



ANNUAL REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2019



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Cover photograph: Halima Issoufou, 26, prepares millet for her family in rural Niger. Like most people in her community, she relies almost entirely on agriculture. Photo: Ezra Millstein.

Photograph: Two members of a Conflict Resolution and Prevention Committee in Kavumu, DRC on their way to a meeting. Photo: Elizabeth Dalziel.

EXECUTIVE DIRECTOR'S MESSAGE



While maintaining a firm belief that lasting change is possible in even the most fragile places, it is tough to overlook the fact that 2019 has been beset with global turbulence, fractured politics and increased polarisation. We are living through a period of unparalleled need. Yet, my optimism for a better world is far from dulled as I've been inspired numerous times these past 12 months by the work of our teams and partners on the front lines of many of our world's toughest challenges.

This year the number of displaced people has risen to more than 70 million - the highest number since the UNHCR began operating - and according to the UN, global hunger has increased for a third consecutive year. We've experienced natural disasters such as Cyclone Idai in East Africa, and multiple earthquakes in Indonesia, that have threatened the safety, stability and health of millions. This is all coupled with ongoing - and at times increasing - violence in places like Afghanistan and Somalia, where insecurity is spiralling upwards, and the continued conflicts in Syria - with devastation being wrought in Idlib - Iraq and Yemen, and the second deadliest Ebola outbreak the world has ever seen in DRC ongoing.

While our role as a humanitarian and development organisation in responding to these crises might seem obvious, it is more essential than ever that we step up at increased scale, effectiveness and efficiency. Having reached 28.8 million people this year as a global organisation, we're striving more than ever to harness new partnerships, innovations, technology, ideas and improved ways of working to enable us to further increase our impact in many of the world's toughest environments.

In line with this we've been [promoting wider discussion](#) amongst the NGO and donor community around what more can be done to collaborate and work more effectively and efficiently together. We've facilitated events and discussions about the future of NGOs, and what role consolidation in the sector could play, and by establishing the [European Leadership Council \(ELC\)](#) we've brought together a team of influential leaders to advise, guide and support Mercy Corps in our efforts to evolve the narrative around aid and development, and build trust between the public and NGOs.

I've been fortunate to see multiple examples of our commitment to **innovation** first hand, with trips to our [Gaza Sky Geeks](#) work in West Bank and Gaza, Palestine, and Jordan, where we are supporting inclusive education for children with additional needs. I've been humbled to see so many concrete examples of **impact** at large scale this year; in volatile and crisis-torn DRC through our DFID-funded IMAGINE water and sanitation programme, and our financial inclusion work in Ethiopia and Nepal. And on a visit to Mosul, I've seen how our substantial work in Iraq, where we lead a partnership of NGOs running the Cash Consortium, is **influencing** how humanitarian assistance is being delivered both there and in multiple other contexts. These 3 Is, together, give me confidence that lasting positive change is possible.

Another country that has dominated headlines this year is Yemen, where 80% of people are in need of humanitarian relief. Mercy Corps was honoured to support the Imperial War Museum (North)'s exhibition about Yemen this year - the first on an active conflict - and delighted to be chosen as The Times appeal partner for their 2018 seasonal appeal - raising both vital funds and awareness of the horrors of the ongoing crisis in Yemen.

Underpinning much of Mercy Corps' work for many years has been our commitment to building the resilience of communities in the face of shocks and stresses. While this work continues apace, we are also now highlighting our commitment to working on the Climate Crisis, and specifically the pioneering of innovative climate change strategies in high risk and fragile contexts. Whether it is solar power in Afghanistan or improving the camel milk value chain in Wajir, Kenya, Mercy Corps will continue to partner with communities on the frontlines of a changing planet.

We've continued to expand our footprint in Europe through deepening partnerships with several European donors, including AFD, Sida, SDC and others. At a time of such widespread need, it is enormously positive to see alignment across many of our European institutional donors in a number of areas - notably a heightened focus on fragility, gender and resilience and I'm particularly proud of our growing reputation in these areas, which has been built on the back of our increased investment in [research and evidence](#) generation. With Mercy Corps Netherlands based in The Hague we continue to build our relationships,

influence and eligibility for EC funding from there, which remains important with the ongoing uncertainties around Brexit in the UK.

Critical to these initiatives, and integral to our work around the world, are the dedicated 5,500 people who make up our global team. This past year particularly has been one of intense introspection in light of considerable challenges within the sector, requiring all of us to ask hard questions of ourselves and how we operate. Mercy Corps has continued to place substantial emphasis on our organisational culture, whilst embarking on initiatives to further weave diversity and inclusion into everything we do. We've proactively engaged within the sector to strengthen existing safeguarding measures, and reinforced several of our policies and procedures, whilst working with a range of stakeholders. This year we will be producing our first Safeguarding report, which details our approach to safeguarding and provides an update on the actions we've taken over the past 12 months.

Finally, I want to express my deepest appreciation to all who have contributed to our work this year. I'm humbled by our substantially expanded array of partners, donors and stakeholders who are supporting us at a scale greater than ever. Thank you to our team in Europe, many of whom now work from our new office in Edinburgh opposite the Scottish Government. Thank you to our Board members, our outgoing Board Chair Tom Murray and new Board Chair Nick Blazquez, who have continued to strengthen our governance structure and establish increased global alignment and integration. To our Leadership Council, for their wise counsel and for engaging with us in an array of different ways. And most importantly, thank you to our team members in more than 40 countries around the world who get up every day to partner, innovate, and represent Mercy Corps, and inspire us all to do the best work of our lives.

SIMON O'CONNELL
Executive Director, Mercy Corps Europe

CHAIR'S MESSAGE



As a Mercy Corps Europe Board member for nine years, it has been my privilege to see the organisation go from strength to strength under previous Board Chairs and most recently Tom Murray. It was my honour to take over from Tom this year as the Chair of the Europe Board and I want to thank Tom for his dedication over the past few years. I am delighted that we will still benefit from his intelligence and insight as he remains a Board member.

This past year has seen us continue to develop stronger governance mechanisms across all of our entities and more integrated working so we can leverage the benefits of shared resources and functions. Central to this are our people and participants and we are committed to creating an inclusive, safe and accountable work environment for all team members, partners and those we work with. Our ongoing Gender, Diversity and Inclusion initiative and flagship People with Possibility training have played a key role this year and we recognise this is only the beginning. This work will be ongoing and we have committed to set aside resources for it to continue and expand.

Becoming a more streamlined organisation doesn't just mean efficiencies in the way we work, but real, tangible benefits for those we work with – the participants and communities at the centre of our programmes. In this tumultuous and rapidly-changing world, I take heart that Mercy Corps affected the lives of an increasing number of people this year. Our Programme Quality Team ensures that we have solid and real-time data of our sustainable impact, which helps us learn, iterate, adapt and update our programmes to ensure we're having the greatest and most long-term effect on people's lives. Creating transformational change is not just in our mission statement, it is our ethos.

