding townships.

Home from Home is using its Award funding to develop an integrated database to allow them to monitor the needs of the children under their care and how they are being met. They have also purchased some equipment for one of their newly established foster homes.

Home from Home used STARS consultancy support to collaborate with a local university to develop a sophisticated Monitoring and Evaluation system that will allow them to identify trends, capture their impact more systematically, develop their "Theory of Change" and determine the scalability of their fostering model.

- Impact Foundation Bangladesh (Asia Health Award) - www.impactfoundation.bd.org

Based in Dhaka, Impact Foundation Bangladesh (IFB) supports the prevention, cure and management of disability through its health centres and community based activities.

IFB is using its Award funding to carry out preventive and curative health care activities. These activities include: immunisation of children; eyesight test for school children; treatment and surgery of children with disability (cleft lip, club foot, ENR complexity); physiotherapy therapy sessions and

Trustees' report (continued)

assistive device services; training of traditional birth attendants and establishing home gardens for families.

IFB is planning to use its consultancy support to build the organisation's fundraising and communications capacity. This includes fundraising training opportunities for key members of staff.

- Pragma (Asia Education Award) - www.pragya.org

Since 1995, Pragma has worked to provide holistic, sustainable development for vulnerable and neglected communities running grassroots projects that improve the education, health and human rights of the high-altitude Himalayan population.

Pragma is using its Award funding to build the capacity of Community Based Organisations (CBOs) in 12 Himalayan Districts to orient their communities on education and health issues. Child participation awareness sessions are conducted with CBOs and target communities to build understanding of methods and benefits of putting children at the heart of interventions. Booster trainings on advocacy with the government towards improving the reach and quality of welfare services in the Himalayas are also provided to the CBOs, who will then lead local-level campaigns on major developmental issues relating to children, such as those of child labour and the incidence of tuberculosis. Education-packages are also being developed and adapted to generate awareness on critical issues of the Himalayas (climate change, contamination of water, etc.). These packages are made available in remote villages as well as to migrant labour camps.

Pragma will use its consultancy support to improve its IT systems for recruitment and fundraising (e-applications and e-donations) and upgrade and maintain the organisation's website and portal, 'Himalayan Voices'. Part of the consultancy will go to editorial services for the publication of policy and research papers to reach out to the government and the wider public. In addition, the funding will assist with the legal compliance requirements for registering Pragma in Kenya and creating linkages with relevant government agencies in the country

- Manav Seva Sansthan (Asia Protection Award) - www.manavsevaindia.org

Established in 1988, Manav Seva Sansthan (MSS) runs an action-based campaign against human trafficking and facilitates safe migration along the Indo-Nepal border.

MSS plans to use its funding to build a rehabilitation centre for children and women victims of trafficking, giving them a safe place to stay and the opportunity to develop skills through vocational training and income generating activities.

MSS will be using its consultancy support to strengthen the organisation's financial systems and processes, which they have identified as key areas for improvement. Once the consultancy work is completed successfully, STARS will make the subsequent transfer of the Awards funding.

Trustees' report (continued)

- To conduct a full review of the 2011 Awards in order to assess the feasibility of further expansion and to build on the STARS strategic plan.
 - A review of the 2011 Awards was conducted in February and June 2011 with the conclusion that:
 - To save costs without compromising on quality, and possibly even improving the early stage of assessment, STARS will use postgraduates from International Development and other relevant fields to participate in the 2012 Stage 1 scoring and assessment of applications.
 - STARS will use senior development experts (rather than consultants from PricewaterhouseCoopers LLP) to assist in the assessment of the 2012 Stage 2 applications, identifying key strengths and weaknesses and recommending the top 15-18 applications to go through to Panel.
 - Assessment visits should be shorter and more frequent.
- To build our ability to fundraise successfully by bringing in a small number of core partners who will support STARS.
 - A new programme called *STARS Impact Partnerships* was researched, designed and developed in anticipation of a potential pilot phase with three companies. *Impact Partnerships* is aimed at building relationships with companies that will assist our Impact Awards finalists with financial and non-financial support. Companies participating in the initiative will also support STARS to facilitate relationships with participating NGOs.
 - The Development Director met targets for prospects identification and profiling (15 companies) and pitching of high value proposals (eight at \$500,000+).
 - The Foundation's first major new funding partnership (with the Ashmore Foundation) was verbally agreed in July 2011, with the funding pledge due to be confirmed in August.
 - The Fundraising and Development Strategy is currently being refreshed in light of progress over the last period and will be re-stated to take into account a significant ten-year growth target to 2020.
- To raise the profile of STARS with key target audiences in order to support fundraising activities.
- To continue developing the capacity of the STARS Foundation team to run an efficient and streamlined organisation
 - After four years of active support from PricewaterhouseCoopers LLP (PwC) in developing and refining the Awards process, a larger proportion of the process was undertaken in-house for the second year running, reducing the amount of external support provided by PwC.

