



**MERCY
CORPS**



**MERCY
CORPS**

MERCY CORPS EUROPE

Annual Report and Accounts

For the year ended 30 June 2023

(1 July 2022 - 30 June 2023)



TABLE OF CONTENTS

Who We Are - Our Purpose and Mission	4
Trustees' Annual Report	8
Strategic Report for the Year Ended to 30 June 2023	9
Our People and Culture	12
Financial Review	13
Trustees' Responsibilities Statement	17
Risk Statement	18
Environmental Reporting	20
Independent Auditor's Report to the members and trustees of Mercy Corps Europe	22
Financial Statements	26
Notes to the Financial Statements	30
Our Advisors	51

Cover photograph: September 2021, Taiz, Yemen. Raed, 9, fills a jerry can at a water point which was built by Mercy Corps. More than 15 million people lack access to clean water and sanitation across Yemen, heightening the risk of water-borne illnesses and now, COVID-19. Water pumps and treatment facilities have been damaged by the ongoing civil war, and there isn't enough fuel to run most water systems.

Photograph: March 2019, Ale, Ethiopia. Kegna, 8, carries grass on a steep hillside near Ale. Mercy Corps is working with villagers to protect their land so they have enough grass to feed their cattle and survive the dry season. As drought becomes worse, rangeland like this becomes more precious to keep cattle healthy. Mercy Corps is helping villagers protect their land so they can sell cattle at a profit to survive the worsening dry season.

WHO WE ARE - OUR PURPOSE AND MISSION

Mercy Corps supports communities – and the most marginalised within them – to emerge from crisis in the face of conflict and climate change, and build towards a more inclusive, resilient future.

Mercy Corps works on the front lines of crises as a multi-mandate organisation that provides access to humanitarian aid, development, and peace assistance in places affected by conflict and climate change.

Our mission is to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. Beyond delivering aid to meet urgent needs, we develop long-term solutions to make lasting change possible, making it easier for affected communities to access resources, services, and opportunities that support them to cope, adapt, and ultimately thrive.

In more than 40+ countries around the world, over 5,400+ team members work side by side with people living through poverty, disaster, violent conflict, and the acute impacts of climate change. We're committed to creating global change through local impact – 84% of our team members are from the countries where they work.

As conflict and the climate crisis further deepen challenges across the globe, Mercy Corps is steadfast in our commitment to sparking new possibilities alongside our partners, communities we serve, and dedicated supporters. This last year, we have come together to support people as they overcome challenges and create lasting change.

We know that however complex or daunting the barrier, a path forward can be built with greater connection – to clean water, to nutritious food, to better economic opportunities, and to activities and solutions that foster peace within communities. Every person, family, and community we work with is on their own journey forward, and our teams provide support so they can better cope in the midst of crisis, adapt to evolving challenges, and thrive into the future. When communities face displacement, hunger, and other consequences of conflict and climate-driven disasters, Mercy Corps responds quickly. Lasting solutions to the complex and dynamic challenges posed by conflict and climate change require action on multiple fronts. That's why we are a multi-mandate organization that provides access to humanitarian aid, development, and peace assistance in places affected by fragility and crisis. We partner with and support those who are systemically marginalized because of their gender, age, ethnic, religious, or other identities, those living in or at risk of extreme poverty, and those most affected by conflict and climate change.

No matter the context, we believe in the power of human potential and the ability of communities to grow stronger and more resilient. Resilience means people and systems can protect and improve wellbeing – such as food security and incomes – in the face of shocks and stresses. Inclusion and resilience are foundational characteristics of secure, productive, and just communities in which everyone can thrive. We make it easier for affected communities to access resources, services, and opportunities that support them to cope, adapt, and ultimately thrive. We foster inclusive and resilient communities that positively impact and protect the physical, social, and economic wellbeing of all their members – even in the face of adversity.

Evidence drives how we design, manage, and adapt programs and scale what works. We also use it to generate knowledge and influence others by:

- Integrating data and evidence into program strategies, approaches, and design
- Using real-time program data to drive necessary adaptations, course corrections, and improvements in performance
- Conducting analyses to assess and predict how crises are evolving to inform effective humanitarian response or pivot our work as necessary
- Capitalizing on opportunities to generate evidence for approaches or methodologies where little evidence exists
- Focusing on testing innovative solutions and cutting-edge approaches to replicate or take to scale
- Using data, evidence, and analytics to determine what we advocate for and the position we take about decisions affecting our sector and our partner communities

In this financial year we reached over 38 million people through over 300 programmes in over 40 countries around the world.

Mercy Corps in Europe (MCE) is part of the global Mercy Corps organisation and exists to ensure effective stewardship and management of UK and European resources, raise income, build influence and demonstrate impact in Europe to contribute to the mission of the global organisation, as stated above.

In this report, we use 'Mercy Corps in Europe' when referring to the UK-based organisation, and 'Mercy Corps' to refer to the global organisation.

Our Structure

Mercy Corps Europe is part of a unified global organisation, Mercy Corps which consists of:

- Mercy Corps Global (MCG), a US entity registered in Washington State and its field operations, including branches and local organisations located in approximately 40 countries;
- Mercy Corps Europe (MCE), a UK entity registered in Scotland with offices in Edinburgh and London;
- Mercy Corps Netherlands (MCNL) a Dutch entity registered in the Netherlands with offices in The Hague and Geneva. The results of MCNL are reported within these MCE consolidated financial statements;
- Other affiliated entities of the global organisation.* 1

MCG and MCE operate under a Governance Agreement (GA) entered into effective 1 July 2015 and a Memorandum of Understanding (MoU) last revised in 2018 (which remains in force). An Addendum and Adherence Agreement that adds MCNL to the GA was entered into, effective 1 July 2018. At the same time, a second MoU that established operating rules and explained the relationship between MCNL, MCG and MCE was also entered into in 2018 and last revised in June 2021. The GA and MOUs, as well as the organisation's legal and operational structure, indicate that the relationship between MCG and MCE is a parent subsidiary relationship.

* 1 Consolidated affiliates include but are not limited to: Energy 4 Impact, Humanitarian Energy PLC, Kompanion Bank, MC Nigeria LTD/GTE (Nigeria) LLC, Mercy Corps Development Holdings, LLC, Mercy Corps India (in dissolution), and Yayasan MC Indonesia.

Mercy Corps Europe Board of Directors:

Iman Dakhil – Chair (Term ended 30 June 2023)
Tjada D'Oyen McKenna - Global CEO
Alexandra Mousavizadeh (Resigned 6 September 2022)
Kendi Ntwiga
Lesley Ndlovu
Emmanuel Lulin
Alan Hartley
John Makinson (Appointed 22 September 2022)
Lucy Helm (Appointed 1 July 2022)
Kito de Boer (Appointed 30 June 2023, term starts 1 July 2023)
Stanley Njoroge (Appointed 30 June 2023, term starts 1 July 2023)

Mercy Corps Joint Board Executive Committee (JBEC) and Members of Mercy Corps Europe

The JBEC exercises the full power of the Board of MCG and of the Board of MCE in the management of each entity during periods of adjournment of the respective Boards.

Emmanuel Lulin – MCG (Appointed 1 July 2022)
Iman Dakhil – MCE (Term ended 30 June 2023)
Lucy Helm – MCG
Gisel Kordestani – MCG (Term ended 30 June 2023)
Tjada D'Oyen McKenna - Global CEO
Alan Hartley - MCE
Lesley Ndlovu – MCE (Appointed 1 July 2022)
Cecily Joseph - MCG
Melanie Armstrong Thomas - MCG

Joint Audit and Risk Committee (JARC)

The JARC assist management and the Boards in fulfilling their oversight responsibility to donors, potential donors, the NGO community and other stakeholders regarding Mercy Corps' financial statements and the financial reporting process. The Committee assists with ensuring the integrity of the Mercy Corps consolidated annual statements; the selection, engagement and retirement of Mercy Corps' independent auditors and the performance of the Mercy Corps internal audit function. The JARC has oversight of Mercy Corps' enterprise risk and entity-specific risk management frameworks.

Alan Hartley - Co-Chair - MCE
Becca Van Dyck – MCG (Appointed 1 July 2022)
Melanie Armstrong Thomas - Co-Chair – MCG
Kendi Ntwiga - MCE
Carin Beumer - MCNL
Daniel (Pepijn) van Dijk - MCNL

Joint Finance Committee (JFC)

The JFC assists management and the Boards in fulfilling their oversight responsibility with respect to the financial stability, financial strategy and the long-term economic health of Mercy Corps. The Committee reviews the financial condition, policies, and practices of Mercy Corps and provides reports and recommendations with respect to these to the JBEC and as appropriate to the Boards.

Alexandra Mousavizadeh – MCE (Resigned 6 September 2022)
Lesley Ndlovu – Chair – MCE & MCG
Ludovic Subran - MCNL
Scott Brown - MCNL (Resigned 31 March 2023)
Kristin Mannion – MCG (Appointed 1 July 2022)
John Makinson – MCE (Appointed 1 July 2022)

Joint Nominating and Governance Committee (JNGC)

The JNGC is responsible for making recommendations for membership, as well as providing advice and recommendations regarding corporate governance practices to the respective Boards of Mercy Corps.

Cecily Joseph - Chair - MCG
Kito De Boer - MCNL
Gisel Kordestani – MCG (Term ended 30 June 2023)
Kofi Taha - MCG
Alan Hartley - MCE

Joint Ethics and Safeguarding Committee (JESC)

The Joint Ethics and Safeguarding Committee (JESC) was set up in June 2020 and is responsible for overseeing management and advising the Board on all ethics matters. The Committee oversees ethics-related policies, including safeguarding, and management's implementation of ethics systems (reporting, investigation, training, accountability, case resolution and annual ethics reporting to the Board).

Emmanuel Lulin – Chair - MCE & MCG
Iman Dakhil - MCNL (Term ended 30 June 2023)
Alexandra Mousavizadeh - MCE (Resigned 6 September 2022)
Lucy Helm - MCG
Farah Pandith – MCG (Appointed 23 September 2022)
Paul Song – MCG (Appointed 1 July 2022)
Melanie Armstrong Thomas – MCG (Appointed 23 September 2022)

TRUSTEES' ANNUAL REPORT

Directors' Report

- The Board of Directors of Mercy Corps Europe continue to be mindful, both individually and collectively, of their responsibility to promote the long-term success of the organisation. As a Board we consider our decision-making process to be in the best interests of our stakeholders and charitable reputation.
- As a Board our aim is to continually support the organisation to ensure that we deliver our mission which is to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. In doing so, we are an organisation that aims to ensure effective stewardship and management of resources, raises income, builds influence and demonstrates impact.
- The team members across Mercy Corps are fundamental to the execution of our vision – to support communities – and the most marginalised within them – to emerge from crisis in the face of conflict and climate change, and build towards a more inclusive, resilient future. Communications on all organisation operations and performance are regularly shared through our team meetings, email communication and internal information sessions. The integration of new team members, through our formal induction process, is of paramount importance to the Board as a method of instilling the organisation's vision.
- As a Board, our continued commitment to the environment is at the forefront. As a global organisation looking to meet not just urgent needs but facilitate communities' efforts to make lasting change in their lives, we know the climate crisis is already impacting every aspect of what we do. This is why Mercy Corps has outlined an ambitious climate commitment, through our Pathway to Possibility strategy, that will ensure our team, technical approaches, and operations are ready for and reflective of the urgency of this crisis. In essence, our commitments outline the ways our work must change to ensure our programmes have the enabling conditions to achieve climate impact.
- We, as a Board of Directors, consider our intention to operate and behave with the utmost professionalism, to lead by example and ensure our management teams also act with the same integrity. This will be pivotal in our mission of delivering a high level of service to our stakeholders and delivery of programmes, correlating with the long-term success of our organisation.

The board delegates the running of Mercy Corps in Europe to:

European Senior Leadership Team (ESLT)

Harpinder Collacott – Executive Director (from October 2022)

Michael McKean – Senior Director of Programmes, Funding and Operations (from October 2022) Interim Executive Director (until October 2022)

Jessica Zyw – Senior Advisor, Executive Office

Selena Victor – Senior Director of Policy & Advocacy

Lisa Seymour-Doughty – Director of Development, Europe (from March 2023)

Marina Antunovic – Managing Director, Mercy Corps in the Netherlands

Joanne Glover-Raad – Senior Director of Compliance, Governance & Risk

Alexandra Angulo – Vice President of Strategy Realization (From October 2022)

Cameron Hall – Senior Director of People Operations (From February 2023)

Carrie White – Interim Director of HR (From May 2023)

Margaret Morrow – Director of International Finance, Europe (From June 2023)

Jillian Irving – Director of Financial Control (From June 2023)

Abdul-Jalil Ali – Senior Director of Finance, Europe (until May 2023)

Eilidh McFadyen – Head of Human Resources (until March 2023)

Bertrand Effantin – Interim Director of Partnerships (until October 2022)

Jenny Walter – Interim Director of Programmes (until October 2022)

STRATEGIC REPORT FOR THE YEAR ENDED TO 30 JUNE 2023

Objectives and Activities

In 2022, we saw unprecedented shocks and stressors as rising conflict, the compounding effects of climate change, and unrelenting hunger affected communities around the world. And in 2022, Mercy Corps helped communities rise to these challenges.