As we head into our 40th year of Mercy Corps as a global organisation, I believe we are better prepared than ever to both meet and address the root causes of rising humanitarian needs around the world. In Europe we have an increasingly diverse portfolio of donors, a stronger profile, and expanded influence with policymakers and business. We were thrilled when the UK's Department for International Development granted us Gold Supplier status, DFID's highest partnership tier. We look forward to building on that partnership and continuing to demonstrate Mercy Corps' responsible stewardship of every pound we receive.

I have been fortunate this past year to travel to the DR Congo, Ethiopia and Iraq, seeing the impact of our work first hand, and spending time with our teams. I learned from them the challenges they face operating in countries experiencing conflict and fragility, and highlighted the importance of looking after their own well-being as leaders. While Mercy Corps prides itself on working in some of the most difficult contexts, we are also committed to ensuring our team members are well-equipped to do so.

My huge thanks to Simon and his team in Europe, and to all our team members, for their unwavering commitment to improving the lives of some of the most vulnerable people around the world.

DR. NICK BLAZQUEZ
Chair

Photograph: Mercy Corps team member Vimbayi Mazhani was at the forefront of our response to Cyclone Idai in her native Zimbabwe. "I have a passion for humanitarian support," she says, "and I felt a zeal to help my fellow country people in their time of need." Photo: Ezra Millstein.



WHO WE ARE

Mercy Corps is a global team of humanitarians who partner with communities, corporations and governments to transform lives around the world.

Our more than 5,500 team members work with people in the world's most vulnerable communities across over 40 countries. 87% of our team is from the countries where they work.

We believe we must go beyond emergency aid to create more resilient communities, and we believe communities are the best agents of their own change. This year as a global organisation, our work touched the lives of nearly 29 million people.

Mercy Corps Europe is part of the global Mercy Corps organisation and exists to ensure effective stewardship and management of resources, raise income, build influence and demonstrate impact to contribute to the mission of the global organisation – to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.

In this Report we use "Mercy Corps Europe" when referring to the European organisation, and "Mercy Corps" to refer to the global organisation.

WHAT WE DO

We respond to crises and go beyond disaster response to help people in the most vulnerable communities.

In the aftermath of every major natural disaster we have responded to since 2004, we've developed long-term local solutions to prepare communities for the future.

Over the last 39 years, we've been tackling the world's toughest challenges in partnership with communities, governments and business, finding flexible and innovative solutions.

As a global organisation, Mercy Corps has provided £4 billion in lifesaving assistance to more than 220 million people. That's given us a deep understanding of the complex challenges facing our most vulnerable communities, and the approaches required to overcome them.

While each and every community is unique, we are able to tap into a significant body of knowledge and expertise across our teams and the work we do in each country is informed by our partners there: local community members, government officials, and other changemakers who are invested in transforming their communities for good.

OUR PEOPLE

European Senior Leadership Team (ESLT)

Simon O'Connell – Executive Director
Abdul-Jalil Ali – Director of Finance
Alexandra Angulo – Director of Compliance, Governance and Risk
Amy Fairbairn – Head of Media and Communications
Cameron Hall – Director of Human Resources
Alexandra Lopoukhine – Director, Partnerships and Influence
Michael McKean – Senior Director of Programmes, Funding and Operations
Jessica Ryder – Manager, Executive Office (joined January 2019)
Selena Victor – Senior Director of Policy & Advocacy

Mercy Corps Europe Board of Directors:

Nick Blazquez (Chair) – (elected Oct. 2018)
Adrienne Airlie
Roberto Bocca
Nicola Cobbold
Iman Dakhil
Paul Dudley Hart
Allen Grossman
Neal L. Keny-Guyer – Global CEO
Debu Purkayastha
Tom Murray – (resigned as Chair Oct. 2018)
Howard Taylor
Elsie Kanza (resigned June 2019)

Mercy Corps Europe Audit and Risk Committee:

Adrienne Airlie (Board director) (Chair)
Bob Cowan
Richard Martin
Alison Warden

Mercy Corps Joint Board Executive Committee (JBEC)

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.

Nick Blazquez – MCE
Adrienne Airlie – MCE
Allen Grossman – MCG
Neal Keny-Guyer – MCG
Linda Mason – MCG
Tom Murray – MCE
Robert Newell – MCG
Melissa Waggener Zorkin – MCG

Joint Audit and Risk Committee (JARC)

The JARC provides assistance to management and to 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. It assists with ensuring the integrity of the Mercy Corps consolidated annual statements; Compliance with legal and regulatory requirements; the selection, engagement and dismissal of Mercy Corps' independent auditors and the performance of the Mercy Corps internal audit function.

Robert Newell (Chair)
Mark Gordon
Alison Warden
Adrienne Airlie
Gun Denhart (resigned June 2019)

Joint Finance Committee (JFC)

The JFC is chartered to provide assistance to management and to the Boards in fulfilling their oversight responsibility with respect to the financial stability, financial strategy and the long-term economic health of Mercy Corps. It shall review the financial condition, policies, and practices of Mercy Corps and provide reports and recommendations with respect to these to the Joint Board Executive Committee (JBEC) and as appropriate to the Boards.

David Mahoney (Chair)
Adrienne Airlie
Nick Blazquez
Scott Brown
Kevin Ryan

STRATEGIC REPORT FOR YEAR ENDED 30 JUNE 2019



URGENT NEEDS

In an increasingly unstable world, more communities are vulnerable to suffering and poverty. And when disaster strikes, the effects can be devastating. Whenever and wherever suffering is dire, Mercy Corps strives to be there. We are well-positioned to provide urgent lifesaving relief and meet people's basic needs - helping them help themselves. And from the earliest days, we work toward integrated, long-term solutions.

DEMOCRATIC REPUBLIC OF THE CONGO RAPID RELIEF TO FAMILIES DISPLACED BY VIOLENCE

Due to ongoing conflict, insecurity and protracted crisis, there is need for continued emergency relief for Congolese communities in North and South Kivu.

Through our rapid response programme Mercy Corps provides emergency support to newly displaced people to meet their urgent food, shelter, livelihoods, and water and sanitation needs and for the vulnerable communities hosting them. When new groups of people flee to an area, Mercy Corps' mobile emergency units support with the establishment of sanitation facilities and access to safe drinking water to keep people healthy and prevent disease. The Mercy Corps response team also helps families meet their urgent needs by providing one-time cash assistance to help them buy what they need to survive. In the last year, Mercy Corps has provided 313,000 people with emergency cash assistance.

Faustine, 43, is attending a Mercy Corps fair that has been set up in the middle of an area in Butare, eastern DRC torn apart by conflict for many years. Here she will be able to buy food and clothes with the cash aid that Mercy Corps has provided. Faustine has been displaced three times in her lifetime and she and her husband earn a living by transporting materials for other households, and by odd jobs they might find on farms. Ongoing violence and displacement means that she and her family do not have the opportunity to build a home, put down roots and progress.