Trustees' report (continued)

- Each employee at STARS continues to benefit from a personal training budget of £2,000. Whilst employees are encouraged to drive their own development, their annual performance review is used as the basis for recommending training opportunities. Continued emphasis will be placed in the coming year on ensuring that individuals maximise their access to the training support offered by STARS.
- In line with Charity Commission guidance, STARS has put in place the following procedures to safeguard its staff – and Trustees, should the situation arise – when travelling internationally:
 - All staff travel plans are checked against the Foreign & Commonwealth Office (FCO) Travel Advice website and a risk assessment completed for each country of travel. Staff will not be asked to travel to a country that the FCO advises against all travel to. In the case of travel restrictions being placed on a particular area within a country, STARS team members review the guidance carefully, plan accordingly, and the support of the Trustees is secured on any final decisions.
 - In the case of a visit needing to take place in a conflict zone, STARS has informal agreements in place with International Medical Corps and Action Aid, organisations providing assistance in conflict zones. Where possible, these organisations and / or local consultants will complete the visit on behalf of STARS and provide a full report on their visit. This was done in 2010 with a runner-up based in Gaza in the Occupied Palestinian Territories and again in 2011 in the Niger Delta and in Pakistan.
 - To date, staff members have never travelled alone on Award assessment visits.

Post balance sheet events

Since the end of the financial year:

- The 2011 Awards process was completed successfully. The shortlisted organisations at Panel were visited by STARS, with Nigeria and Pakistan visited respectively by Action Aid Nigeria and a local consultant because of security considerations. A final recommendation was put to the Board of Trustees on 6 September, when a final decision was made to award six organisations with STARS Impact Awards and two with Rising Star Awards.
- The 2011 Award recipients in the Africa-Middle East region are:
 - **Health Recipient: Bwindi Community Hospital – Uganda** Bwindi Community Hospital was established as a small health centre in 2003 to tackle the lack of healthcare provision and reduce the prevalence of illnesses in this inaccessible region. It became a fully operational hospital in 2009 and as the only hospital in the region provides care to a population of 100,000 people, principally women and children. The hospital implements a wide variety of programmes including child health, community health, HIV/AIDS and sexual reproductive health. It also runs programmes in schools and communities to raise awareness of sexually transmitted infections and HIV/AIDS, environment health

Trustees' report (continued)

and sanitation, epidemics and disaster prevention, immunisations and nutrition. Counselling is also offered to adolescents and those diagnosed with HIV. www.bwindihospital.com

- **Education: Theatre For Life also known as AREPP – South Africa** The AREPP: Theatre for Life Trust is an applied theatre organisation which has been operating nationally in South Africa since 1987. AREPP: Theatre for Life creates high quality applied theatre productions and travel to schools nationwide. Performed in the real-life context and in the local language of the audience, the productions have two aspects: the performance of a thirty minute play; followed by a thirty minute problem-solving discussion with the audience. Using a rights-based approach each show is age-appropriately crafted to highlight and foster thought and debate around the issues of identity, rights, relationships, discrimination, gender equality, homosexuality, pregnancy, peer pressure, sex, substance use, HIV/AIDS and STIs, violence, and physical and emotional abuse. www.arepp.org.za
- **Protection: The Wema Centre Trust – Kenya** The Wema Centre (Well Being Centre in Kiswahili) provides comprehensive care for street children, especially girls, and educational opportunities for orphans and vulnerable children from the Coast and Central Provinces, in Mombasa, Kisauni and Thika districts. Wema provides shelter, clothing, food, healthcare, psychosocial support and education to children. Where possible it seeks to reunite street children with their families and works with government offices across the country and village elders to monitor their progress and ensure effective reintegration. Moreover, Wema works at a political level to increase awareness and understanding of the issue. www.wemacentre.org
- **Rising Star: Stepping Stones Nigeria – Nigeria** Stepping Stones Nigeria offers a drop-in facility for children aged 5-18 who have been branded as witches and abused, and provides them with food, clothing, healthcare, counselling, non-formal education, and vocational training. It also monitors child rights, reports violations to the police, and offers family tracing services, as well as financial assistance and training in income generation to reunited families. Stepping Stones' work includes raising awareness of these issues within the community. It continually engages traditional rulers, government departments, the police and the judiciary, and monitors the implementation of the Child Rights Act. www.ssncef.org
- The 2011 Award recipients in the Asia / Pacific region are:
 - **Health: Restless Development – Nepal** Restless Development Nepal is a youth led development agency that works in the poorest and most marginalised districts of Nepal to raise the awareness of children and young people on health issues such as HIV, hygiene and sanitation. Working in collaboration with other NGOs, its programmes are delivered in schools and the wider community by international and national volunteers, who offer peer-led interactive development activities. These volunteers promote the formation of youth clubs, to widen the impact of the programmes and help develop young people's life skills. Restless Development Nepal also works alongside local communities to build hygiene and sanitation infrastructure, and advocates at a national level for the health and participation rights of young people. www.restlessdevelopment.org