Our global team worked with communities to support them as they cope with and adapt to today's toughest challenges while developing shared solutions to thrive into the future. Because we believe all communities — and the people within them — can generate the power to create transformational change, withstand the unexpected, and ignite the power of possibility.

The support of our global community helped us reach more than 38 million participants across nearly 300 programmes in 40+ countries last year, many of them driven by their own strength and determination to overcome challenges they did not create.

We began this financial year in July 2022 with the launch of our new 10-year strategy — *Mercy Corps' Pathway to Possibility*. This strategy reflects our ambitions to not only meet the basic needs of communities affected by conflict and climate change, but to achieve lasting, transformational change at scale.

Enhancing resilience is at the heart of what Mercy Corps does and how we work. We focus on resilience of people and systems to protect and improve wellbeing of communities in the face of shocks and stresses. Mercy Corps programmes work with communities to strengthen sources of resilience (livelihoods, local market economies, the food chain, and social protection systems) to enhance the capacities of people, markets, and institutions to handle shocks, reduce risk, build more equitable and responsive systems, and improve wellbeing. Through our programmes, partnerships, and influence, we support communities to **cope**, **adapt**, and ultimately **thrive**.

We work towards four connected and reinforcing outcomes that determine people's wellbeing and support them to cope, adapt, and thrive:

1. **Food Security:** People are well-nourished at all times, with access to sustainably produced, safe, and nutritious food.
2. **Water Security:** People have equitable and sustained access to clean and safe water to meet their everyday needs.
3. **Economic Opportunities:** People grow and sustain their assets and income.
4. **Peace and Good Governance:** People reduce or prevent violence, contribute to advancing sustainable peace, and participate meaningfully in inclusive and responsive governance systems.

The following five commitments underpin all that we do — regardless of programming interventions or context — and challenge us to be more accountable and to continuously push the boundaries of what is possible:

1. **Climate Smart:** We take bold action to meet the urgency of the climate crisis.
2. **Evidence Driven:** We use data, evidence, and analytics to drive impact, scale what works, and influence others.
3. **Innovative and Creative:** We innovate and work with change-makers to test, co-create, and scale more effective solutions.
4. **Locally Led:** We are intentional about sharing and ceding power, building meaningful partnerships, and centring communities' voices in all we do.
5. **Safe, Diverse, and Inclusive:** We help create a culture of inclusion for all people that protects, enables, and elevates diverse community members and groups.

In October 2022, Mercy Corps appointed a new Executive Director for Europe, Harpinder Collacott. Harpinder joined Mercy Corps after serving as Chief Executive of Development Initiatives, a UK think tank, and is responsible for leading Mercy Corps' growth in Europe to further the organisation's support for communities facing poverty, disaster, violent conflict, and the acute impacts of climate change in 40+ countries.

Our Programmes and their achievements

The past year has been dominated by the headlines from Eastern Europe, with Russia's full-scale invasion of Ukraine and the mass exodus of millions of refugees into neighbouring countries and the widespread internal displacement of Ukrainian families. Mercy Corps' response to the crisis gathered pace during the year, from initial mobilisation in March 2022. From August 2022 to March 2023, FCDO-funded Mercy Corps' programming reached over 122,000 individuals across Poland and Ukraine with activities such as providing cash assistance (to over 25,000 people) and non-food-items (to over 4000 individuals), and protection activities which included psychological support, psychological first aid, legal aid, and access to information. This FCDO funded programme has been extended for phase 2 until 2024, amounting to a total of £15m - making this Mercy Corps' largest FCDO grant globally, and FCDO's only bilateral INGO partner in Ukraine.

The impact of the war in Ukraine was felt far and wide, as disruption to the substantial grain and fertilizer supply chain exacerbated the global food crisis created by climate change and economic fallout caused by the pandemic. At the start of FY23, over 345 million people faced high levels of food insecurity and in need of urgent assistance. An estimated 691 to 783 million people experienced hunger in 2022, an increase of 122 million compared to 2019. Nowhere was this felt more acutely than in the Horn of Africa where Mercy Corps has been strengthening the resilience of communities to the recurring shocks and stresses of climate change, specifically drought. Since late 2020, four consecutive failed rains led to increasing food insecurity, malnutrition and risk of famine, with an estimated 20 million people affected across Ethiopia, Kenya and Somalia. Mercy Corps has been active in this region for many years and was able to respond in the most-affected locations with interventions spanning: cash assistance to support enhanced food security, nutrition and basic needs; increasing access to water through the development or rehabilitation of strategic water points, as well as hygiene promotion; and supporting pastoral and agricultural livelihoods with market-based interventions to protect assets and safeguard income.

Across the Middle East region, the war in Ukraine continued to worsen some of the most alarming humanitarian situations, prompting political destabilisation, weakening opportunities for economic recovery, and forcing many more into a dependence on international or state-funded relief. Where Mercy Corps operates, countries are heavily dependent on food and energy imports from Ukraine and Russia exacerbating severe humanitarian crises and heightening food insecurity, in places such as Yemen, Syria and Lebanon. Mercy Corps' teams were on the ground and responded with immediate support through cash distributions, as well as longer-term support to small and medium-sized enterprises (SMEs) and market systems to bolster the struggling economy and create or sustain employment.

From 15 April 2023, armed clashes erupted between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF) in multiple cities across Sudan. Clashes initially took place in cities across Northern and Khartoum states, later spreading across the Darfur and Kordofan regions. The most severe clashes have taken place in the capital city of Khartoum and Ag Geneina Town in West Darfur. Approximately, 5.1 million people have been displaced inside and outside Sudan due to the conflict. As a result of the conflict, Mercy Corps evacuated its international staff and temporarily paused programs across the country in response to immediate clashes. Since May 2023, we have restarted existing programs in safe locations within the country and also launched a range of response activities. We had to vacate our offices in Khartoum and Nyala at the initial outbreak of fighting and as a result, they were looted during the fighting and significant amounts of equipment / vehicles were taken. All respective donors were informed of these incidents including EU, SDC and AICS. The conflict has also forced Mercy Corps to request a number of project pivots and extensions to existing awards due to the challenging context.

Adding to the challenges in the region, a massive 7.8 magnitude earthquake struck southern Turkey and northern Syria in February 2023, killing and injuring over 100,000 people, as well as destroying and damaging vital infrastructure and tens of thousands of buildings. The earthquake and its aftershocks affected around 8.8 million people, many of whom were left without shelter, food, and clean water, and impacted millions of Syrians who already rely on humanitarian aid after a decade of conflict. Mercy Corps launched its emergency response in Northwest Syria within 48 hours of the earthquake and reached almost 36,000 people with shelter, essential household items and hygiene kits. Additionally, Mercy Corps is the sole supplier of clean drinking water and sanitation services in 98 displacement camps in Northwest Syria. Mercy Corps remains active as a partner working inside Syria providing shelters to families in camps and rehabilitating infrastructure, including community bakeries, sanitation services, schools, and health centres. We are coordinating social cohesion activities to ensure that aid does not magnify local tensions, but instead addresses the underlying causes of escalating humanitarian needs while weaving a path to resilience.

Addressing conflict and creating conditions for peace remains a core part of Mercy Corps' work globally. For example, in Mali, Mercy Corps is supporting communities that have been facing a complex protracted crisis for more than 10 years, with unprecedented levels of violence extending from the North, where the violence first started, to the centre and southern

regions. Mercy Corps' Justice and Stability in the Sahel (JASS) programme focusses on improving equitable and inclusive land, natural resource governance and justice outcomes by promoting inclusive systems, building participants' capacities to prevent and resolve conflict, and support resilience and livelihoods through the enhancement of market development systems. The pilot phase of the programme was implemented in Mali over a period of 18 months, focussing on conflict resolution needs and addressing inequalities through a holistic package of bottom-up activities, such as promoting inclusive land governance and justice systems, building participants' capacities in preventing and resolving conflict, and supporting resilience and livelihoods through the enhancement of market development systems

Overall, during its pilot phase, the JASS programme directly supported 27,406 people (48% women) spread over a total of twelve intervention municipalities in the central regions of Ségou, Koulikoro and Sikasso. At the end of the pilot phase, the majority of community members (69% of the overall population, and 63% of the women and 76% of the men) believe that their communities have experienced fairer justice outcomes in relation to land governance, access and usage as a result of the intervention.

In East Africa, through Mercy Corps' *Collective Resilience Against Extremism* (CRaTE) programme, our teams are engaging local and national governments, local civil society organisations and communities to mitigate the drivers, enablers and narratives of violent extremism and to prevent the recruitment of vulnerable individuals by violent extremist organisations.

Also, in East Africa, the South Kordofan and Blue Nile States depend largely on agricultural production for household food security and livelihoods. However, low farmer capacity, poorly functioning market systems, increased climate related shocks and stresses, and decades of insecurity including the recent armed conflicts, continue to stunt agricultural production and drive households to face food insecurity. At the start of this programme (in July 2019) an estimated 5.5 million people in Sudan needed humanitarian assistance, with 87% requiring food security and livelihoods related support. Mercy Corps' *Strengthening Agricultural Markets and Food Security* (SAFE) programme aimed to reduce vulnerability, increase income and food security for 31,000 male and female smallholder farmers through enhanced gender equitable market access and agricultural production. As a result of the programme, access to early warning systems increased by 28%, access to improved inputs from retailers increased by 81.73%, the mean crop harvest increased by 36.35%, volume of crops sold increased by 253%, participation of women in groups increased by 8% and women in leadership positions in farmer associations increased by 25%.

In Asia, Mercy Corps is working to establish long-term solutions to climate change, through an innovative flood resilience programme funded by Zurich Foundation. In Nepal and Indonesia, Mercy Corps is partnering with local communities, organisations, and government to advocate for greater investment in flood prevention while implementing infrastructure projects which demonstrate how modest funding can significantly improve the resilience of communities to flooding.

Meanwhile, in Pakistan, the heaviest monsoon rains in many years overwhelmed flood defences and caused widespread damage to agricultural land, buildings and transport infrastructure. Mercy Corps responded with humanitarian assistance, shelter and water and sanitation activities, while working with local communities to establish preventative measures to this more regular event.

Elsewhere in the region, the situation in Afghanistan has left millions food insecure and struggling to meet basic needs. Mercy Corps is working in several parts of the country to support the most vulnerable communities. Further East, our teams in Myanmar are providing cash and essential household items to families affected by Cyclone Mocha and those displaced by the ongoing civil conflict.

Managing environment and social risks in our programming

We know there are environmental and social risks associated with our programs. Sometimes, these risks are a result of our program activities, while other times, they stem from the increasingly volatile contexts in which we work. **Our donors are also increasingly aware of these challenges and have consistently upgraded the expectations for how we will address them.** For these reasons, and as part of the Climate Commitment under our new strategy, we have committed to updating our capacity to manage these risks and developed a new set of environmental compliance and safeguard tools which were rolled out this year to inform the development of our programmes at the country and regional levels.

OUR PEOPLE AND CULTURE

Our people are our greatest assets. We endeavour to create a safe and secure environment for them to work and support their wellbeing and professional development through our people function. As a result we regularly undertake a staff survey on a bi-annual basis. This year we undertook a pulse survey to take the temperature of the initiatives underway and ensure our seven point action plan was moving in the right direction. Staff engagement was up 3% to 55% with participation rate in the survey standing at 73% of staff. Results from the pulse survey then led to refinement of the action plan which has moved into the implementation stage for the future years.

Mercy Corps is a values driven organisation prioritising its values and behaviours in how we work internally as well as with our partners. The Core Behaviours are specific actions and behaviours that all team members, at all levels of the organization, must demonstrate to realize our values and our shared vision of more inclusive and resilient teams and communities.

Our Core Behaviours are:

- **Cultivate Inclusion:** We are at our best when we bring the full diversity of our identities, experiences, and perspectives together to tackle the world's most complex challenges.
- **Collaborate:** We believe in showing up for ourselves and our team members each day with collaboration and mutual respect.
- **Act with Integrity:** We hold ourselves and each other accountable to our values and ethical principles.
- **Be Curious:** We embrace the knowledge and experience of the people with whom we work, using these perspectives to reflect, learn, grow, and adapt.

These Core Behaviours were created with significant input from across the organization to establish a common value set from our Pathway to Possibility, Organizational Priorities, Code of Ethics, Localization Strategy, and Inclusion Framework.

Our remuneration policy: Mercy Corps promotes a workplace that emphasises employee wellbeing, holistically supported through a comprehensive benefit package that helps team members care for themselves and their families.