In the last year, Mercy Corps provided 313,000 people with emergency cash assistance.

Photograph: During the dry season in Ale, Ethiopia, Manase must dig through sand until she hits water. "The water problem in our village is very serious," she says. Photo: Ezra Millstein.



YEMEN

WATER AND HYGIENE SUPPORT TO PREVENT DISEASE AND SUFFERING

Yemen is the largest humanitarian crisis in the world, with more than 24 million people – some 80% of the population – in need of humanitarian assistance. It is a complex manmade crisis that has left over half of the population severely food insecure and currently at high risk of disease due to inadequate clean water and poor hygiene. Continued active conflicts in Hudaydah governorate, characterised by a heavy military offensive including air strikes and ground fighting, mean that large numbers of people are having to repeatedly flee from their homes.

Mercy Corps has a large number of programmes in Yemen; one of these is a small project directly supported by the Scottish Government, which helps reach 36,000 people with access to safe drinking water.

SYRIA

STRENGTHENING COMMUNITIES AFTER EIGHT YEARS OF CONFLICT

There still remains no lasting peace in sight for Syria. 6.2 million people are internally displaced across the country and communities continue to live with the ongoing threat of violence and armed conflict.

In continued partnership with the UK Government and other European partners, Mercy Corps remains one of the largest humanitarian responders to the Syria Crisis, meeting urgent needs of families affected by conflict, while seeking new and innovative ways to help communities build resilience and sustain livelihoods when future shocks occur.

Over the last year Mercy Corps reached almost half a million individuals with urgent humanitarian relief. Delivering lifesaving and life-sustaining assistance through cash, food, water, hygiene support and other household items.

Khadra, 45, lost her husband when a missile hit their home in Western Aleppo in 2016. Her family fled their village to seek safety from the shelling in the area. Now living in Alsafa Camp, Khadra's family have received water assistance and a cash transfer of around £77 from Mercy Corps. This allowed Khadra to pay off some of the family's accumulated debt and buy insulin to help manage her type 1 diabetes.



Mercy Corps remains one of the largest humanitarian responders to the Syria Crisis.

Photograph: September 2018, Lahj, Yemen. Hasan Ali Gafar Afat and his son Ali, 5, by their former home in Lahj, Yemen. Photo: Ezra Millstein.

INDONESIA

PROVIDING IMMEDIATE RELIEF IN THE WAKE OF MULTIPLE EARTHQUAKES

Between July and August 2018 the Island of Lombok in Indonesia experienced a cluster of earthquakes and aftershocks. The impact was devastating with 564 people confirmed dead, 1,584 injured, 445,343 people internally displaced and 149,715 damaged houses.

Due to the frequent nature of climate shocks and natural disasters in Indonesia, Mercy Corps has established an Indonesian Response Team positioned and ready to deploy in the event of an emergency.

When these earthquakes struck, Mercy Corps affiliate, YMCI, was able to respond in seven villages in East Lombok, many of which were isolated from the government and other organisation responses. With the support of the Chanel Foundation, Mercy Corps reached more than 17,000 people with emergency supplies and supported nearly 5,500 people with access to safe water and sanitation.

IRAQ

INFUSING CASH INTO LOCAL CONFLICT-AFFECTED ECONOMIES

Ongoing cycles of conflict in Iraq have resulted in millions of people displaced, basic infrastructure destroyed, livelihoods disrupted, mass unemployment and deepening divisions within communities. Families and communities are often still living in an emergency state.

Mercy Corps leads the Cash Consortium in Iraq and is the primary organisation delivering cash programming to help families meet their basic needs of food, shelter and hygiene as they start the process of rebuilding their lives. Cash gives the dignity of choice while keeping local markets working. Our research, along with in-depth studies by many other actors, shows that local businesses are often the quickest to adapt to meet the needs of their communities. Through local networks they can often gain access where aid agencies cannot. Investing in existing market systems means that in the aftermath of emergencies, communities can foster these networks to rebuild quicker and stronger.

Together with partners over the past year, Mercy Corps supported more than 90,000 individuals with one-off emergency cash assistance and nearly 73,000 people with multi-month cash assistance.



Photograph: A distribution of emergency supplies in Sigi District, Indonesia, in response to the earthquakes of 2018.
Photo: Karina Diberu



STRONGER TOMORROWS

Even in the most challenging contexts, Mercy Corps innovates and invests in programmes that help connect people to the resources that enable them to recover, rebuild and flourish in the aftermath of crisis. We seek to tackle what we call the 3Gs - past grievances, inequitable economic growth and poor governance - in order to address the root causes of conflict and violence, which are the primary drivers of suffering in the world today.

AFGHANISTAN POWERING COMMUNITIES WITH SOLAR ENERGY

In Afghanistan, scarce and unreliable electricity is a significant obstacle to the country's development and the prosperity of its communities. At Mercy Corps we believe that access to reliable sources of energy has the potential to transform communities and fuel economic growth.

The most significant barrier to solar-powered energy is the considerable start-up costs so, working with a lease-to-own model, Mercy Corps finances the up-front costs and supports installation, operation and maintenance. Through an affordable repayment agreement, ownership is transferred to households and businesses while their repayments are reinvested to help expand the programme.

By making solar power more accessible and affordable Mercy Corps has so far connected 1,744 people and businesses in Afghanistan to solar energy that helps them to enhance their lives and their livelihoods.

The Ahmadi Fruit Cold Storage company based in the international fruit market in Kabul has benefitted from solar power installed by Mercy Corps, which reduced their company energy bills by 90% and their diesel generator use by 80%. Output is now greener, more sustainable and increasingly cost effective. With a reliable source of energy, storage units have a more consistent and controlled temperature meaning that shelf life can also be extended. The success of Ahmadi Fruit Cold Storage has sparked interest with other cold storage companies facing similar challenges in the area.



Mercy Corps believes that access to reliable sources of energy has the potential to transform communities and fuel economic growth.

Photograph: In Nigeria's Middle Belt, fishermen like Moses are often at odds with local pastoralists due to competition over natural resources. In response he attended conflict management training, and now resolves disputes between the two communities. Photo: Ezra Millstein.

NEPAL

BUILDING BRIGHTER FUTURES FOR GIRLS IN NEPAL

Situated in a region vulnerable to natural disaster, Nepal remains one of the poorest countries in the world. In the Kailali district, the cultural and financial barriers standing between girls and a better future are especially challenging.

Education is a vital catalyst for girls to change their and their communities' futures. By working with 532 teachers and 400 family and community members, Mercy Corps is fostering a supportive and enabling environment for 6,000 girls and young women to cultivate life skills, complete their education and move forward into safe working opportunities or vocational training that enable them to build stronger, healthier futures.