Trustees' report (continued)

- **Education: Centre for Services and Information on Disability (CSID) – Bangladesh** Centre for Services and Information on Disability (CSID) fights for the inclusion of disabled people in society and promotes their equal rights. CSID targets its programmes at the most vulnerable children within this marginalised group, such as those living on the streets in slums and in rural areas, as well as those with severe degrees of disability and/or with no access to education and recreation activities. To overcome social exclusion and discrimination, CSID works closely with the school authorities, local government, community and businesses to provide access to health and rehabilitation services, education, recreation, vocational training and decent employment. CSID also aims to influence national policy and legislation so that it is more reflective and representative of the rights of disabled people and children. www.csid-bd.org
 - **Protection: GoodWeave Nepal – Nepal** GoodWeave Nepal offers an exciting model which leads to better practice within the industry, by using a holistic approach that tackles both the prevention and rehabilitation of child labour in the carpet industry. Participating companies who abide to its strict no-child-labour guidelines are issued with a unique, traceable certification label for their carpets, and are inspected through regular and thorough monitoring. GoodWeave Nepal also rescues child weavers from non-compliant factories and offers them rehabilitation into the wider community through education, vocational training and eventual job placements. Child labour prevention programmes complete its approach, with a focus on education and health of carpet workers, their children and family members. www.GoodweaveNepal.org
 - **Rising Star: Ba Futuru (For the Future) – Timor Leste** Ba Futuru seeks to advance the rights of children by changing accepted norms about violence. Its innovative approach to these challenges is founded on the principles of mutual learning, capacity development, artistic self-expression and human rights-based programming. Ba Futuru facilitates the psychosocial recovery of the conflict-affected through its Transformative Arts and Human Rights Education (TAHRE) workshops, teaching children about their own rights, the rights of others, and how to reduce violence in their everyday lives. They also develop the knowledge, skills and values of community leaders and care-givers through the Child Protection and Positive Discipline training curriculum, increasing their capacity and understanding of child protection issues. www.bafuturu.org
- The 2012 Awards were launched on 5 October 2011 to eligible organisations in 80 countries.
 - STARS secured its first major external funding partnership, with the Ashmore Foundation, in the latter part of 2011. The Ashmore Foundation will fund the financial element of three Asia-Pacific Impact Awards in 2012 (\$100,000 x 3). We hope to develop a long-term relationship with the Ashmore Foundation.
 - STARS recently secured a media partnership with The Guardian newspaper and Guardian Global Development website which will highlight our work and that of our recipient NGOs amongst important target audiences through 2012.

Trustees' report (continued)

- Networking activities – including a September 2011 dinner briefing for Corporate Community Investment professionals and representatives of foundations – are increasingly leading to significant introductions and raised profile for STARS.
- The 2011 Awards ceremony was due to take place at The British Academy in London on 24 November 2011 to recognise the outstanding work of the 2011 Award recipients and help them to raise their profile. Some 130 guests were expected.
- The concept of a new programme, Impact Partnerships, was further developed and should pilot with the first corporate partners in 2011/12.
- The concept of a Knowledge Management Programme was also developed and will be developed further in 2011/12.
- Two Programme Assistants were hired on 19 September 2011 to support the STARS team and to bolster the capacity of the Programme Officers. This is expected to strengthen performance across the Awards programme, particularly in the areas of evaluation and communication, and to allow the Foundation to prepare for launch of the Awards in Latin America and Central Europe (LACE) planned for 2013. The extra capacity will also allow for the implementation of Impact Partnerships and Knowledge Management to be more adequately supported.