MCE's compensation package was reviewed this year following a comprehensive market analysis to ensure we remain competitive in a fast-changing economic situation. Our new compensation package – competitive pay and comprehensive benefits – is designed to both attract and retain high-calibre, diverse, high-performing individuals at all levels. MCE evaluates external market data and internal organisational context on a regular basis to ensure that our compensation packages are competitive, equitable and represent responsible stewardship of organisational resources. MCE maintains a banded pay structure that has been established with input by third-party compensation consultants, which reflects differences in the employment markets of our office locations and respects the level of responsibility for each team member. Additionally, team members can expect annual pay increases based on their individual performance, dependent upon the availability of funds, and informed by the current and next year's financial position of MCE.

MCE's benefit package includes family friendly and flexible working approaches that assist team members in finding meaningful work-life balance, team member care support, pension scheme and a complementary healthcare programme. An additional day of annual leave was added to the benefits this financial year as well as employer pension contributions increasing too. Next financial year we will do a full review of our benefits to ensure key benefits are enhanced as part of our commitment to support our employees and become an employer of choice within the sector. We continue to support a hybrid working environment, supporting staff to work from home as well as hosting quarterly in-person days to promote our culture, values and behaviours and build team spirit.

Priorities for the next financial year

Looking towards FY24, Mercy Corps Strategic Plan for Europe will set out our three-year objectives to deliver on the priorities of our new strategy, Pathway to Possibility (P2P), in Europe, aligning European priorities to our country strategies, and focussing teams on the delivery of Mercy Corps' mission.

We have agreed four goals for the next three years:

Goal 1: New ideas & innovations are thriving in Mercy Corps due to financial stability & increased unrestricted income

Goal 2: Mercy Corps is the 'Go-To' partner for European Stakeholders, informing their thinking and approach in P2P outcome areas and commitments

Goal 3: We have a healthy and happy workplace full of creativity, experience and positive energy which is mission driven

Goal 4: Our country and regional programming are thriving with funding aligned to P2P and supported to deliver impact

We aim to strengthen our partnerships, increase our brand visibility in Europe and build our reputation as an organisation supporting communities to cope, adapt and thrive in countries impacted by conflict and climate. We will undertake deep engagement with European donors and policy makers, ensuring our research and learning is widely shared with them to inform future policy and practice, as well as learning from the sector more widely too. We will continue to support our country and regional teams to thrive, delivering quality, impactful programming with access to funding aligned to their country strategies.

Our programming will seek to incorporate climate sensitive approaches, as well as ensure we are working with and through partners where possible as a first priority. We will continue to strengthen our financial systems to ensure greater efficiency and effectiveness in how we deliver our programming, as well as establishing a strong data and evidence base to strengthen our ability to evaluate our reach and impact. Mercy Corps remains committed to increasing diversity and supporting inclusion at all levels within the organisation and will continue to set targets which encourage us to stretch ourselves to improve diversity, and support equity and inclusion.

We will also continue to improve our systems, benefits, policies and procedures to support our people, ensure the recruitment and retention of highly skilled talent within Europe and build our culture which aligns with our values and behaviours. This year we will focus on ensuring we have a range of benefits available to staff, building on the work started in FY23 as part of the compensation review, as well as ensure our staff compensation remains competitive for the sector in the markets in which we recruit. We will also work to action the plans identified as priority from our all staff survey and ensure we invest in teams as required to meet our strategic goals over the next three years.

FINANCIAL REVIEW

Mercy Corps Europe funding portfolio is primarily made up from government awards from ministries, major institutions and fundraising activities. We had another year of solid performance with Net assets decreasing slightly to £20.2m (FY 2022: £20.4m).

Income

This year was a strong year for Mercy Corps Europe. Our total income for FY 2023 ended at £108.4m (FY 2022 £103.4m), up by £5m which represents a 4.8% increase year-on-year (like-for-like excluding foreign exchange gains of £1.6m in FY 2023 and loss of £0.99m in FY 2022). Included in the total income is £107.2m (FY 2022: £98.6m) charitable income, all restricted to international programmes. This was £20.7m ahead of budgeted income for FY23.

The FCDO continues to be our largest donor (30.7% of total programme income (FY22 29.9%). This was in large part due to a single grant of £14.3m for Mercy Corps programming in Ukraine to respond to the conflict. We continue to pursue our strategy of diversifying funding sources (along with UK leaving the EU planning) with our other key donors: European Commission, Swedish International Development Cooperation agency (SIDA), AFD and French Embassy, SDC and corporate foundation and trusts. MCE continues to maintain strong partnerships with other European partners in order to reduce the dependency across the three main donors (FCDO, EC and ECHO – contributing 40.6% of programme income in the year (FY 2022: 34.2%).

The Charity unrestricted voluntary donations increased to £680k (FY 2022: £490k) as we continue to increase activity and review fundraising strategy after the impact of CoVid declined and regular activity resumed. Full detail on sources of income by charitable activity and donors are provided in note 2 in the accounts.

Charitable Expenditure

Our total expenditure was £110.3m, up by £11.5m, or 11.6% on the previous year. This expenditure went largely to support programming to 36 countries around the world. This was £20.5m ahead of budgeted expenditure in FY23 .

The majority of funds went to programming in Ukraine and Poland to support the continued displacement of families from Ukraine to neighboring countries as a result of the Russian invasion, providing cash and support. In Africa, MCE was active in 15 countries, most notably DR Congo, Nigeria, Kenya, Mali, Ethiopia, South Sudan and Sudan supporting communities with food security, water and sanitation, conflict management and economic development activities, as well as responding to natural disasters, displacement and disease outbreaks. In the Middle East, MCE increased its direct cash distributions to vulnerable households in Palestine and continued to provide life-saving assistance inside Syria and to Syrian refugees in Lebanon, Jordan and Iraq. Additionally, our work in Asia continued to expand, meeting the needs of vulnerable communities in Afghanistan, Nepal and Myanmar, all of which continue to suffer from significant upheaval in the past year.

Indirect cost recovery practice is consistent with last financial year and is in accordance with the statement of recommended practice for charities' accounting and reporting. It includes the costs of general administration and management. Excluding expenditure of raising funds, the costs incurred have been attributed completely to the charitable activities which they support. Total support costs across the group have increased to £7m (FY 2022: £5.9m) as we see increased travel costs return following the COVID-19 related restrictions, and investment in the organisation to support our growth strategy.

Financial Risk and Cash

Cash flow risk is managed by continuously monitoring the cash flow sensitivity resulting from timely delivery of international programmes and timely recognition of unrestricted income. We monitor our global risks closely with oversight by the global Enterprise Risk Management Committee and the Boards' Audit and Risk Committee. In addition, MCE has an entity-specific risk management framework and accompanying Corporate Risk Register. Significant risks are categorised as external, strategic, financial and operational. These are managed through effective collaborations taking a risk based approach to mitigate them with regular updates to the Board. Exposure to foreign exchange is managed by matching currencies. Such risks arising from funding in GBP, Euros or US dollars is managed by holding restricted donor funds in that currency until transferred or settled to the relevant country operation.

MCE and MCNL hold cash in current and deposit accounts with NatWest Bank, Barclays, Rabobank and Bank of Scotland. Cash is held in donor currencies and the equivalent GBP holdings stand at £48.5m (FY 2022: £49.8m). Our restricted cash balance is reflective of advances from donors ahead of expenditures, often across multiyear programmatic activity. MCG advances cash for MCE donor funded programmes and is then subsequently reimbursed by MCE after the programmatic expenditures for the advances are accounted and reconciled. The MCG intercompany balance (see note 10) was £18m (FY 2022: £11.8m).

The monies due from donors stand at £22.3m (FY 2022: £18.1m). A growing number of high value MCE grants are from government organisations who apply retention payments until satisfactory evidence of financial and programmatic delivery, reporting and acceptance. This can take up to 180 days to clear.

Reserves and Reserve Policy

Financial and cash flow risk mitigation is further provided by the annual budgeting process along with annual review of the reserve policy and the setting of our core operating costs.

The charity has best practices in place to manage its reserves and aims to hold reserves against the risk of unexpected losses and to help ensure the prudent financial management of the organisation and to mitigate any other unanticipated financial risks. Our total reserves stand at £20.2m (FY 2022: £20.4m), with the restricted reserve amount at £3.2m (FY 2022: £4.4m) and unrestricted reserves at £17m (FY2022: £16m). The decrease in restricted reserves materialised largely from the Ukraine Emergency Response programme spending in the year, where the corresponding income was recognised immediately in FY22.

Unrestricted reserves are free from any restriction applied by the donor. These are the general funds of the charity that enable it to meet its objectives. The trustees define free reserves as being total funds less the restricted funds and any designated funds and the value tied up in tangible fixed assets. The Trustees have examined the requirement for free reserves. In arriving at a target figure they have considered the following points:

- The nature of our work and the vulnerability of grants, contracts, and donation funding flows.
- Quick response to emergencies where immediate mobilisation of funds are needed.
- Adequate working capital to meet cash flow needs.
- Cover for potential long term commitments relating to staff and leases.
- Funders' viability criteria and other financial risks.

The Trustees aim to maintain a target of free funds representing at least 6 months' operating expenditure (£4.5m), achieved with our general unrestricted reserves and excluding funds utilised for fixed assets. The free reserves of £13.4m (FY 2022: £14m) represents 18 months (FY 2022: 22 months) of core operating expenditure. This is monitored and appropriate actions planned should free reserves fall short of the target level.

The aim is to hold free reserves sufficient to protect MCE against unexpected loss of income, any unanticipated financial risks and provide for investment in the longer term sustainability of the organisation. The Trustees are mindful of the shifting landscape, impact on global inflation and the UK Overseas Development Assistance (ODA) funding reduction in our sector. Consequently, they wish to adopt the prudent approach to reserves set out herewith and remain as a going concern knowing the stronger position to cover for uncertainties presented in this annual report going into FY24.

Outlook and Going Concern

We have prepared our budget for FY23 expecting growth in income linked to higher level of Ukraine response funding, and increase in expenditure linked to investment for donor diversification and salary scale realignments. We continue to monitor developments and respond accordingly, using our best judgements when information may not be perfect. The cash flow forecast, representing 12 months from the approval of these financial statements takes into account only the downside impact on its operations and financial resources anticipated above with general reserves providing operating cover at 7 months. This stress test represents what management believes to be the worst case scenario. The MOU in place with MCG, and the fund advance process where MCG funds the field and is reimbursed by MCE when donor funds are available, removes the exposure and risk for cashflow implications and impact on Going Concern.

We have guidance and governance structures in place to control operations and the European Leadership Team are continually proactively reviewing, revising and adapting in line with the changing scenarios. Communication with our Board is frequent, full and timely. In line with our reserve policy, the Group and Charity will have sufficient funds to meet its liabilities as they fall due and we have prepared these financial statements on a going concern basis.

Mercy Corps Netherlands

Mercy Corps Netherlands (MCNL) is registered in The Hague, Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. The relationship between MCE and MCNL is governed by a Governance Agreement and Memorandum of Understanding that also includes MCG and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs. MCNL is an affiliated entity, MCE has consolidated MCNL.

Governance and Management

MCE is a Scottish registered charity (registration number SC030289) and is constituted as a company limited by guarantee (registration number SC208829). The objects of the charitable company are the relief of poverty, the advancement of health, the advancement of community development, the saving of lives, the advancement of human rights, conflict resolution or reconciliation and the advancement of environmental protection.

MCE is a member organisation, made up of nine Members who also sit on the Joint Board Executive Committee (JBEC). The Members appoint the Directors of MCE based on nominations from the MCE Board at the Annual General Meeting. MCE, MCNL and MCG are all Membership entities and all three have members in common. The current Members are listed on page 6.

The Directors of MCE are the statutory Charity trustees, collectively known as the Board of Directors. The Board comprises a minimum of six and a maximum of twenty Directors. Board Directors have term limits of two three-year terms, with a

possible extension for a third term of three years in exceptional circumstances, for a maximum of nine years. The current Directors are listed on page 6.

The Joint Board of Directors meets regularly to govern the charity through four meetings per year.

There are five standing Board Committees made up of Board Directors of MCE, MCNL and MCG and other independent individuals with relevant experience, under specific terms of reference from the Board. Each of the Committees reports to the MCE, MCNL and MCG Boards at the quarterly Joint Board meetings. These Committees are:

- Joint Board Executive Committee (JBEC)
- Joint Finance Committee (JFC)
- Joint Audit and Risk Committee (JARC)
- Joint Nominating and Governance Committee (JNGC)
- Joint Ethics and Safeguarding Committee (JESC)

MCE operates under a global CEO, who is also the global CEO of Mercy Corps. MCE also has an Executive Director who is appointed by the MCE Board, subject to the approval of the global Mercy Corps CEO. The MCE Executive Director is the principal manager of MCE and reports jointly to the MCE Board and the global Mercy Corps CEO.