Mercy Corps has also established the Girls' Transition Fund, which is encouraging entrepreneurship in young women, and has granted over £380,000 in loans to more than 300 young women.

"...through the life skills sessions, I learnt about realising my potential, envisioning my goals and it has really developed my confidence." - Gita

Gita, 16, is the youngest child in a family of seven. After failing her 8th grade exams, Gita joined one of the Girls Groups facilitated by Mercy Corps in Nepal. There she received additional support with her studies and education on reproductive health and life skills lessons. In her current academic year, Gita achieved first class in her second trimester exams.



COLOMBIA

ENHANCING LIVELIHOODS FOR WOMEN COFFEE FARMERS IN COLOMBIA

Decades of conflict have undermined investment in rural areas of Colombia. In the region of Cauca, coffee production provides critical income to small-holder farmers. In partnership with the European Commission, Mercy Corps is working to increase the autonomy and economic empowerment of coffee farmers, specifically women.

Through training and skills development, and by improving access to markets, Mercy Corps is helping 1,800 women take the lead, challenge traditional gender roles and become more engaged in the labour market and in their communities. The programme enables them to establish stronger, better livelihoods to support their families today, and for the future.

In 2018, Yessenia was selected for the "Autonomy and Economic Empowerment of the Rural Women of Southern Cauca" Mercy Corps programme and received agricultural training, which was the first step in transforming Yessenia's future. Now planting, roasting and packaging her own coffee with other women in the Cauca Coffee Cooperative, Yessenia also manages Colombian operations for a US multinational company.



"My dream is to turn my field into an ecotourism farm, planting fruit trees, serving traditional lunches from the area, and even putting in a few ponds with fish. Get trained, there are always ways, cast fear aside, nothing happens if one leaves home for a week" - Yessenia

JORDAN EDUCATION FOR ALL

According to official figures, Jordan continues to host more than 650,000 Syrian refugees. In the 2018/2019 school year, 131,000 Syrian refugee children were enrolled in schools throughout Jordan, but for children with disabilities there remain cultural and physical obstacles to their inclusion.

Mercy Corps is committed to reconnecting children to their education, wherever they are living, so that they can strengthen their opportunities for the future. Building on the success of its inclusive education programme in Zaatari Refugee Camp, Mercy Corps has broadened its approach to inclusive education across Jordan.

Key to the success of this programme is the training and development of shadow teachers, who provide individual emotional, social and physical support to ensure that students feel safe and engaged in the classroom, and in their wider community.

Mercy Corps is training 145 new shadow teachers to support 800 new students with disabilities. Together with support for specialised transport and modified equipment, this programme not only supports children with disabilities to stay in school but to excel.

Abd Al Rahman, 8, lives in Mafraq, after crossing the border from Syria in 2013. His family relies on aid and the support of his uncle to meet daily living costs. Abd Al Rahman always wanted to go to school but was refused access until 2018, when with the help of Mercy Corps he was finally able to start his education.



Building on the success of its programme in Zaatari Refugee Camp, Mercy Corps has broadened its approach to inclusive education across Jordan.

DEMOCRATIC REPUBLIC OF THE CONGO PROMOTING LONG-TERM CHANGE WITH SUSTAINABLE LOCAL ACTION IN THE DRC

As a result of long standing conflict and insecurity, the Democratic Republic of the Congo (DRC) has the highest number of displaced people in Africa. Escalating displacement and the mismanagement and lack of water resources has left three quarters of the population lacking access to safe drinking water.

To meet the needs of communities around Goma and Bukavu, Mercy Corps is undertaking one of our largest ever infrastructure programmes that will provide safe drinking water to almost 1 million people. This integrated water and governance initiative (IMAGINE) also aims to provide sustainable and equitable access to water for these communities in the future.

To date, Mercy Corps is reaching 270,000 people with safe drinking water daily. In addition Mercy Corps trained 7,000 Congolese women as volunteer ambassadors for their communities. Promoting hygiene and sanitation practices they reach 90,000 households every month and are helping to combat diarrheal diseases, the most common cause of death for children under 5 in DRC.

Mercy Corps has also established a research partnership with the London School of Economics (LSE), which presents a unique opportunity to understand how adaptive management and 'Thinking and Working Politically' has enabled the programme to navigate the challenges posed by an extremely fragile context. LSE is also conducting a longitudinal study of financial and water governance in select households in Goma through a combination of in-depth financial data, iterated interview questions, and broader social network research. By building trust with members of each, researchers will begin to uncover how these households manage their needs and resources and use their networks in an environment characterised by uncertainty and insecurity, and whether IMAGINE is contributing to their ability to do this.

“Through the Mercy Corps training, we know how to treat water and how to get clean water. Since getting that training, I’ve seen a reduction in the sickness of children.” - Noella

Noella Batibuka leads a women’ social mobilisation group in Goma, who have a shared goal to reduce the mortality rate of children under 5 in the areas where they live. Groups of 15 women meet every month to share learning on disease prevention, water, sanitation and hygiene. Here they are learning about cholera and how to prevent it in their communities.



MERCY CORPS ANNOUNCED AS A DFID GOLD SUPPLIER

In the 2016 [Civil Society Partnership Review](#), the Department for International Development (DFID) committed to introduce a relationship management programme with key NGOs to maximise the value of joint work and complement DFID's approach to working with private sector suppliers. Further, the Supplier Review conducted in 2017 recommended a closer and more strategic partnership with the main supply partners (contractors and NGOs). DFID consequently launched the Strategic Relationship Management (SRM) programme with three levels of partnership - Gold, Silver and Bronze. Mercy Corps was selected to be partner of the SRM programme as a Gold level partner, which includes the opportunity to build a deeper relationship with DFID, improve performance across our work and create a shared agenda for the delivery of improved services to the communities with which we work.

BUILDING RESILIENCE TO CLIMATE CHANGE IN THE LOWLANDS OF ETHIOPIA

Agriculture is at the heart of Ethiopia's economy, with 80% of the population relying on the land to make a living, yet people who live in the lowlands of Ethiopia are some of the most climate vulnerable people in the world.

In the face of the climate crisis and increasing climatic shocks, Mercy Corps and partners have been working on a programme called BRACED, supported by the UK Government, to help communities protect their resources and adapt to their changing environments.

Among the many programmes under the BRACED umbrella, tailored access to financial services such as Village Savings and Loan Associations (VSLA), micro-finance and mobile banking, has meant that more than 490,000 people have become more financially resilient, and therefore food secure and adaptable.

So far, families have saved 7.8 million ETB (approximately £223K), and 38 million ETB (approximately £1.1 million) has been distributed in micro-finance loans to support households in remote areas. In total, almost 6,500 households have been supported through these activities.

The BRACED programme has also included training in new farming practices, climate smart technologies, early warning risk assessment and new income generating sources, helping communities become more ecologically and economically resilient.