Plans for future periods

The charity's future plans are a continuation and expansion of the current strategy, with a particular focus on:

- Managing the 2012 Awards process to completion successfully, including the expansion to 14 Awards and the implementation of an online application option.
- Developing practical methods of sharing effective approaches and practices of organisations working with children.
- Continuing to work closely with previous Award recipients and providing consultancy support as appropriate.
- Measuring the impact the Award has had on each recipient organisation.
- Conducting a full review of the 2012 Awards in order to assess the feasibility and timing of further expansion including making a significantly larger number of Awards by 2020 and making the Awards available in Latin America, the Caribbean, and Central and Eastern Europe (LACE).
- Providing more support to a larger number of organisations reaching the final stages of the Awards process through launching the Impact Partnerships and Knowledge Management programmes.

Trustees' report (continued)

- Building our ability to fundraise successfully by bringing in a small number of core partners who will support STARS, particular focus will be given to retaining the support of the Ashmore Foundation for the Asia Awards, seeking a similar partner to support the Awards in Africa and a third to support LACE regions.
- Raising the profile of STARS with key target audiences in order to support fundraising activities.

Continuing to develop the capacity of the STARS Foundation team to run an efficient and streamlined organisation.

Financial review

Total incoming resources in the year were £1,393,874 (2010: £1,243,944). Total expenditure £1,183,834 (2010: £1,039,498) giving a surplus for the period, before foreign exchange losses, of £210,040 (2010: surplus £204,446). Expenditure increased less than expected over previous years due to the delay in implementation of Impact Partnerships and Knowledge Management. Total reserves at the year end were £715,062 (2010: £515,062), including restricted reserves of £nil (2010: £ nil).

In the year under review, STARS awarded six organisations a STARS Impact Award (\$100,000 each in funding with \$16,000 in consultancy support) and one organisation a Rising Star Award (\$10,000 in funding with \$10,000 consultancy support).

Reserves policy

All of STARS costs to date have been met and underwritten by the Dabbagh Group. Previously the Trustees agreed to maintain a six month rolling reserve (approximately £887,000 for 2011/12) to cover a portion of charitable expenditure, staff salaries and overheads. This is being built up, with an additional transfer of £300,000 during the year bringing the fund balance to £600,000. In addition, other costs are funded by quarterly donations in advance. This year, the Foundation's reserves stood at £715,062 (2010: 515,062), representing the reserve policy fund and an additional £115,062 of reserves to fund activities during the first quarter of 2011-12.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of the STARS Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.)

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;

Trustees' report (continued)

- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, Kingston Smith LLP will be deemed to be reappointed and will therefore continue in office.

By order of the Trustees



Mark Bridges

Trustee

24 November 2011

Independent Auditors' Report

Independent Auditors' Report to the Members of the STARS Foundation

We have audited the financial statements of the STARS Foundation for the year ended 31 July 2011 which comprise the Statement of Financial Activities incorporating the Summary Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement (set out on pages 14 and 15) the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors' Report (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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' Annual Report.



Sandra De Lord, Senior Statutory Auditor
for and on behalf of Kingston Smith LLP, Statutory Auditor

8 Dec 2011

Chartered Accountants

Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7ADV

Statement of financial activities

(incorporating an income and expenditure account)

For the year ended 31 July 2011

	Notes	Unrestricted £	Restricted £	2011 £	2010 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	1,391,316	-	1,391,316	1,240,498
Interest received	2	2,558	-	2,558	3,446
Total incoming resources		<u>1,393,874</u>	<u>-</u>	<u>1,393,874</u>	<u>1,243,944</u>
Resources expended					
<i>Cost of generating funds</i>					
Fundraising and publicity		270,513	-	270,513	159,633
<i>Charitable activities</i>					
Awards programme		811,376	-	811,376	826,334
<i>Governance</i>		101,945	-	101,945	53,531
Total resources expended	4	<u>1,183,834</u>	<u>-</u>	<u>1,183,834</u>	<u>1,039,498</u>
Net incoming resource before gains	3	210,040	-	210,040	204,446
Foreign exchange (losses)/gains		(10,040)	-	(10,040)	12,147
Net movement in funds		200,000	-	200,000	216,593
Fund balances brought forward at 1 August 2010		515,062	-	515,062	298,469
Fund balances carried forward at 31 July 2011		<u>715,062</u>	<u>-</u>	<u>715,062</u>	<u>515,062</u>

All operations continued throughout the year and no operations were acquired or discontinued in the year.