The roles and responsibilities of the MCE Board and the Committees are further described in the MCE Governance Handbook which is published on our website -https://www.mercycorps.org/sites/default/files/2021-03/Mercy_Corps_Governance_2021_Mar21_v2.pdf

Each new Board Director participates in an onboarding process which includes the following:

- Administrative setup and signposting to key strategic, financial, and operational documentation, including access to Board and Committee meeting minutes,
- A series of onboarding meetings with key stakeholders,
- A series of mandatory trainings

When the opportunity arises, new Board Directors are encouraged to participate in a program visit to meet with Mercy Corps teams, partners, and program participants in one of our countries of operation. Annually, Board Directors participate in a series of trainings in person.

The balance and diversity of Board Directors is closely reviewed by the Boards and the JNGC, with an emphasis on ensuring that Board Directors provide the specific mix of skills that have been identified as important to the charity's objectives and activities. All new Directors receive briefings, including on governance, as part of their onboarding process. Training sessions occur on at least an annual basis and are developed in consultation with the Joint Board Chair, Joint Nominating and Governance Committee, CEO and internal and external experts. In FY23, the Board participated in a dedicated session on best practices for a high-performing Board. A training focused on safeguarding and ethics is planned to take place in FY24.

Mercy Corps has undergone a comprehensive external review of its global governance practices, entity structuring, and joint global operating model. The purpose of this review, launched in 2020, was to ensure that the Mercy Corps' Boards of Directors are able to make key decisions regarding whether Mercy Corps' existing entities (including MCE), governance, operational and financial structures are fit for purpose, or whether changes could better achieve Mercy Corps' mission. A report, including recommendations, was presented to the Board in November 2020 with many of the recommendations included in the report implemented. Governance best practice is continuously- under review by the Joint Nominating and Governance Committee.

Governance and oversight of MCG country office operations

The MCE Board of Directors fulfils its governance and oversight responsibilities of MC country office operations through controls, governance and reporting arrangements. The responsibility for Mercy Corps country offices, which implement the grants and contracts signed by MCE, is formally transferred to MCG through the MOU and integrated global governance arrangement. MCE's Executive Director sits on the Executive Leadership Team of Mercy Corps assuring the interests of MCE at the highest management level of the organisation. MCE team members provide programmatic and financial monitoring, support and oversight for implementation and are responsible for the review and submission of all reports to donors. The financial and management systems under which MCE programmes operate are subject to external review by auditors acting on behalf of funding partners/donors, and internal reviews and audits by the MC Internal Audit team. All internal and external audit reports are shared with MCE, as well as all reports produced by the global Ethics and Compliance Department impacting on European donors and on MCE. The Mercy Corps Internal Audit and the Ethics and Compliance departments report to the Joint Audit and Risk Committee at least three times per year.

TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of MCE for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law, the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group 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;
- observe the methods and principles in the Charities SORP (FRS 102);
- 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 a going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for:

- keeping adequate accounting records that are sufficient to show and explain the charitable company's and group's transactions
- disclosing with reasonable accuracy at any time the financial position of the charitable company and the group
- ensuring that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the trust deed.
- safeguarding the assets of the charitable company and the group
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The trustees are also responsible for the maintenance and integrity of the charity and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Modern Slavery Statement

We are committed to the prevention of modern slavery and human trafficking in our supply chains. In accordance with the requirements of the Modern Slavery Act 2015, we publish an annual slavery and human trafficking statement on our website ([link available here](#)), which reports on the steps we continue to take to aim to ensure modern slavery and human trafficking does not take place in any part of our business or supply chain.

Safeguarding Statement

As a global humanitarian organisation working with some of the world's most vulnerable communities, we have an immense responsibility to our programme participants, donors and team members across the 40+ countries in which

we work. At Mercy Corps, we strive to create an inclusive and safe work environment, where everyone is treated with dignity and respect, free of exploitation, harassment and bias. Central to this commitment is our emphasis on protecting our programme participants, community members, and team members from all forms of harm, including any physical, emotional or sexual abuse or exploitation. We take this responsibility seriously and we continue to invest in and strengthen our approach to safeguarding. Mercy Corps Europe aligns with Mercy Corps' global safeguarding approach and code of conduct policies.

The Chief Ethics & Compliance Officer (CECO) leads a stand-alone Ethics and Compliance Department (ECD) that supports Mercy Corps' global operations. Regarding Safeguarding, the ECD includes the Intake and Investigations Team which is responsible for overseeing all investigations relating to safeguarding allegations and the Safeguarding Prevention Team which supports safeguarding prevention efforts across all countries where Mercy Corps operates. As part of that team, there is a European Safeguarding Advisor with a particular focus on European donors, programmes and networks.

The Mercy Corps Community Accountability Reporting Mechanism (CARM) policy (<https://www.mercycorps.org/sites/default/files/2022-04/CARMPolicy-20220331.pdf>) effective from 1 January 2021, makes it mandatory for all programmes to have systems in place for community members to provide feedback and complaints in a manner that is safe, confidential, transparent, and accessible, enabling Mercy Corps to respond and make any necessary programmatic or safeguarding adaptations and to ensure the safety, security, and empowerment of community members.

Mercy Corps continues to report on our Commitments to Action and progress made following the independent external review into what steps were taken when reports of abuse by Mercy Corps' late co-founder Ellsworth Culver were brought to the organisation's attention in 2018. Mercy Corps' latest Progress Report on the Commitments to Action can be found at: <https://dldocs.mercycorps.org/CommitmentstoActionProgressRepJan2023.pdf>

Mercy Corps' policies related to safeguarding can be found at -

<https://europe.mercycorps.org/en-gb/who-we-are/ethics-policies>

Mercy Corps' Global annual Safeguarding Report can be found at:

<https://europe.mercycorps.org/en-gb/who-we-are/ethics-policies#safeguarding-approach>

RISK STATEMENT

Mercy Corps works in fast-changing, often insecure and high-risk environments, delivering its mission in some of the toughest and riskiest places in the world. This means that risks are inherently ingrained in our operations. To operate effectively, bring about the changes we aim for, and safeguard our team members and the people we work with, we assess and respond to the risks we face in accordance with our risk management framework.

Mercy Corps operates as one global organisation with common exposure to financial, operational, reputational and external risks. MCE therefore works closely with MCG, MCNL and our country teams to identify, mitigate and manage risks in our challenging operating environments. Globally, Mercy Corps has an enterprise risk management approach and maintains a global risk register. In addition, MCE has an entity-specific risk management framework and accompanying Corporate Risk Register this is reviewed quarterly by the European Senior Leadership Team and with trustees as part of the Risk and Audit Committee. Key risks are discussed and actions being taken scrutinised.

Enterprise Risk Management globally

Globally, Mercy Corps frames Enterprise Risk as any uncertain significant event or circumstance including strategic, preventable and external risks which could impact the achievement of Mercy Corps' mission. Enterprise Risk Management (ERM) is a comprehensive approach to helping leadership ensure the appropriate identification, prioritisation, management, mitigation and/or acceptance of Enterprise Risks. The Global ERM Committee in FY23 consisted of: Mercy Corps' General Counsel, Deputy General Counsel, Chief Financial Officer, Chief People Officer, Chief Operating Officer, Chief Ethics and Compliance Officer, Vice President of Programs, Chief Development Officer, Chief Communications and Marketing Officer, and Mercy Corps Europe Executive Director (plus observers). The ERM Committee meets as frequently as it deems necessary to carry out its duties and responsibilities, and in any case no less than three times a year.

Additionally, on an annual basis, key risks are identified for each of our countries of operation by their relevant teams. Mitigating strategies are subsequently developed and managed throughout the year. Risk management is also a key component of "Programme Management at Mercy Corps" and programmes designated as complex, either by virtue of size, nature or location, are subject to additional rigour. Most Mercy Corps programmes develop programme risk registers as part of the good project governance and are required by most of our donors.

Mercy Corps also has a wider assurance framework which includes associated policies on health and safety, incident reporting, anti-fraud and corruption, conflict of interest, management of complaints and grievances, prevention of support for prohibited parties, safeguarding, security, and raising concerns (whistleblowing). These policies aim at ensuring that risks are identified, acted on swiftly, and incidents are reported according to our regulatory responsibilities.

Throughout the year, risk-based internal audits of country offices are conducted by the Mercy Corps Internal Audit team. In FY23 12 internal audits were carried out. Internal audits reports are shared with management and the JARC. Agreed actions and recommendations from each audit are followed up throughout the year and reports on their significant findings and implementation of the action plans are also reviewed by management and the JARC. Work continues to aim to reduce the incidence of repeat findings and to determine organisational-wide improvements identified through country internal audits, as well as identifying appropriate resources to support such efforts.

Risk Management at MCE

MCE has a European Risk Management Framework relevant for risks applicable to the UK entity (some of which overlap or interconnect with risks applicable for Mercy Corps globally). MCE maintains a Corporate Risk Register (CRR) which sets out key business, operational and financial risks facing MCE. Discussions around key risks takes place regularly during the European Senior Leadership Team meetings. The CRR is shared with the JARC at their meetings no less than three times a year.

The Board of Directors of MCE are ultimately responsible for the risk management of the European entity. The Board has the opportunity to assess MCE's position and raise queries relating to individual or collective risks.

As at the end of FY23, the significant risks noted and actions agreed by the MCE Board are assessed to be:

Perennial risks:

- **The external political environment in the UK and Europe potentially impacting financial stability of the organization:** We are investing in our policy and advocacy and fundraising capacities, and working to diversify our sources of funding.
- **Potential safeguarding risks which go undetected resulting in significant legal and reputational damage:** We continue to strengthen our mitigation measures around safeguarding, including in relation to awareness, prevention, reporting, response and investigation when issues arise, as well as increasing country and regional resource and capacity. In FY23 a policy review was completed, including of the Anti-Human Trafficking and Exploitation Policy and the Child Safeguarding Policy. The Global Code of Ethics was also rolled out and the Safeguarding Core Standards are in the final stages of development to be rolled out in FY24. We have recruited a European Safeguarding Advisor.
- **Team members are placed at risk of harm, including related to mental health and wellbeing:** We have global security policies and procedures in place and up-to-date, as well as country-specific guidelines. Our global and regional security advisors provide technical support. Hostile Environment Awareness Training (HEAT) training is available for team members who travel to our field offices. During FY23, we assessed Covid-19 to be endemic and therefore removed the Covid-19 focus from the framing of the risk; however, we continue to monitor the implications on team members and the organisation. In FY23, we hired an experienced interim Director of People team in Europe to support with special projects, including in relation to wellbeing.
- **Fraudulent activity impacting the financial stability and reputation of the organization:** In FY23 the updated Anti-Fraud and Corruption Policy was approved and rolled out. The Conflict of Interest Policy is under review. We have accompanying procedures and internal controls in place, monitored through internal audit. We have online mandatory training for all team members. We have mechanisms in place for reporting allegations, including an integrity hotline and our Community Accountability and Reporting Mechanisms (CARM) systems in the countries where we work. In FY23, following the global Fraud Risk Assessment, we have identified working groups to work through the priorities.
- **Data Protection and specifically non-compliance with GDPR, and cyber-attacks:** We have data protection policies and procedures in place, which were reviewed and updated for compliance with UK specific regulations. MCE sits on the European Data Oversight Group which meets regularly. We have mandatory global responsible data training and in addition we provide specific training on GDPR to Europe based staff as part of onboarding and refreshers thereafter. We maintain an MCE data schedule for each department and our Data Protection Officer carries out a quarterly review to monitor compliance and support actions. We are constantly updating and

strengthening IT and IS policies and cyber security mitigation measures.

- Unexpected disruption of our programme activities in country or an event impacting European operations:** Measures are in place to ensure strong monitoring of security risks, including an increased emphasis on contingency plans for high risk contexts. Regional security advisors are looking at regional dynamics/trends and the Emergency Preparedness Planning process across all countries. We have been training our senior leaders on crisis management and constituted a Crisis Management Team to stand up in light of a global crisis.
- Environment and social risks in our programming:** We know there are environmental and social risks associated with our programs. Sometimes, these risks are a result of our programme activities, while other times, they stem from the increasingly volatile contexts in which we work. Our donors are also increasingly aware of these challenges and have consistently upgraded the expectations for how we will address them. For these reasons, and as part of the Climate Commitment under our new strategy, we have committed to updating our capacity to manage these risks and developed a new set of environmental compliance and safeguard tools which were rolled out this year to inform the development of our programmes at the country and regional levels.

ENVIRONMENTAL REPORTING

Reporting period

1 July 2022 – 30 June 2023

Quantification and Reporting Methodology

We have followed the 2013 UK Government environmental reporting guidance. The figures relate to the required elements of each scope 2 category rather than the optional elements.

We have used 2013 UK Government’s Conversion Factors for Company Reporting and the GWPs used within that were consistent with those used in the 2013 UK Government Conversion Factors.

Organisational boundary

We have used the financial control approach.

SCOPE 2 In metric kg of CO₂e

Green House Gases (GHG) emissions	27.37874 kg of CO ₂ e
	(base year : 26,0044 kg of CO ₂ e)

Intensity Metric

Organisation’s chosen intensity measurement Scope 2 emissions in kg of CO ₂ e per total £m revenue (Charity)	332.21
	(base year : 213.3743)

There are no specific exclusions.