MYANMAR

FOSTERING LONG TERM PEACE AND DEVELOPMENT IN THE KAYAH STATE

Despite economic growth and new governance models, Myanmar continues to face political, security and development challenges. Conflicts have plagued the country since independence in 1948, and are still ongoing.

In the Kayah State, after six decades of conflict Mercy Corps has been supporting peace, reconciliation and development in the region. By building relationships between civil society actors, communities, Ethnic Armed Organisations, government officials at different administrative levels and communities, Mercy Corps established 137 community driven projects that directly benefited more than 40,000 people in 135 villages.

The impact of this programme was indirectly felt across the whole Kayah State population of more than 300,000 people.

NIGERIA

GIVING GIRLS A HAND UP IN AFRICA'S MOST POPULOUS COUNTRY

It is estimated that 13.2 million of Nigeria's children are not in school; Nigeria accounts for more than one in six out-of-school children globally. In Northern Nigeria, access to education is a major challenge owing to attitudes towards formal education (especially for girls), early marriage, teenage pregnancy, poor teaching quality, lack of instructional materials, and the insecurity in the region. Nigeria also has the largest number of child brides in Africa: 23 million girls and women were married as children. Currently, 43% of girls are married before they turn 18 and 17% before they turn 15.

Mercy Corps works closely with the government at the state and national level, to improve the lives of 18,000 marginalised girls both in-school and out-of-school across Kano, Kaduna and Lagos states as well as the Federal Capital Territory. The programme focuses on mitigating the barriers to girls' education whilst addressing the gender, economic and systemic issues. Alongside improving learning outcomes, it also aims at successful transition of the girls into higher grades and/or income generating opportunities.

PARTNERING FOR FLOOD RESILIENCE



Mercy Corps is a member of a multi-sectoral Zurich Flood Resilience Alliance focused on finding practical ways to help communities strengthen their resilience to flood risk. Created by Zurich Insurance, the second phase of the Alliance began in December 2017, with Mercy Corps spearheading the influence and advocacy element of the Alliance. Our aim is to influence government actors to improve national and sub-national policies leading

to improved practice and investment for flood resilience. In FY19, this included a feasibility study for an impact bond in Indonesia, which could lead to additional private sector funding for flood resilience, and successfully lobbying the G20 to include in their [Leaders' Declaration](#) support for additional funding for adaptation and inclusive finance, language not included in previous years' text.

LOOKING AHEAD TO FY20

In **DRC**, Ebola continues to spread a year after the outbreak. As part of a large-scale international effort, Mercy Corps has been responding to the outbreak since August 2018 but decades of conflict in North Kivu have led to a lack of confidence in authorities and mistrust. Through a new programme funded by the European Union, Mercy Corps will work to build community confidence in the Ebola response through social mobilisation and awareness activities, specifically targeting 35,000 people in the Ebola hotspot area of Butembo.

Sudan is experiencing a wave of political change, resulting in both challenges and opportunities for the country. Leveraging our ability to access some of the previously restricted areas of Blue Nile and South Kordofan states, in FY20 we will seek to strengthen agricultural systems and production, increasing the food security of displaced and host communities, improving livelihoods and environmental regeneration. The programme has plans to reach around 240,000 people.

In December 2018, Mercy Corps was chosen as **The Times** newspaper's Seasonal Appeal partner to raise urgent funds for **Yemen**, where 80% of the population rely on humanitarian relief. Throughout December 2018, articles appeared every two to three days in The Times about the needs in Yemen, encouraging readers to donate. Together with generous match funding from the TripAdvisor Foundation, almost £400,000 was raised for Yemen and will help Mercy Corps meet the nutrition needs of 20,000 people.

In FY20, we will also begin our new Building Resilience in Civil Society programme, which will stretch across **East Africa** in a multi-country, multi-year project. Working with local and national government, local civil society organisations and communities, the programme will mitigate the drivers, enablers and narratives of violent extremism in East Africa.

In **Lebanon**, we are increasingly seeing the consequences of the ongoing war in neighbouring Syria. Lebanon, a country of only six million people, is now home to almost one million Syrian refugees, placing a great deal of strain on the economy and public infrastructure. As the Lebanese economy stagnates and there is increased pressure, and therefore deterioration of public services, this has greatly increased tensions between Lebanese and Syrian refugee communities. Mercy Corps will aim to reduce the drivers of tension amongst and between Lebanese communities, refugees and local government through fostering dialogue and peacebuilding mechanisms such as mediation and dispute resolution, and provide opportunities for young people in the solid waste management sector.

In FY20 and over the next two years, Mercy Corps will continue to ensure rapid, bold and accountable humanitarian response in the toughest places and we will work to drive resilience in fragile contexts. With a "youth bulge" in many countries around the world, and particularly on the African continent, we will continue our work to expand job opportunities and entrepreneurship for young people. Building on our resilience work over the last few decades, we will seek to pioneer and scale innovative climate financing solutions and good governance approaches in countries at the forefront of this emergency, and amplify our impact through the use of technology and strategic partnerships to ensure long-term impact and scale.

Ahmad was forced to flee the war in Syria, and now lives in an informal settlement in Jordan. As well as working on a farm, he has built a school where he teaches more than 40 refugee children. Photo: Ezra Millstein.





DIRECTORS' REPORT

Our Structure, Governance and Management

Mercy Corps Europe is part of the global organisation Mercy Corps. Mercy Corps 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 with offices in Edinburgh, London and Geneva; Mercy Corps Netherlands (MCNL) a Dutch entity with offices in The Hague - the results of MCNL are reported within these MCE consolidated financial statements. Other affiliated entities of the global organisation.*

The relationship between Mercy Corps and Mercy Corps Global is regulated by an MOU that was last updated in 2018. Mercy Corps Europe shares the global organisation's mission, vision, core values, and charitable objectives and to enable us to function most effectively and efficiently as a global organisation, Mercy Corps Europe participates in a governance structure that reflects the integrated global agency operating under a global CEO.

Governance

Mercy Corps Europe is a Scottish registered charity (registration number SC030289) and is constituted as a company limited by guarantee (registration number SC208829). The objects of the 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.

Mercy Corps Europe is a member organisation, made up of a nine Members. The nine Members are also the same nine Members of MCG and of MCNL. Those individuals sit on the Joint Board Executive Committee (JBEC) and the current common Members are listed on page 9.

The Directors of Mercy Corps Europe are the statutory Charity trustees, collectively known as the Board of Directors. The Board meets formally three times a year and comprises a minimum of 6 and a maximum of 20 Directors. The current Directors are listed on page 9.

In addition, there are four standing committees made up of Board Directors of Mercy Corps Europe and MCG and other independent individuals with relevant experience under specific terms of reference from the Board. These committees are:

- Joint Board Executive Committee
- Joint Finance Committee
- Joint Audit and Risk Committee
- MCE Audit and Risk Committee

The MCE Audit and Risk Committee reports to the MCE Board and each of the Joint committees reports to the MCE and the MCG Boards at each Board meeting.