All funds were unrestricted.

Balance sheet

31 July 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	7	10,165	17,291
Current assets			
Cash		1,294,842	1,114,157
Debtors	8	27,881	17,594
		<u>1,322,723</u>	<u>1,131,751</u>
Creditors: amounts falling due within one year	9	<u>(617,826)</u>	<u>(633,980)</u>
Net current assets		<u>704,897</u>	<u>497,771</u>
Net assets		<u>715,062</u>	<u>515,062</u>
Represented by:			
General fund		115,062	215,062
Designated fund		<u>600,000</u>	<u>300,000</u>
Total funds	10	<u>715,062</u>	<u>515,062</u>

These financial statements were approved by the Trustees on 24 November 2011.



Mark Bridges

Trustee

Company Number: 4250105

Notes to the financial statements

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis and comply with the revised Statement of Recommended Practice "Accounting and Reporting by Charities", issued in March 2005, and applicable accounting standards and Companies Act 2006.

b) Incoming resources

All income is included when the charity has entitlement to the income, there is certainty of receipt and the amount can be measured. Donations are recognised on a receipts basis unless the donor specifies that the donation relates to a future period or that certain pre-conditions must be fulfilled before use.

Interest income is included on a receivable basis.

c) Gifts in kind

Donated assets, services and facilities are recognised at their value to the charity.

d) Expenditure

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements. Resources expended are included in the Statement of Financial Activities (SOFA) on an accruals basis.

Charitable activities comprise direct expenditure including direct staff costs attributable to the activity. Support costs have been allocated to activities based on the average staff time spent. Governance costs are those incurred in connection with the management of the Society's assets, organisational administration and compliance with constitutional and statutory requirements. Support costs are allocated on the basis of time spent on each activity.

e) Fund accounting

Restricted funds are funds available subject to specific restrictions imposed by donors. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Foundation.

Unrestricted funds include designated funds. Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. At 31 July 2011, designated funds totalling £887,000 had been set aside as part of the Trustees reserve policy.

f) Foreign currency

Transactions in foreign currencies have been recorded at the rate ruling at the date of transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling the balance sheet date. All differences are taken to the SOFA.

g) Depreciation

Tangible fixed assets costing in excess of £500 are capitalised and depreciated. Depreciation has been calculated to write off the cost of assets over their expected useful lives as follows, computer equipment - 33% straight line, leasehold improvements over the period of the lease (3 years).

Notes to the financial statements (continued)

1 Accounting policies (continued)

h) Cash flow statement

A cash flow statement has not been prepared on the grounds that the Foundation qualifies as a small company and is therefore exempt from the requirement to produce a cash flow statement. The Trustees also consider that the information to be given would not be significantly different from that already given in the accounts and therefore would not assist in the understanding of the financial affairs of the Foundation.

i) Pension Contributions

The Foundation makes contributions to a defined contribution pension scheme which is funded partly from the employees and partly from the charity. The contributions are held in funds completely independent of the charity's finances. The contributions made by the charity are charged as expenditure on an accruals basis.

j) Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

2 Incoming resources

	2011	2010
	£	£
Donations from Dabbagh Group	1,390,316	1,239,498
Other donations	1,000	1,000
Bank Interest	2,558	3,446
	<u>1,393,874</u>	<u>1,243,944</u>

3 Net incoming resources is stated after charging:

	2011	2010
	£	£
Depreciation	7,696	3,113
Auditors' remuneration:		
Audit fee – current year (inc VAT)	<u>8,094</u>	<u>7,638</u>

Notes to the financial statements (continued)