We have not tried to quantify emissions for Scope 3 optional elements.

Electricity

Electricity purchased for own use or consumption in the year: 122.697 MWh (base year: 111.54MWh)

Base Year

We have a fixed base year of 2019/20. We chose this year as it was the first year for which we considered that we had

reliable data and it was typical in respect of our operations. Our base year recalculation policy is to recalculate our base year and the prior year emissions for relevant significant changes such as large structural changes or mergers.

Intensity Measurement

We have chosen the financial metric of emissions in kg of CO₂e per £ million revenue as this is the most appropriate for our Organisation.

Energy Efficiency Action

In the period covered by the report the Organisation continues to follow its Environmental Policy including:

- To comply with all applicable UK and international legislation, regulations and codes of practice on environmental matters relevant to our operations. We monitor any new regulatory developments and guidelines to ensure we remain compliant and that we follow best practice.
- To implement the most efficient and sustainable waste management measures available to continually reduce our waste and use recyclable materials wherever possible, monitoring our recycling and waste outputs;
- To monitor our gas, electricity and water consumption across MCE offices, using green suppliers where possible;
- To build an environmentally friendly work culture through regular internal communications for staff awareness raising and training, and stakeholder engagement, including team initiatives to minimise the environmental impact of our activities;
- To monitor and minimise the environmental impact of road, rail and air travel by:
 - encouraging the use of travel options that minimise environmental impact;
 - exploring new ways of delivering our work sustainably, such as online training platforms and other types of remote work;
 - updating the MCE Travel Policy (effective, January 8, 2023), expecting staff to travel by rail when travelling domestically, unless specific dispensation from budget holders.
 - being thoughtful as to the necessity and environmental impact of air travel.
- To ensure that consideration is given to purchasing environmentally sustainable products and services and develop sustainable supply chains by using suppliers that have environmental standards compatible with our own.
- To increase staff knowledge and awareness of climate and environmental issues and implication, by
 - sharing regular climate-related communication and updates
 - publishing an annual sustainability report
 - engaging staff through workshops, quizzes and other educational items to increase their climate literacy
 - establishing robust procurement guidelines in place so that the environment is considered as part of our decision making processes.

The Strategic Report and Accounts were approved by the Board of Directors on and signed on their behalf by:



Kito de Boer
Board Chair, Mercy Corps Europe

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF MERCY CORPS EUROPE

Opinion

We have audited the financial statements of Mercy Corps Europe (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 30 June 2023, which comprise the Consolidated Statement of Financial Activities and Income and Expenditure Account, Charity Statement of Financial Activities and Income and Expenditure Account, the Consolidated and Charity Balance Sheets, the Statement of Cash Flows and Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 30 June 2023 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent charitable company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the parent charitable company or group to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charitable company's and group's business model including effects arising from macro-economic uncertainties such as inflationary increases and foreign exchange risk, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the group's and parent charitable company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report, prepared for the purposes of company law, included in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report included in the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report included in the **Trustees' Annual Report/Trustees' Report**.

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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- The Group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; the Accounting and Reporting by Charities: 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 (effective 1 January 2019) ('Charities SORP (FRS 102)'), Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), Companies Act 2006, Data Protection Act 2018, Bribery Act 2010 and tax legislation.
- We understood how Mercy Corps Europe is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the audit committee. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur and the risk of material override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of certain controls management has in place to prevent and detect fraud
 - Challenging assumptions and judgments made by management in its significant accounting policies
 - Identifying and testing journal entries
 - Identifying and testing related party transactions
 - Sampling income which is not directly matched to project expenditure to assess whether income has been recognised appropriately
 - Inspecting the board minutes
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - Knowledge of the industry in which the group operates, and
 - Understanding of the legal and regulatory requirements specific to the group including the provisions of the applicable legislation.
- The team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition, in particular the risk that income which is not directly matched to project expenditure is incorrectly recognised and the risk that Group management may be in a position to make inappropriate accounting entries.

- We did not identify any matters relating to non-compliance with laws and regulation and fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - o The group's operations, including the nature of its revenue sources, to understand the classes of transactions, accounts balances, expected financial statement disclosures and business risks that may result in risks of material misstatement, and
 - o The group's control environment, including
 - o Management's knowledge of relevant laws and regulations and how the group is complying with those laws and regulations
 - o The adequacy of procedures for authorisation of transactions and review of management accounts, and
 - o Procedures to ensure that possible breaches of laws and regulations are appropriately resolved.
- We communicated via Group audit instructions to component auditors that they communicate on a timely basis significant matters or findings and any other matters that they believe, based on their professional judgment, may be relevant to the audit of the Group financial statements, including identified or suspected fraud. We also require that component auditors confirm if they identify, or otherwise become aware of, fraud or suspected fraud involving Component management, employees who have significant roles in internal control at the Component, or others where the fraud resulted or may result in a material misstatement of the Component Financial Information.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006, Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Stephen Dean

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24/10/2023

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2023

	Note	Unrestricted Funds £	Restricted Funds £	Total 2023£	Unrestricted Funds £	Restricted Funds £	Total 2022£
INCOME							
Donations and Legacies	2	680,455	447,750	1,128,205	490,034	4,319,399	4,809,433
Bank interest		49,701	-	49,701	(12,053)	-	(12,053)
Other income		15,154	3,905	19,059	39,521	1,986	41,507
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	6,658,953	21,810,041	28,468,994	6,241,876	25,972,935	32,214,813
Economic Development	2	4,182,808	31,113,179	35,295,987	4,305,765	32,169,640	36,475,405
Public Health, Water and Environment	2	1,756,247	15,155,199	16,911,446	1,258,409	11,058,414	12,316,823
Disaster Risk Reduction and Emergency Response	2	1,474,750	25,079,782	26,554,532	839,412	16,699,847	17,539,259
(Loss) / Gain on Exchange		1,590,078	257	1,590,335	(983,985)	23	(983,962)
Total income		16,408,146	93,610,113	110,018,259	12,178,981	90,222,244	102,401,225
EXPENDITURE							
Expenditure on Raising Funds	4	519,577	-	519,577	439,378	-	439,379
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	7,014,975	21,885,589	28,900,564	6,348,127	25,895,984	32,244,111
Economic Development	4	4,329,365	31,299,650	35,629,015	3,769,813	31,616,465	35,586,278
Public Health, Water and Environment	4	1,757,903	15,283,263	17,041,166	1,079,524	11,590,160	12,669,684
Disaster Risk Reduction and Emergency Response	4	1,708,013	26,468,259	28,176,272	990,062	16,861,133	17,851,195
Total expenditure		15,329,833	94,936,761	110,266,594	12,626,904	86,163,742	98,790,646
Net income before transfers		1,078,313	(1,326,648)	(248,335)	(447,923)	4,058,502	3,610,579
Transfers between Funds	12, 13	(102,376)	102,376	-	392,257	(392,257)	-
Net movement in funds		975,937	(1,224,272)	(248,335)	(55,666)	3,666,245	3,610,579
Balances brought forward		15,993,630	4,449,849	20,443,479	16,049,296	783,604	16,832,900
Balances carried forward		16,969,567	3,225,577	20,195,144	15,993,630	4,449,849	20,443,479

Financial Statements

Charity Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2023

	Note	Unrestricted Funds £	Restricted Funds £	Total 2023 £	Unrestricted Funds £	Restricted Funds £	Total 2022 £
INCOME							
Donations and Legacies	2	680,455	190,266	870,721	474,731	1,576,260	2,050,991
Bank interest		47,810	-	47,810	1,443	-	1,443
Other income		15,155	3,905	19,060	39,521	1,986	41,507
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	6,311,815	16,705,948	23,017,763	6,034,883	22,902,909	28,937,792
Economic Development	2	3,813,150	25,950,213	29,763,363	3,935,154	27,818,796	31,753,950
Public Health, Water and Environment	2	1,437,232	10,950,880	12,388,112	1,092,818	8,969,832	10,062,650
Disaster Risk Reduction and Emergency Response	2	1,187,617	23,723,239	24,910,856	773,472	15,843,421	16,616,893
(Loss) / Gain on Exchange		1,395,377	-	1,395,377	(846,748)	-	(846,748)
Total income		14,888,611	77,524,451	92,413,062	11,505,274	77,113,204	88,618,478
EXPENDITURE							
Expenditure on Raising Funds	4	493,493	-	493,493	421,501	-	421,501
Donation to related entity		884,276	-	884,276			
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	6,589,067	16,781,496	23,370,563	6,140,475	22,825,958	28,966,433
Economic Development	4	3,818,277	26,136,683	29,954,960	3,475,530	27,465,621	30,941,151
Public Health, Water and Environment	4	1,321,693	11,078,944	12,400,637	930,387	9,385,238	10,315,625
Disaster Risk Reduction and Emergency Response	4	1,531,309	23,828,654	25,359,963	932,135	16,004,706	16,936,841
Total expenditure		14,638,115	77,825,777	92,463,892	11,900,028	75,681,523	87,581,551
Net income before transfers		250,496	(301,326)	(50,830)	(394,754)	1,431,681	1,036,927
Transfers between Funds	12, 13	(102,376)	102,376	-	392,257	(392,257)	-
Net movement in funds		148,120	(198,950)	(50,830)	(2,497)	1,039,424	1,036,927
Balances brought forward		15,290,703	1,693,848	16,984,551	15,293,200	654,424	15,947,624
Balances carried forward		15,438,823	1,494,898	16,933,721	15,290,703	1,693,848	16,984,551

The charity has no recognised gains and losses other than the results for the year as set out above. All of the activities of the charity are classed as continuing. The notes on pages 30 to 51 form part of these financial statements.

Consolidated and Charity Balance Sheets as at 30 June 2023

	Note	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
FIXED ASSETS					
Tangible assets	7	213,959	213,959	246,876	246,876
CURRENT ASSETS					
Debtors	8	27,102,166	19,344,534	20,570,084	18,678,497
Cash at bank and in hand	9	48,483,066	31,816,288	49,834,424	41,492,689
		75,585,232	51,160,822	70,404,508	60,171,186
CREDITORS: amounts falling due within one year	10	(55,604,047)	(34,441,060)	(50,207,905)	(43,433,511)
NET CURRENT ASSETS		19,981,185	16,719,762	20,196,603	16,737,675
NET ASSETS		20,195,144	16,933,721	20,443,479	16,984,551
FUNDS					
Restricted	13	3,225,577	1,494,898	4,449,849	1,693,848
Unrestricted - designated	12	3,383,432	2,801,718	1,793,386	1,432,337
Unrestricted - general	12	13,586,135	12,637,105	14,200,244	13,858,366
Total		20,195,144	16,933,721	20,443,479	16,984,551

The notes on pages 30 to 51 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 October 2023 and signed on their behalf by:



Kito de Boer
Board Chair, Mercy Corps Europe

Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Cash flows from operating activities				
Net income	(248,335)	(50,830)	3,610,579	1,036,927
Income (expense) from bank interest	49,701	47,810	(12,053)	1,443
Depreciation	43,394	43,394	80,999	80,999
(Increase) in debtors	(6,532,082)	(666,037)	(1,219,979)	506,012
Increase in creditors	5,396,142	(8,992,451)	1,709,296	(1,224,941)
Cash provided by / (used in) operating activities	(1,291,180)	(9,618,114)	4,168,842	400,440
Cash flows from investing activities				
Bank interest paid (received)	(49,701)	(47,810)	12,053	(1,443)
Purchase of fixed assets	(10,477)	(10,477)	-	-
Cash generated by / (used in) investing activities	(60,178)	(58,287)	12,053	(1,443)
Increase / (decrease) in cash and cash equivalents at the end of the year	(1,351,358)	(9,676,401)	4,180,895	398,997
Cash and cash equivalents at the beginning of the year	49,834,424	41,492,689	45,653,529	41,093,692
Total cash and cash equivalents at the end of the year	48,483,066	31,816,288	49,834,424	41,492,689
Cash and cash equivalents comprise:				
Cash in hand	373	373	664	664
Bank accounts	48,482,693	31,815,915	49,833,760	41,492,025
Total	48,483,066	31,816,288	49,834,424	41,492,689

The notes on pages 30 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Mercy Corps Europe is a company limited by guarantee incorporated in Scotland, United Kingdom. The registered office is 96/3 Commercial Street, Edinburgh, EH6 6LX and company number is SC208829. The charity is a "Public Benefit Entity".

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice – Accounting and Reporting by Charities (revised 2015) and in accordance with Financial Reporting Standard 102 (FRS 102). The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. These consider new funding due to continued aid alignment with UK foreign policy and the growing diversification of our donor portfolio with Swedish, French, Swiss and Dutch governments, including corporate foundations and trusts, and results in upsides, offsetting any further reduction with UK government. The Group and Charity are considered to have sufficient funds to meet its liabilities as they fall due for that period.