Mercy Corps Europe has an Executive Director who is appointed by the Mercy Corps Europe Board subject to the approval of the global Mercy Corps CEO. The Mercy Corps Europe Executive Director is the principal manager of Mercy Corps Europe and reports jointly to the Mercy Corps Europe Board and the global Mercy Corps CEO.

The roles and responsibilities of the Mercy Corps Europe Board and the Committees are described in the Mercy Corps Europe Governance Handbook, which is published on our website.

Photograph: Lucia, 52, takes care of her family's goats. As smallholder farmers in Makindu, Kenya, she and her husband are particularly vulnerable to the effects of the climate crisis. Photo: Ezra Millstein.

* Consolidated affiliates include: Asian Credit Public Fund, Kompanion Development Institution, Kompanion Bank, Kompanion Invest, MC Nigeria LTD/GTE (Nigeria), Mercy Corps China Holdings, LLC, Mercy Corps Development Holdings, LLC, Mercy Corps India, and CIT Services, LLC.

OUR REMUNERATION POLICY

Mercy Corps Europe's compensation package – competitive pay and comprehensive benefits – is designed to both attract and retain high-calibre, diverse, high-performing individuals at all levels. Mercy Corps Europe 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. Mercy Corps Europe 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 a team member's performance.

Mercy Corps Europe's benefit package is also structured to be competitive externally while providing comprehensive security and support. Recent enhancements to family friendly and flexible working approaches assist team members in finding meaningful work-life balance, while enhancements to team member care support, pension scheme and a complementary healthcare programme enhance well-being.

TRUSTEES' RESPONSIBILITIES STATEMENT

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice, 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 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 Statement of Recommended Practice (SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed;
- report on the charity's public benefit;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business; and
- take reasonable steps for the prevention and detection of fraud and other irregularities to ensure compliance with the Companies Act 2006.

The trustees are also responsible for:

- setting their charity's approach to raising funds, as well as making sure that any policies or procedures are followed in practice and reflect our organisational values;
- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions;
- disclosing with reasonable accuracy at any time the financial position of the charitable company;
- taking all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
- ensuring there is no relevant audit information of which the charitable company's auditor is unaware.

The trustees confirm that they complied with the above requirements in preparing these financial statements. 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, we publish an annual slavery and human trafficking statement on our website, which sets out the steps we have taken to ensure modern slavery 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 over 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. Central to this commitment is our emphasis on protecting our programme participants and team members from all forms of harm, including any physical, emotional or sexual abuse.

Mercy Corps' policies related to safeguarding can be found at - <https://www.mercycorps.org.uk/about-us/ethics-and-policies>

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 - the problems we seek to address are often entrenched and therefore require innovative approaches, many of which carry risks. However, we believe the potential opportunities these solutions offer are worth the risks, and there we try as much as possible to embed Risk Management across all levels of the organisation.

Mercy Corps operates as one global organisation, with common exposure to financial, operational, reputational and external risks. We therefore work closely with MCG to ensure we identify, mitigate and manage risks in our challenging operating environments.

Enterprise Risk Management

Mercy Corps defines Enterprise Risk as any uncertain significant event or circumstance which could impact the achievement of Mercy Corps' mission, including strategic, preventable and external risks that might materially impact Mercy Corps.

Enterprise Risk Management (ERM) is a nimble and comprehensive approach to identifying, prioritising, and helping management ensure appropriate mitigation and/or acceptance of enterprise risks. As such an Enterprise Risk Management Committee is in place, consisting of: MCG General Counsel, MCG Senior Legal Counsel, MCG Chief Financial Officer, MCG Chief People and Strategy Officer, MCG Senior Vice President of Programs, Mercy Corps Europe Director of Compliance, and Mercy Corps Europe Director of Finance. The ERM Committee meets as frequently as it deems necessary to carry out its duties and responsibilities, and in any case no less than six times a year. The purpose of this committee is to provide oversight in achieving Mercy Corps' ERM vision and mission, which is to maximise Mercy Corps' ability to achieve its mission while being aware of and consciously accepting and/or mitigating the risks that threaten to prevent it from achieving its mission.

Mercy Corps also has a wider assurance framework which includes associated policies on health and safety, incident reporting, anti-fraud, bribery and corruption, management of complaints and grievances, safeguarding, and raising concerns (whistleblowing). These policies ensure that where incidents give rise to risks, these are identified, acted on swiftly, and reported according to our regulatory responsibilities. Throughout the year, risk-based internal audits of our country offices are conducted by Mercy Corps Internal Audit team. Internal audits reports are shared with management and the Joint Audit & Risk Committee. Agreed actions and recommendations from each audit are followed up throughout the year and reports on their implementation are also reviewed by the Joint Audit & Risk Committee.

Risk Management at Mercy Corps Europe

The Board of Directors of Mercy Corps Europe are ultimately responsible for the risk management of the European entity. They are also responsible for ensuring that Mercy Corps Europe has an effective risk framework and management processes and assurance functions in place, and that this is done in conjunction with the Mercy Corps Europe Audit and Risk Committee, the ERM Committee and the Joint Audit and Risk Committee as the body with responsibility for the ERM oversight.

The Corporate Risk Register (CRR) of Mercy Corps Europe is an articulation and assessment of key risks facing MCE. It is important to note that most of the risks described below are not only Mercy Corps Europe-specific risks, but also risks that face Mercy Corps as whole agency.

The CRR is a standing agenda point on the Mercy Corps Europe senior management team monthly meetings. As such regular discussions around key risks have taken place this year at Mercy Corps Europe.

As at the end of the fiscal year the significant risks noted by the Mercy Corps Europe Board are assessed to be:

Risk category	Risk	Mitigation action
External	Change in the political status of the UK in the EU as a result of Brexit may affect our ability to secure European funding, the recruitment and retention of key staff and our regulatory environment.	<p>Continuous uncertainty and fluidity over the outcome of the Brexit vote has meant regular on-going analysis of the situation and checks to guarantee that our mitigation measures are relevant and/or to add new ones.</p> <p>We have continued our work to ensure that the recently established Mercy Corps Netherlands (MCNL) becomes eligible for EU funding.</p> <p>We are engaged across the wider sector and also with government through multiple channels as plans to exit the EU develop.</p> <p>We have sent regular communications to our Country teams to ensure common language and a consistent approach in our engagement with EU in the field.</p>
Operational	Safeguarding: The impact of this risk includes significant physical and/or psychological harm to participants and or team members and loss of Mercy Corps reputation in the communities where we work, with the public and with key donors. *	<p>We have continued our work to increase awareness around Safeguarding, set clear expectations for individual accountability, and build in-country capacity for awareness, prevention, reporting, response and investigation when issues arise.</p> <p>New or revised Ethics policies have been adopted jointly by Mercy Corps Europe, MGC and MCNL, together with policy guidance documents (one page summary documents for each policy, containing a brief executive summary of the policy and FAQs).</p> <p>Interactive mandatory online courses related to our Code of Conduct and Ethics policies have been rolled out across the agency.</p> <p>A Special Committee of Mercy Corps' Boards of Directors (MCE and MCG) has commenced an independent external review into what steps were taken to respond to a request made in 2018 to re-examine an investigation undertaken in 1993 into serious safeguarding allegations in the US.</p> <p>Although the original 1993 allegations pre-date the relationship between Mercy Corps in the US (now known as Mercy Corps Global), Mercy Corps Europe and Mercy Corps Netherlands, our processes on safeguarding are global and MCE views this as a serious matter.</p> <p>The review will consider all aspects of governance and managerial structure in this area, identifying any internal control failings related to MC's response to the allegations in light of Mercy Corps' new safeguarding policies. The review will culminate in a report of the facts and recommendations for a comprehensive set of measures to ensure that proper processes are in place to inform the board of allegations of all misconduct and that complaints are investigated appropriately. The Special Committee has requested that the review process is concluded as a matter of urgency and within the wide remit of this process, recommendations will include suggestions on governance reforms if appropriate.</p>

Risk category	Risk	Mitigation action
Operational	Safety and Security: team members are placed at risk and/or harm to beneficiaries *	Robust and up-to-date security policies and procedures are in place. Guidelines, training opportunities and technical support are also available to all team members to ensure that they are equipped to identify and manage risks inherent within the local context where they work. Health and safety policies and procedures are in place for our work in the UK.
Operational	Fraudulent activity, including diversion of aid leads to financial and reputational damage. *	Comprehensive anti-corruption and anti-bribery policies in place and robust internal controls Policy on Prohibited Parties currently being revised. Due diligence process in place to ensure a robust approach to selecting overseas partners, which includes programmatic and financial risks. Global Ethics team in place that support or directly investigates reported incidents An online integrity hotline is now in place for reporting allegations and works alongside the integrity email, complaints boxes and Community Accountability and Reporting Mechanisms (CARM) systems.
Operational	Failure to comply with GDPR and Data Protection *	Mercy Corps Europe has data protection policies, procedures and training in place, and refresher trainings are run on an annual basis. An agency-wide Data Protection Working Group has been set up and meets regularly, and a global Data Protection policy has been adopted. Online training modules on IT security are available for all team members, some of which are mandatory.
Financial	Lack of unrestricted income generating cash availability stop European Operations	Mitigation measures in place include: tracking retention on projects to ensure more efficient management; unrestricted reserves at adequate levels; long-term cash tracking tools being put in place; acceleration of our debt to cash cycle. Revision of cost recovery policy to reflect current core cost rate The level of unrestricted reserves and its coverage of MCE core costs is monitored on a monthly basis and is satisfactory. In addition under our agency wide agreement MCG provides project working capital until the time of settlement. The events described above in the Safeguarding risk section have been shared openly with donors. Therefore as a result it is anticipated that MCE and MCG will see a reduction in unrestricted income. This may be as a result of cancellation of donors funding or that some donors will defer their funding until such times as the review is completed. In either case this will inevitably have an impact on European Operations and we are closely monitoring events and identifying appropriate management actions. Management are in continual contact with donors.

Risk category	Risk	Mitigation action
Financial	Increased FX loss exposure	We have continued to naturally hedge currencies by keeping funds in donor currency. Monthly Budget vs Actuals (BvAs) that have a foreign exchange (FX) analysis tab which highlights adjustments / actions required on a project level.
Financial	Contracts as a new funding modality present a higher risk	Mitigating measures in place are: Recruitment of a Senior Commercial Finance Analyst who will join the Commercial Contracts Manager already in place; The set up a Contracts Oversight Group (similar to a Complex Board) to oversee implementation with monthly or more frequent calls as necessary, Training on bid development and on general aspects of contracting and a cautious approach to priming contracts.

**This risk was identified as one of the key global risks and as such country offices were asked to include it in their risk registers.*

FINANCIAL REVIEW

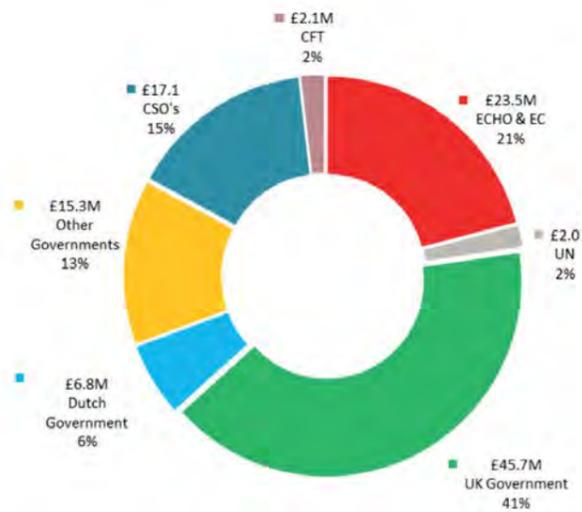
The financial statements for the charity were prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP') issued in 2014 and Financial Reporting Standard 102: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) Statement of Recommended Practice (SORP), FRS102 and Charities Act 2011. The applicable accounting policies are set out on pages 45-48.

Income

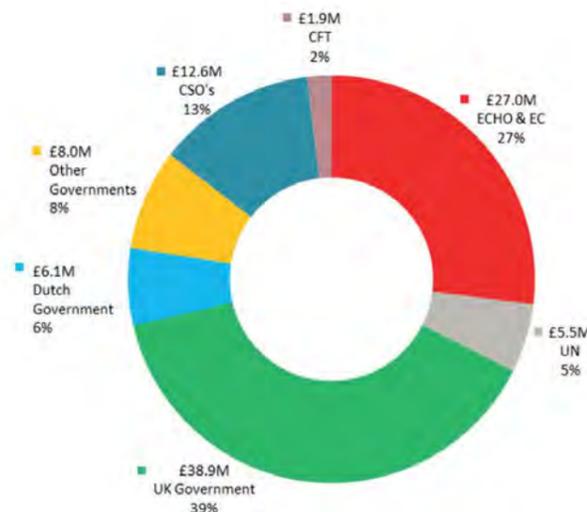
Total income, like-for-like (excluding foreign exchange gains and losses) increased to £113.6m (FY 2018: £100.9m), of which £112.9m was restricted to international programmes, an increase of 14 per cent on the previous financial year. Growth was reflected across our main donor DFID, and greater income diversification increases were secured with the Swedish International Development Cooperation agency (SIDA), French Government and German Development Agency compared to prior year.

Full detail on sources of income by charitable activity and donor are provided in note 2 in the accounts.