4 TOTAL RESOURCES EXPENDED

	Cost of generating funds £	Awards Programme £	Governance £	2011 £	2010 £
Direct costs					
Awards & Consultancy Support	-	386,694	-	386,694	350,805
Awards event	-	23,417	-	23,417	33,229
Audit fees	-	-	8,094	8,094	7,638
Consultants fees	-	65,833	-	65,833	124,150
Media/ Advertising and Branding	-	70,196	-	70,196	107,079
Other direct costs	-	77,533	-	77,533	34,807
Support costs					
Staff costs (including travel and subsistence)	189,452	131,457	65,728	386,637	280,621
Office costs	19,775	13,721	6,861	40,357	29,345
Depreciation	3,771	2,617	1,308	7,696	3,113
Professional fees	24,452	16,966	8,483	49,901	36,778
Printing, Postage, Stationery and Telephone & IT	30,219	20,969	10,484	61,672	29,417
Other	2,844	1,973	987	5,804	2,516
Total resources expended	270,513	811,376	101,945	1,183,834	1,039,498

Trustees

The Trustees neither received nor waived any emoluments during the current or prior year, and no expenses were reimbursed to Trustees during the year either (2010: Two trustees reimbursed £6,089).

Related Party Transactions

Mark Bridges, a Trustee of the Foundation, is also a partner at Farrer & Co, the Foundation's legal advisors. Farrer & Co have not charged the Foundation for Mark Bridges' time. Payments to Farrer & Co are made under the authority of the charity's governing instruments. The total amount paid in the year is £25,258 (2010: £16,673).

Amr A. Al Dabbagh, the Chairman of the Foundation, was the CEO and Chairman of the Dabbagh Group, the Foundation's founding donor, until he stepped down from his position in 2004. Mohamed Jazeel, a Trustee of the Foundation, is currently the CFO of the Dabbagh Group, the Foundation's founding donor. The Foundation received £1,741,371 from the Dabbagh Group in the year (2010: £1,239,498).

Notes to the financial statements (continued)

5 Employees

The average number of employees during the year was 7 (2010: 6).

	2011	2010
Fundraising	2.0	1.5
Charitable activities	3.8	4.1
Governance	0.9	0.4
	<u>6.7</u>	<u>6.0</u>

	2011	2010
	£	£
Staff costs during the year amounted to:		
Wages and salaries	234,913	225,099
Social security costs	25,631	24,139
Pension costs	5,070	5,395
	<u>265,614</u>	<u>254,633</u>

One employee earned £60,000-£69,999 per annum (2010: 1) and received pension contributions of £1,853 (2010: £1,731).

6 Taxation

The STARS Foundation, as a registered charity, is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. No tax charge has arisen in the year.

Notes to the financial statements (continued)

7 Tangible fixed assets

	Computers £	Leasehold Improvements £	Total £
Cost			
1 August 2010	5,729	17,077	22,806
Additions	570	-	570
31 July 2011	<u>6,299</u>	<u>17,077</u>	<u>23,376</u>
Depreciation			
1 August 2010	4,092	1,423	5,515
Charge for the year	2,004	5,692	7,696
31 July 2011	<u>6,096</u>	<u>7,115</u>	<u>13,211</u>
Net book value 31 July 2011	<u>203</u>	<u>9,962</u>	<u>10,165</u>
Net book value 31 July 2010	<u>1,637</u>	<u>15,654</u>	<u>17,291</u>

8 Debtors

	2011 £	2010 £
Other debtors / prepayments	13,213	6,480
Taxation and social security	3,554	-
Rent Deposit	11,114	11,114
	<u>27,881</u>	<u>17,594</u>

Notes to the financial statements (continued)

9 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	60,421	54,669
Other creditors	5,962	2,178
Deferred Income	351,055	453,934
Accruals	200,388	123,076
Taxation and social security	-	123
	<u>617,826</u>	<u>633,980</u>

Deferred income recognised in 2010 was entirely released in the year.

10 Statement of funds

	At 1 August 2010	Income	Expenditure	Foreign Exchange Losses	Transfer	At 31 July 2011
	£	£	£	£	£	£
General	215,062	1,393,874	1,183,834	(10,040)	(300,000)	115,062
Designated	300,000	-	-	-	300,000	600,000
	<u>515,062</u>	<u>1,393,874</u>	<u>1,183,834</u>	<u>(10,040)</u>	<u>-</u>	<u>715,062</u>

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. At 31 July 2011, designated funds totalling £600,000 had been set aside as part of the Trustees reserve policy and the transfer was made to bring the value up to this amount. Designated funds are represented by bank & cash.

11 Operating Lease

The Foundation has the following annual commitments under non-cancellable operating leases:

Land & Buildings	2011	2010
	£	£
Operating leases which expire:		
- two to five years	<u>28,375</u>	<u>28,375</u>

12 Capital Commitments

There were no capital commitments at the 31 July 2011 (2010: Nil)