The cashflow forecast considered inflationary increases across people costs, utilities and external services to our base case and scenarios involving the movements above (overall net decrease in revenue to budget) and an increase in expenditure run rate beyond the budget period (Jul-Oct). The forecasts were also subject to stress-tests where unrestricted project income declined by a further 20% and costs remained consistent. A 20% reduction has been considered as the worst case possible downside scenario based on our experience of activities on government grants. Our exposure to foreign exchange risk is managed by matching currencies. FX arising from funding in GBP, Euros or US dollars is managed by holding restricted donor funds in that currency until settled to the relevant country programme activity. The MOU in place with MCG, and the fund advance process where MCG funds the field and is reimbursed by MCE when donor funds are available, removes the exposure and risk for cashflow implications and impact on Going Concern.

The Directors also considered where restricted income ceased, and its subsequent impact on the activities of the Charity. Owing to the nature of this restricted income, any cessation or reduction would be matched by an equal reduction in project expenditure, resulting in no impact on the financial position of the Charity during the normal course of business.

Consequently, the Directors are confident that the Group and Charity will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. The organisation's position is further strengthened by the relationship and support available from Mercy Corps Global.

Fund accounting

The general fund is an unrestricted fund which is available for use, at the discretion of the directors, in furtherance of the general objectives of the charity and which has not been designated for other purposes.

Designated funds comprise unrestricted funds that have been put aside at the discretion of the directors for particular purposes. There are two designated funds:

a foreign exchange fund used to offset future foreign exchange losses.

a fund to support the development of the European platform.

Restricted funds are funds to be used in accordance with specific restrictions imposed by donors.

Income

Income is recognised in the period in which there is legal entitlement, any performance conditions attached to the income have been met, the amount can be quantified with reasonable accuracy and there is probability of receipt.

Income is shown within four main categories in the Statement of Financial Activities: donations and legacies, investment income, income from charitable activities and gains on exchange.

Restricted income

Restricted income relates to funds received from sources which are subject to specific conditions imposed by the donor and binding on the company.

Revenue donations

The charity receives donations in cash, which are recognised on receipt in the statement of financial activities and income and expenditure account. Donations in kind are recognised at the value of the gift to the charity, as agreed between the donors and the directors of Mercy Corps Europe.

Income from charitable activities

This comprises grants and contracts which are recognised using the performance model. Funds are recognised as income from charitable activities once there is entitlement, reasonable probability of receipt and the amount can be measured with sufficient reliability. Many projects are funded on the basis of claims made for actual expenditure incurred and are subject to post-project operational and financial reports. There remains the possibility that certain expenditure may be disallowed, and all income may not be spent.

Where grant funding is received in advance of MCE meeting any performance-related conditions, receipts are credited to deferred income until such times as those conditions have been met. The donors have the right to repayment of disallowed expenditure and/or unused funds. Consequently, such income remains deferred until used or repaid, rather than being treated as unspent funds.

Funding is often received subject to match funding for a proportion of the total expenditure being available. Where the match funding has not yet been obtained a transfer from unrestricted to restricted funds is made. This is normally temporary and when the funding is subsequently obtained a transfer back to unrestricted funds is made. In the rare situations where match funding cannot be obtained the shortfall is either covered from unrestricted funds or by Mercy Corps Global (MCG) and the matched funding requirement would be met from this source.

Interest receivable

Interest is recognised in the income and expenditure account and the statement of financial activities in the period in which it is receivable.

Analysis of expenditure

Wherever possible, expenses are attributed to the expenditure on raising funds, or to the charitable activities directly. Where this is not possible, they are apportioned among the functions to which they relate on the basis of time allocation.

Pensions

The company contributes to defined contribution pension schemes on behalf of employees. The assets of the schemes are held separately from those of the company. Contributions are charged to the income and expenditure account and the statement of financial activities in the period in which they are incurred.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the income and expenditure account and the statement of financial activities over the period of the lease. Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against the income and expenditure account and the statement of financial activities as incurred.

Fixed assets

Fixed assets purchased directly by Mercy Corps Europe (MCE) with a cost exceeding £2,500 are included at cost. Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned. All assets financed by donor funding for specific projects are written off at the time of purchase through the statement of financial activities because in the majority of cases the projects are of limited duration and at the end of which the assets can be donated to the ongoing project. Therefore, such assets have not been incorporated in the balance sheet.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives or lease terms. The rates used are as follows:

Item	Rate
Leasehold improvements - London	21% straight line
Leasehold improvements – Edinburgh	10% straight line
Equipment	25% straight line
Computers	33% straight line

Overseas Operations/Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date with all foreign currency transactions for the year being translated at the official EC monthly rate. The exchange difference resulting from the restatement of the opening reserves denominated in foreign currencies, as at 30 June 2022, has been taken to the related reserves.

All transfers between foreign currency bank accounts are reflected in the financial statements at the average monthly rates applicable. Exchange gains or losses are treated as unrestricted except where restricted by contract and taken to the statement of financial activities and income and expenditure account.

Foreign exchange gains and losses are taken to the Statement of Financial Activities in the year in which they arise.

Debtors

Other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash and Cash Equivalents

Cash and Cash equivalents comprise cash at bank and monies held in short term deposits. Cash and cash equivalents are measured at fair value.

Creditors and Provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Taxation status

The company is recognised by HM Revenue & Customs as a charity and accordingly is exempt from corporation tax on its charitable activities.

Value Added Tax

The company is in the process of registering for VAT. Accordingly all expenditure is stated inclusive of VAT where applicable.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the directors have made the following judgements:

Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence. Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

Group financial statements

The financial statements consolidate the results of the charity and its subsidiary Mercy Corps Netherlands (MCNL) on a line-by-line basis.

MCNL is an association having its corporate seat in the municipality of The Hague and offices at Fluwelen Burgwal 58, 2511 CJ Den Haag, Netherlands. Mercy Corps Netherlands (MCNL) is registered in The Hague, Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. The relationship between MCE and MCNL is governed by a Governance Agreement and Memorandum of Understanding that also includes MCG and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs. MCNL is an affiliated entity, MCE has consolidated MCNL.

2. Income

Donations and legacies - Group

	Group Unrestricted		Group Restricted		Totals	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
Donations in cash	680,455	490,034	447,750	4,319,399	1,128,205	4,809,433

Donations and legacies - Charity

	Charity Unrestricted		Charity Restricted		Totals	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
Donations in cash	680,455	474,731	190,266	1,576,260	870,721	2,050,991

Restricted donations are held in the appropriate fund until they can be spent for the purposes for which they were given. Restricted donations vary from restricted grants in that the donor has placed restrictions on the nature of the spend, but not over the detailed expenditure itself.

During the year unconditional donations of £878 (2022: £13,290) were received from trustees.

Income from charitable activities by Donor

	Donor	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
European Commission	European Commission	7,800,811	5,453,007	13,587,378	12,563,534
	ECHO	<u>2,799,808</u>	<u>(150,130)</u>	<u>(23,699)</u>	<u>(23,699)</u>
	Total	<u>10,600,619</u>	<u>5,302,877</u>	<u>13,563,679</u>	<u>12,539,835</u>
United Nations	UNLIFT	-	-	2,480	2,480
	UNMHAP	<u>696,513</u>	<u>696,513</u>	-	-
	Total	<u>696,513</u>	<u>696,513</u>	<u>2,480</u>	<u>2,480</u>
UK Government	British Council	347,720	347,720	118,186	118,186
	DFID	21,665	21,665	9,120,843	9,120,843
	FCDO	32,907,728	32,907,728	20,146,392	20,146,392
	Scottish Government	149,155	149,155	109,415	109,415
	Total	<u>33,426,268</u>	<u>33,426,268</u>	<u>29,494,836</u>	<u>29,494,836</u>
Non-UK Government	French Government (AFD)	7,420,049	7,420,049	9,497,637	9,497,637
	GIPA	-	-	20,241	20,241
	GIZ	4,474,079	4,474,079	993,514	993,514

Donor	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Ministry of Foreign Affairs of UAE	(1,382)	(1,382)	-	-
Dutch Ministry of Foreign Affairs	7,831	7,831	-	-
Swedish International Development Agency (SIDA)	9,568,219	9,568,219	11,476,953	11,476,953
Swiss Agency for Development and Cooperation (SDC)	3,100,414	3,100,414	3,534,135	3,534,135
Belgian Development Agency	140,879	140,879	107,498	107,498
Regional Development Programme for LB, JO & IQ	551,773	551,773	1,107,224	1,107,224
Austrian Development Agency	306,365	306,365	104,370	104,370
Dutch Embassy	3,216,892	3,216,892	2,986,673	2,986,673
French Embassy	69,651	69,651	3,260,625	3,260,625
Jersey Overseas Aid Commission	576,170	576,170	(150,000)	(150,000)
Kingdom of the Netherlands	65,246	-	329,261	329,261
MOFA (France) Crisis & Support Centre	3,852,846	3,852,846	84,512	84,512
Total	33,349,032	33,283,786	33,352,643	33,352,643
Foundations, Corporates & CSOs				
AB World Foods	10,460	10,460	57,730	57,730
Acted	84,010	84,010		
Action Aid	202,302	202,302	295,490	295,490
Artemis	2,892	2,892	-	-
Asfari	-	-	48,682	48,682
Bayer Cares Foundation	518,967	-	1,112,881	-
Carbon Trust	237,116	237,116		
CARE	5,912,834	5,048,502	2,790,928	2,180,558
Children's Investment Fund Foundation	213,822	213,822	-	-
Climate KIC	-	-	7,943	7,943
Concern Worldwide	-	-	85,852	85,852
Cooperazione Internazionale	151,958	-	260,284	-
Cowater Sogema International	640,860	640,860	351,113	351,113
Crown Agents	-	-	698,788	698,788
Danish Refugee Council	8,086,313	4,526,292	2,739,085	1,424,871
Dubai Cares	164,182	-	432,583	-
Dynasafe Minetech Ltd	-	-	314	314
East-West Seed	60,989		10,674	-
EOSPHERE Ltd	-	-	29,003	29,003
Evergreen Renewable Co Limited	12,003	12,003	(5,922)	(5,922)
Farm Africa	217,122	217,122	166,079	166,079

Donor	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Frankfurt School	60,587	60,587	91,415	91,415
Global Partnership Alliance	921	921	-	-
Google	30,115	30,115	7,068	7,068
Groundfox	10,566	10,566	-	-
Handicap International	-	-	(17,633)	(17,633)
Heineken Africa Foundation	91,522	-	163,961	-
HIVOS	43,042	-	25,294	25,294
International Organisation for Migration	661,634	-	552,350	-
ICU	133,067	133,067	93,393	93,393
Ikea Foundation	25,453	-	-	-
IPE	14,983	14,983	106,147	106,147
IRC	1,801,967	-	1,462,044	-
Irish Aid	739	-	85,979	-
Italian Agency for Development Cooperation	249,885	-	-	-
KFW Development Bank	(4,385)	(4,385)	1,629,208	1,629,208
Lloyds of London	24,629	24,629	2,586	2,586
Local Governments for Sustainability – Oceania	17,254	17,254	-	-
Multiconsult Norge	152,032	152,032	-	-
The Netherlands Enterprise Agency (RVO)	35,526	-	-	-
Netherlands Water Partnership	(1,062)	-	2,167	-
Norwegian Refugee Council	1,879,765	40,031	2,972,257	148,376
Overseas Development Institute (ODI)	-	-	49,631	49,631
Oxfam	371,399	-	569,576	-
Oxford Policy Management Ltd	-	-	(9,080)	(9,080)
OVO Foundation	8,351	8,351	-	-
Palladium International	1,433,765	1,433,765	-	-
PATRIP Foundation	1,377,808	1,377,808	624,643	624,643
Peace Support Fund	7,125	7,125	190,479	190,479
People Power	18,092	18,092	-	-
Pesitho Holdings	45,941	45,941	70,128	70,128
Play International	65,871	65,871	166,495	166,495
Porticus	-	-	7,462	7,462
Practical Action	-	-	3,942	3,942
Private	186	186	-	-
Proparco	-	-	323,623	323,623
Save The Children	-	-	32,899	32,899
Savitari Trust	10,000	10,000	-	-

Donor	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Shell	976,506	-	558,894	-
SNV Netherlands Development Org	563,397	488,429	479,514	479,514
Somalia Stability Fund	-	-	(368)	(368)
Solidarites International	157,045	-	104,312	-
Soneva	80,863	80,863	146,976	146,976
Spark	57,301	-	1,975	-
Start Network	121,534	121,534	61,746	61,746
Stichting Wageningen Research	81,769	-	85,026	-
Swedish Postcode Lottery	1,005	1,005	-	-
Swiss Contact	82,421	82,421	83,217	83,217
Technical Centre for Agriculture	-	-	12,058	12,058
Trocaire	-	-	-	-
Twinnings	123,024	123,024	110,976	110,976
Unilever	7,452	7,452	-	-
Vitol	103,633	103,633	384,105	384,105
VSF International	(13,401)	(13,401)	639,043	639,043
Women Deliver	19,578	19,578	-	-
Women for Women	(772)	(772)	-	-
Women's Refuge Commission (WRC)	-	-	27,722	27,722
Worldfish	(430)	(430)	83,933	83,933
Zurich	<u>1,734,053</u>	<u>1,734,053</u>	<u>1,107,499</u>	<u>1,107,499</u>
Total	<u>29,177,586</u>	<u>17,389,709</u>	<u>22,174,169</u>	<u>12,022,998</u>
Total	<u>107,250,018</u>	<u>90,099,153</u>	<u>98,587,807</u>	<u>87,412,792</u>

Income from charitable activities by spend in the Region

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Americas	887,280	(20,523)	1,146,830	526,417
Africa	44,292,621	39,481,758	52,387,961	48,591,542
Middle East	51,549,266	43,064,452	34,556,447	28,953,897
Asia	8,255,464	5,731,978	8,917,513	8,068,584
HQ Managed	2,265,387	1,841,488	1,579,056	1,272,352
Total	<u>107,250,018</u>	<u>90,099,153</u>	<u>98,587,807</u>	<u>87,412,792</u>

3. Team member numbers and costs

	2023	2022
The average monthly number of team members was:	173	158
Comprising - UK based employees	113	101
Expatriate employees	30	33
Continental Europe based employees	30	24

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Wages and salaries:				
Employed by the charity	9,450,339	7,619,297	6,824,639	5,726,012
Termination payment			-	-
(Less seconded to MCG & MCNL)	(4,609,174)	(3,961,040)	(3,448,374)	(2,716,802)
Field team members seconded from MCG	18,903,667	15,767,695	19,124,681	16,832,257
Total	23,744,832	19,425,952	22,500,946	19,841,467
Social security				
Employed by the charity	952,697	743,949	671,239	595,289
(Less seconded to MCG & MCNL)	(390,955)	(380,173)	(289,497)	(266,681)
Total	561,742	363,776	381,742	328,608
Other benefits				
Employed by the charity	256,898	95,591	102,468	62,048
(Less seconded to MCG & MCNL)	(131,246)	-	(59,242)	(36,381)
Field team members seconded from MCG	5,816,637	4,776,878	8,130,206	7,080,895
Total	5,942,289	4,872,469	8,173,432	7,106,562
Pension costs				
Employed by the charity	515,053	460,488	396,038	351,327
(Less seconded to MCG & MCNL)	(243,596)	(231,919)	(202,673)	(173,749)
Total	271,457	228,569	193,365	177,578
Team Member Costs Total	30,520,320	24,890,766	31,249,485	27,454,215

Salary Band	Group 2023 Number of Employees	Charity 2023 Number of Employees	Group 2022 Number of Employees	Charity 2022 Number of Employees
60-70k	11	11	13	11
70-80k	17	16	12	9
80-90k	11	8	5	3
90-100k	6	4	6	5
100 – 110k	3	3	3	2
110 – 120k	6	6	2	2
120 – 130k	3	3	1	1
130 – 140k	3	3	-	-
Total	60	54	42	33

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £254,011 (2022: £154,246).

Mercy Corps Europe seconded equivalent of 34 team members within salary bands exceeding £60,000 to Mercy Corps Global in 2023 (2022: 25), and the equivalent of 4 team members with salary band exceeding £60,000 to Mercy Corps Netherlands (2022 : 7).

Key management remuneration (including National Insurance and Pension contributions) - comprising members of the European Senior Leadership Team and proportion of Global CEO's and Global CFO's remuneration which relates to MCE - were as follows: -

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Total Employment Benefits	1,136,098	939,687	1,118,917	925,146

None of the Board of Directors (who are also Trustees) received any remuneration (2022: nil) from MCE. One MCE Director position was held successively in FY23 who was an employee of MCG, registered in the USA, a related party (see note 15), and received remuneration from MCG in respect of that employment as Global CEO. Their employment income from MCG is not in respect of their role as ex-officio directors of MCE. We recognise the position of Global CEO as Key Management Personnel of MCE, and £24,878 (2022 : £16,548) salary as the allocation of the remuneration related to MCE for this position was paid for by MCG. The Global CEO is occupying multiple roles in the Global organization therefore the remuneration figure included and relating to MCE is a proportion of the overall package that they receive. This proportion uses an allocation basis considered reasonable to assign the Global salary based on time spent on MCE related work of 3% (2022: 3%). Expenditure of £12,237 (2022: £29,114) relating to all the directors was made during the year, either by the reimbursement of business expenses or payments to suppliers. The charity has third party indemnity insurance on behalf of the directors.

Pension costs relate to defined contribution pension schemes contributed to during the year. The funds in these schemes are held separately from the charity. Contributions of £65,330 (2022: £51,644) were outstanding at the year end.

4. HQ support costs allocation – Unrestricted Funds

HQ support costs of £7.0m (2022: £6m) comprising Executive, Finance, Programmes, Fundraising, Governance, IT, Human Resources and Office Administration are allocated to the Statement of Financial Activities and Income and Expenditure account as per the following tables.

- Allocate IT, Office Administration and Human Resources to Executive, Finance, programmes and Fundraising on the basis of team members numbers.
- Allocate an element of remaining Fundraising costs to Expenditure on Raising Funds.
- Allocate an element of Fundraising, Executive, Finance and Programmes expenditure to Governance on the basis of time spent by departmental managers on governance matters.

Group

Stage 1	2022 Costs £	2023 Costs £	Allocate Office Admin £	Allocate IT £	Allocate HR £	Allocate to Governance (note 5) £	Remove expenditure on raising funds £	To be allocated In stage 2 £
Executive	245,580	350,537	28,938	8,411	46,466	-28,577	0	405,775
Finance	1,284,756	1,457,279	315,896	66,200	473,506	-152,163	0	2,160,718
Programmes	1,756,223	1,991,670	393,318	71,626	575,335	-199,470	0	2,832,479
Fundraising	618,578	740,618	106,867	26,317	165,351	-68,365	-519,577	451,211
Human Resources	823,944	1,109,949	124,121	26,588	-1,260,658	0	0	0
Governance	138,748	170,705	0	0	0	448,575	0	619,280
Office Administration	913,792	985,943	-985,943	0	0	0	0	0
IT	163,691	182,339	16,803	-199,142	0	0	0	0
Totals	5,945,312	6,989,040	0	0	0	0	-519,577	6,469,463

- Finally, the remaining unallocated Executive, Finance, Programmes, Fundraising and Governance costs are allocated to Expenditure in proportion to direct spend in those areas.

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2023 £	2022 £
Civil Society, Education and Conflict Management	164,868	103,950	575,912	761,329	116,544	1,722,603	1,801,845
Economic Development	199,875	133,638	696,940	909,441	147,977	2,087,871	1,997,158
Public Health, Water and Environment	100,785	55,490	353,392	479,737	64,171	1,053,575	716,867
Disaster Risk Reduction and Emergency Response	153,752	112,697	534,474	681,972	122,519	1,605,414	990,063
Totals	619,280	405,775	2,160,718	2,832,479	451,211	6,469,463	5,505,933

Cost allocation includes an element of judgement and the charity has to bear in mind the cost / benefit of undertaking detailed calculations.

Charity

Stage 1	2022 Costs £	2023 Costs £	Allocate Office Admin £	Allocate IT £	Allocate HR £	Allocate to Governance (note 5) £	Remove expenditure on raising funds £	To be allocated In stage 2 £
Executive	228,683	350,536	28,938	8,411	46,466	-28,576		405,775
Finance	1,164,309	1,084,225	227,768	66,200	365,730	-114,732		1,629,191
Programmes	1,520,815	1,410,476	246,437	71,626	395,707	-139,753		1,984,493
Fundraising	604,933	724,730	90,547	26,317	145,392	-64,933	-493,493	428,560
Human Resources	741,982	835,227	91,480	26,588	-953,295			0
Governance	138,748	123,541				347,994		471,535
Office Administration	655,276	701,973	-701,973					0
IT	163,690	182,339	16,803	-199,142				0
Totals	5,218,436	5,413,047	0	0	0	0	-493,493	4,919,554

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2023 £	2022 £
Civil Society, Education and Conflict Management	120,797	103,950	417,361	508,381	109,788	1,260,277	1,594,194
Economic Development	155,296	133,638	536,559	653,575	141,142	1,620,210	1,702,875
Public Health, Water and Environment	64,482	55,490	222,792	271,379	58,605	672,748	567,730
Disaster Risk Reduction and Emergency Response	130,960	112,697	452,479	551,158	119,025	1,366,319	932,136
Totals	471,535	405,775	1,629,191	1,984,493	428,560	4,919,554	4,796,935

5. Governance costs

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
External Audit	122,052	83,000	99,597	79,000
Trustees' indemnity insurance	6,695	3,303	10,511	7,078
Trustees' expenses	12,237	12,237	29,114	29,114
Professional Fees	5,809	5,809	139,466	117,641
Apportionment of senior team members costs (based on time spent)	448,575	347,994	382,011	334,190
Total	595,368	452,343	660,699	567,023

6. Net income / (expenditure) for the year is stated after charging

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Depreciation	43,394	43,394	80,999	80,999
Operating lease rentals – land and buildings	403,770	366,454	377,206	332,895
Operating lease rentals – other	26,666	26,666	14,098	14,098
Auditor’s remuneration				
Fees payable to the company’s auditor for the audit of the company’s annual accounts	83,000	83,000	82,423	82,423
Fees payable to the company’s auditor and its associates for other services:				
Audit of the accounts of subsidiaries	39,052	-	20,597	-

7. Tangible Fixed Assets

	Leasehold improvements London £	Leasehold improvements Edinburgh £	Computers £	Equipment £	Total £
Cost					
At 1 July 2022	365,733	395,549	267,809	101,076	1,130,167
Additions	-	-	10,477	-	10,477
At 30 June 2023	365,733	395,549	278,286	101,076	1,140,644
Depreciation					
At 1 July 2022	365,733	152,308	264,307	100,943	883,291
Charge for year	-	40,476	2,785	133	43,394
At 30 June 2023	365,733	192,784	267,092	101,076	926,685
Net Book Value at 30 June 2023	-	202,765	11,194	-	213,959
Net Book Value at 30 June 2022	-	243,241	3,502	133	246,876

MCNL do not have any fixed assets to be reported as at 30 June 2023.

8. Debtors

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Other debtors	1,427,415	1,247,408	2,160,141	2,043,402
Intercompany	2,913,741	754,512	-	20,581
Prepayments	499,756	461,825	273,348	255,241
Accrued project income	22,261,254	16,880,788	18,136,595	16,359,273
Total	27,102,166	19,344,533	20,570,084	18,678,497

Accrued project income relates to funds due from donors for projects in which expenses have already been paid by Mercy Corps Europe as at 30 June 2023.

9. Cash in Bank and in Hand

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Bank accounts	48,482,693	31,815,915	49,833,760	41,492,025
Cash in hand	373	373	664	664
	<hr/>	<hr/>	<hr/>	<hr/>
Total	48,483,066	31,816,288	49,834,424	41,492,689

10. Creditors: amounts falling due within one year

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Deferred income	28,690,334	14,838,859	29,577,005	25,130,268
Intercompany balance	17,942,649	11,134,039	11,768,968	9,892,117
Accruals	1,532,364	1,262,515	577,283	280,079
Taxation and social security	281,798	208,684	184,799	163,633
Other creditors	7,156,902	6,996,963	8,099,850	7,967,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total	55,604,047	34,441,060	50,207,905	43,433,511

Deferred income above relates to project income received in advance, or the balance of income held for projects, which performance related conditions have not been met. Mercy Corps Global (MCG) intercompany balance represents funds owed by the charity to MCG for funding advances to the charity's projects and in respect of the settlement of expenditure between Headquarters.

	Group £	Charity £
At 1 July 2022	29,577,005	25,130,268
Transfer from accrued project income	(18,136,595)	(16,359,273)
Currency	(55,608)	79,929
Grant funds received in year	54,584,952	32,602,149
Grant funds spent during year	(59,540,674)	(43,495,002)
Transfer to accrued project income	22,261,254	16,880,788
	<hr/>	<hr/>
At 30 June 2023	28,690,334	14,838,859

11. Operating lease commitments

Group and Charity

The total future minimum lease commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings £	Other £	2023 £	2022 £
In less than 1 year	304,704	28,561	333,265	346,993
In 2 to 5 years	331,300	5,026	336,326	186,264
Over 5 years	-	-	-	-
Total	636,004	33,587	669,591	533,257
Lease payments recognised as an expense			427,020	366,382

12. Unrestricted funds

Group

	Balance at 1 July 2022 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2023 £
General Funds	14,200,244	14,818,068	(15,329,833)	(102,376)	13,586,103
Designated Funds					
Foreign Exchange	1,343,116		1,590,348		2,933,464
European Platform	450,000				450,000
Total: Designated Funds	1,793,116		1,590,348		3,383,464
Total	15,993,630	14,818,068	(13,739,485)	(102,376)	16,969,567

Charity

	Balance at 1 July 2022 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2023 £
General Funds	13,858,367	13,493,234	(14,638,115)	(102,376)	12,611,110
Designated Funds					
Foreign Exchange	982,336		1,395,377		2,377,713
European Platform	450,000				450,000
Total: Designated Funds	1,432,336		1,395,377		2,827,713
Total	15,290,703	13,493,234	(13,242,738)	(102,376)	15,438,823

Group

	Balance at 1 July 2021 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2022 £
General Funds	13,271,880	13,162,965	(12,626,857)	392,257	14,200,245
Designated Funds					
Foreign Exchange	2,327,416	-	(984,301)	-	1,343,115
European Platform	450,000	-	-	-	450,000
Total: Designated Funds	2,777,417	-	(984,301)	-	1,793,115
Total	16,049,296	13,162,965	(13,611,158)	392,257	15,993,360

Charity

	Balance at 1 July 2021 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2022 £
General Funds	13,014,116	12,352,021	(11,900,027)	392,257	13,858,367
Designated Funds					
Foreign Exchange	1,829,084		(846,748)		982,336
European Platform	450,000				450,000
Total: Designated Funds	2,279,084		(846,748)		1,432,336
Total	15,293,200	12,352,021	(12,746,773)	392,257	15,290,703

The directors have reviewed unrestricted funds and their potential use and are mindful of future calls on the funds which they now specifically designate as above.

The transfer into general funds in the year was £102,376 (2022: £392,257). There was a net increase as a result of foreign exchange of £102,376 (2023: £392,257).

13. Restricted funds

Group

	Balance at 1 July 2022 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2023 £
Grants	4,867,822	93,610,114	(94,936,762)	66,283	3,607,458
Donations	(417,974)			36,093	(381,881)
Total	4,449,848	93,610,114	(94,936,762)	102,376	3,225,577

	Balance at 1 July 2021 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2022 £
Grants	(60,984)	90,222,244	(86,163,743)	870,305	4,867,823
Donations	844,588			(1,262,562)	(417,974)
Total	783,604	90,222,244	(86,163,743)	(392,257)	4,449,849

Charity

	Balance at 1 July 2022 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2023 £
Grants	2,291,076	77,524,451	(77,825,777)	66,283	2,056,034
Donations	(597,229)			36,093	(561,136)
Total	1,693,847	77,524,451	(77,825,777)	102,376	1,494,898

	Balance at 1 July 2021 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2022 £
Grants	(10,909)	77,113,204	(75,681,524)	870,305	2,291,077
Donations	665,333			(1,262,562)	(597,229)
Total	654,424	77,113,204	(75,681,524)	(392,257)	1,693,848

Transfer in to Restricted Grants of £66,283 (2022: Transfer in of £870,305) comprises restricted donations used to cover programmatic expenditure in line with the terms of the donation. The transfer in of donations of £36,093 (2022: £1,262,562) includes the transfers in to Restricted Grants, along with the replenishment of General Funds for programme expenditure that was previously covered temporarily from unrestricted reserves, where co-financing has now been secured. These movements show a net transfer out of £102,346 (2022: net transfer out £392,257).

Restricted Funds are country or project specific and allocated to projects as expenditure is incurred. The balances held on individual restricted funds are listed below, with the negative balances resulting from project closure or FX impact to be cleared in FY24.

Nature of Restriction

		Balance at 30 June 2023 £	Balance at 30 June 2022 £
To co-finance projects	Central African Republic	6,835	13,639
	Ethiopia	(13,436)	
	Gaza	10,250	12,041
	Iraq	(26,257)	13,446
	Lebanon	(10,877)	41,045
	Mali	(26,634)	
	Nepal		29,818
	Niger	27,637	28,867
	Pakistan	6,303	
	Syrian Arab Republic	162,781	59,139
	Yemen – 1	(864)	13,364
	Yemen - 2	36,512	3,569
	Other	COVID-19 Resilience Fund	3,067,788
Ukraine			4,160,674
Other funds (under £10,000)		(14,461)	6,335
Total		3,225,577	4,449,849

14. Analysis of Net Assets between Restricted and Unrestricted Funds

Group

	Unrestricted Funds £	Restricted Funds £	Total 2023 £	Total 2022 £
Tangible fixed assets	213,959		213,959	246,876
Other net assets	16,755,608	3,225,577	19,981,185	20,196,603
Total	16,969,567	3,225,577	20,195,144	20,443,479

Charity

	Unrestricted Funds £	Restricted Funds £	Total 2023 £	Total 2022 £
Tangible fixed assets	213,959		213,959	246,876
Other net assets	15,224,864	1,494,898	16,719,762	16,737,675
Total	15,438,823	1,494,898	16,933,721	16,984,551

Group

	Unrestricted Funds £	Restricted Funds £	Total 2022 £	Total 2021 £
Tangible fixed assets	246,876		246,876	327,875
Other net assets	15,746,754	4,449,849	20,196,603	16,505,025
Total	15,993,630	4,449,849	20,443,479	16,832,900

Charity

	Unrestricted Funds £	Restricted Funds £	Total 2022 £	Total 2021 £
Tangible fixed assets	246,876		246,876	327,875
Other net assets	15,043,827	1,693,848	16,737,675	15,619,749
Total	15,043,827	1,693,848	16,984,551	15,647,624

15. Related Party transactions

Mercy Corps Global (MCG) is a charitable company registered in the United States of America. The registered office is 45 SW Ankeny Street, Portland Oregon 97204.

As detailed in the Trustees Annual Report, Mercy Corps Europe works with MCG globally to deliver services in the name of Mercy Corps.

In recognition of this joint arrangement the following directors of Mercy Corps Europe were also directors of Mercy Corps Global and Mercy Corps Netherlands during the year.

Name	Title	Related Party
Iman Dakhil	Chair of the Board of Mercy Corps Europe	MCNL, MCG, MCNL General Meeting
Tjada D'Oyen McKenna	Chief Executive Officer of Mercy Corps Global	MCNL General Meeting, MCG
Emmanuel Lulin	Board Director	MCG, MCNL General Meeting
John Makinson	Board Director	MCG, MCNL General Meeting
Lesley Ndlovu	Board Director	MCG, MCNL General Meeting
Lucy Helm	Joint Board Chair	MCG, MCNL, MCNL General Meeting
Alan Hartley	Board Director	MCG, MCNL General Meeting,

No directors received any remuneration from Mercy Corps Europe. During FY23, one MCE director position was held by Tjada D'Oyen McKenna. They were an employee of and remunerated by Mercy Corps Global, registered in the USA, in respect of that employment relationship and services provided to MCG. As explained in Note 3, the Director position received remuneration for time spent on MCE related work from a related party, MCG.

Mercy Corps Europe, Mercy Corps Global and Mercy Corps Netherlands work closely together under two Memorandums of Understanding. In some instances, organisations will pool administrative and technical resources for the benefit of their respective projects. In such cases a re-charge of the actual costs incurred will be made between Mercy Corps Europe, Mercy Corps Global and Mercy Corps Netherlands.

For the purposes of this note, related party transactions include (a) any expenditure made by Mercy Corps Europe on behalf of Mercy Corps Global, (b) any expenditure made by Mercy Corps Global HQ or field offices in relation to Mercy Corps Europe core HQ departments and (c) any expenditure made by Mercy Corps Europe on behalf of Mercy Corps Netherlands. Direct expenditure by field offices and / or Mercy Corps Global on Mercy Corps Europe or Mercy Corps Netherlands programmatic activity is not treated as related party expenditure.

During the year the following transactions arose:

Expenditure on behalf of Mercy Corps Global by Mercy Corps Europe: £4,849,397 (2022: £2,453,773).

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Global: £540,341 (2022: £381,160).

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Netherlands: £75,156 (2022: £455,883).
At the year-end MCE's liability with MCG was £11,157,716 (2022: £9,871,536).

At the year-end MCNL's liability with MCE was £111,161 (2022: £20,581).

16. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2023 (2022 none).

17. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2023.

18. Ultimate Controlling Party

The company is limited by guarantee and the directors have each agreed to contribute £1 in the event of the company being wound up. The directors control the company.

In view of the global nature of work undertaken by Mercy Corps, the agency to which Mercy Corps Europe contributes and the joint management that is exercised by JBEC, Mercy Corps will produce consolidated accounts which include the results of MCE. The next period of consolidation will be for the year ended 30 June 2024.

19. FCDO- Schedule to Financial Statements

Projects implemented on behalf of the Foreign, Commonwealth and Development Office (FCDO) during period from 1 July 2022 to 30 June 2023. We certify that each of the FCO grants below were expended in accordance with the terms agreed with FCDO.

Country	Cost Centre	Instalments received/ (returned) £	Expended during the financial year £
Nepal	91473	200,000	11,249
Mali	91537	3,763,730	2,068,481
Myanmar	91550	250,000	278,695
Democratic Republic of Congo	91551	6,785,324	8,173,181
Uganda	91574	651,584	919,822
Ukraine	91579	15,000,000	15,018,281

FCDO supports Mercy Corps work in numerous countries to meet urgent humanitarian needs, provide long-term and innovative solutions in economic recovery, resilience building, food security, peace and conflict management, water and sanitation and girls' education, and support social cohesion and peaceful solutions as well as economic opportunities for vulnerable groups.

20. British Council - Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2022 to 30 June 2023.

We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

Country	Cost Centre	Instalments received £	Expended during the financial year £
Myanmar	91515	288,025	312,801

The British Council supports Mercy Corps work to support community-based dispute resolution and vocational training.

21. Financial Instruments

	Group 2023 £	Charity 2023 £	Group 2022 £	Charity 2022 £
Carrying amount of financial assets				
Debt instructions measured at amortised cost	3,618,676	1,321,260	2,658,552	2,541,814
Carrying amount of financial liabilities				
Measured at amortised cost	25,893,233	18,696,656	20,944,514	18,617,442

Debt instruments measured at amortised cost comprises trade debtors, other debtors, and amounts owed by group undertakings.

Liabilities measured at amortised cost comprises trade creditors, payments received on account, accruals, other creditors, and amounts due to group undertakings.

22. Affiliates

The following company has been fully consolidated into the account of MCE:-

Jointly Controlled entity	Principle Activity
Mercy Corps Netherlands	Public benefit entity

Results of affiliate for the year ended 30 June 2023

	Turnover £	Expenditure £	Net Profit £	Aggregate net assets £
Mercy Corps Netherlands	18,268,519	18,886,978	(197,828)	3,261,443

Back Page Photograph: October 2018, Sargane, Niger. Halima Issoufou, 26, collects water for her family. Halima lives with her husband and three children in a rudimentary mud hut in a rural village outside Niger's capital city, Niamey. Families here rely heavily on agriculture and nearly everyone lives hand-to-mouth. Halima's family is no exception, and her daily life is not unlike every other woman's in her village: from sunrise to sunset she works to care for the household, spending most of her time laboring over the day's next meal. Every day she cleans the home and dishes, collects water and firewood, and pounds millet to make the family's porridge, an arduous, lengthy process which she finishes just in time to start again. But all this work isn't enough, and the family often goes without eating — poverty is rife and they are not able to grow enough food to last them the year. "In this area, people's lives are based on agriculture, which does not answer their needs because of the rain," Halima explains. "People constantly face drought, and that makes people suffer a lot."

Between 2014 and 2016, Mercy Corps' ECOUT program responded, providing them with millet seeds; cash-for-work to restore farmland; goats; and training on agriculture, nutrition and hygiene. While conditions remain harsh and finding enough food is still a daily struggle, the family is still feeling some of the benefits from that program, particularly the hygiene and sanitation training, through which Halima learned to wash her dishes before cooking, and exclusively breastfeed her children for the first six months of life.

OUR ADVISORS

External Auditors

Grant Thornton

30 Finsbury Square
London
EC2A 1AG

Bankers

Bank of Scotland

Community Banking
2nd Floor
38 St Andrew Square
Edinburgh
EH2 2YR

NatWest

Edinburgh Commercial Banking Office
2nd Floor, The Gemini Building
24/25 St Andrew Square
Edinburgh
EH2 1AF

Rabobank

Bezuidenhoutseweg 5
2594AB Den Haag
Postbus 11695, 2502AR Den Haag
Netherlands

Barclays

Level 11
1 Churchill Place
London
EH14 5HP

Wells Fargo

420 Montgomery Street
San Francisco
CA 94104

Registered Office

Mercy Corps Europe

96/3 Commercial Quay
Edinburgh
EH6 6LX

Tel: +44 (0)131 662 5160

Fax: +44 (0)131 662 6648

Email: eu-info@mercycorps.org

Website: www.mercycorps.org.uk

Mercy Corps Europe is a registered charity no: SC030289
Company registered in Scotland no: SC208829

Lawyers

Morton Fraser

Quartermile Estates Ltd
2 Lister Square
Edinburgh
EH3 9GL

Squire Patton Boggs

60 London Wall
London
EC2M 5TQ
United Kingdom



**MERCY
CORPS**



MERCY CORPS EUROPE

> 96/3 Commercial Quay,
Edinburgh, EH6 6LX
Tel +44 (0)131 662 5160
Fax +44 (0)131 662 6648