Institutional Donor Income - FY 2019



Institutional Donor Income - FY 2018



The charts compare institutional donor income over the last two financial years. Donor diversification is both a strategic objective and an area of focus in MCE's risk management discussions. Donor dependency across the three main donors (DFID, EC and ECHO) is now 61% (FY 2018: 66%). MCE has a strategic initiative to expand our work with other European partnerships in order to reduce this reliance and in particular a noticeable shift is recognised with SIDA at 4% of total income (FY 2018: 2%)

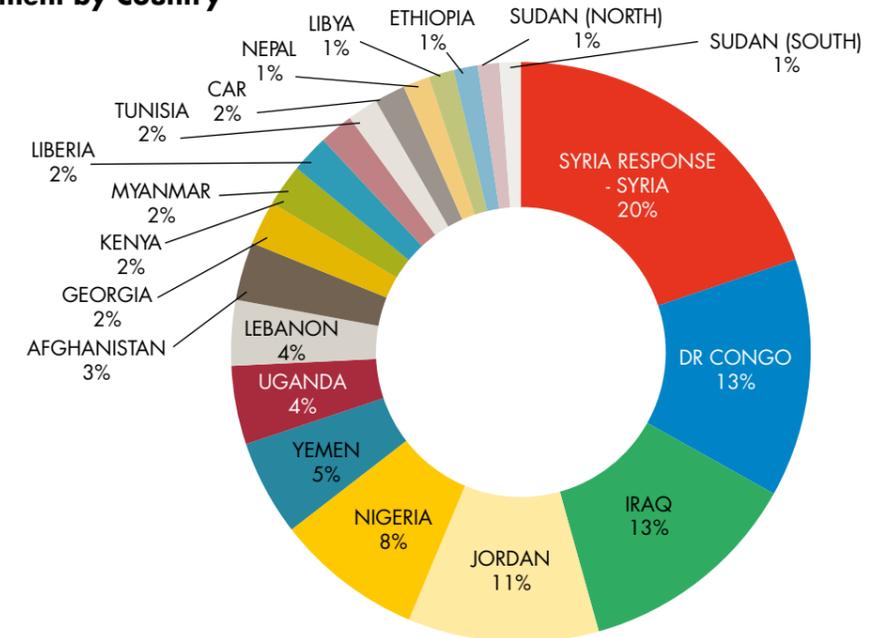
The Board and management are closely evaluating the impact of exiting the European Union (EU). The sizing and capacity building of Mercy Corps Netherlands (MCNL) is progressing in line with our plan and we anticipate minimum disruption to ECHO business activity in our preparedness for a new Framework Partnership Agreement (FPA) with DG-ECHO.

Unrestricted voluntary donations decreased to £553k (FY 2018: £668k), down by 17 per cent on last year. As result of GDPR migration and data cleansing our direct marketing activity started from a lower base, impacting fundraising. The other income is based on returns on cash deposits, and co-location income. The yield from low interest deposits was £106k; up from last year (FY 2018: £74k).

Charitable Expenditure

Programme expenditure in the year was £105.7m (FY 2018: £95.1m) and charitable expenditure continued to reach those who most needed our help in the world's most fragile and challenging places. The majority of funds went to address the significant numbers of people who are in need of humanitarian assistance and those who have been displaced from their homes, both internally and as refugees. MCE continued to respond to crisis to provide life-saving assistance inside Syria, like in Idlib and continued support to Syrian refugees in Lebanon, Jordan and across Iraq for people affected by conflict. We also responded to natural disasters in East Africa, the Ebola outbreak in the DRC and increasing conflict and insecurity across Northern Nigeria, Yemen, Somalia and Afghanistan. The chart below shows where funds were deployed by country. In the financial year MCE was active in 37 countries with the low and middle income countries dominating our expenditure.

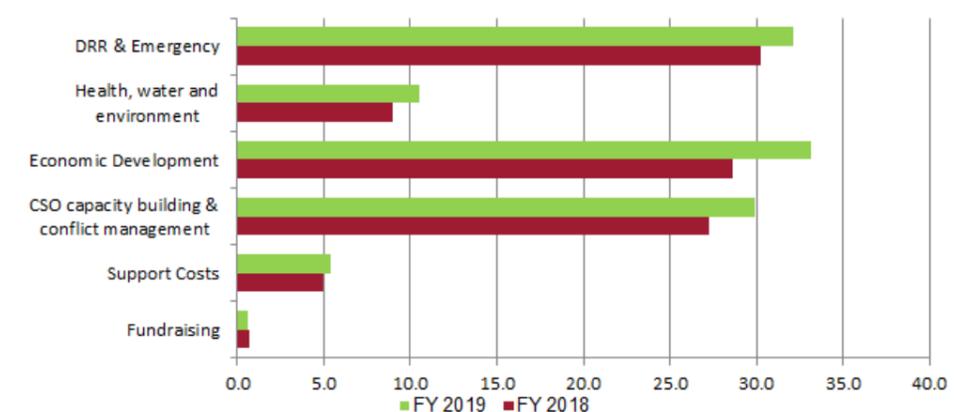
Top 20 Deployment by Country



Indirect cost recovery practice is consistent with last financial year. Excluding expenditure of raising funds, the costs incurred at headquarters have been attributed completely to the charitable activities which they support. Total headquarters core costs have increased to £6.0m (FY 2018: £5.6m). Including cost sharing and support given to country operations, this includes investment in our team resources across Europe. As in prior year 95 per cent of spend is attributed to charitable activities and projects contributing to our areas of strategic focus (FY 2018: 94%).

Certain grants relating to humanitarian response carry co-financing requirements. Should we be unable to raise funds for co-financing commitments when due and where needed the gap would be met by MCG.

Charitable Expenditure by Activity in £'M



Financial Risk and Cash

Financial 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 Enterprise Risk Management and Audit and Risk Committees.

MC in Europe holds cash in current and deposit accounts with NatWest Bank, Rabobank and Bank of Scotland. Cash is held in donor currencies and the equivalent GBP holdings stand at £51.2m (FY 2018: £50.9m). Including higher programme funding along with donor rules, the receipt of cash advance of programme monies remain high at 82% of cash in the bank. MCG advances cash for MCE donor funded programmes, and is subsequently reimbursed by MCE after the field spends and accounts for the advances. During the year, an improved cashflow process was implemented for field programmes which helped accelerate settlement with MCG. The MCG intercompany balance (see note 10) was £11.3m (FY 2018: £14.7m), a 23 per cent reduction on last year.

This increase in monies due from donors is volume driven resulting from the payment terms in place from European donors, with a growing number of high value MCE grants from donors who withhold payment subject to evidence by results or who apply retention payments until satisfactory evidence of financial and programmatic delivery, reporting and acceptance.

Reserve Policy and Reserves

Further robustness to cash flow risk is provided by the annual review of the reserve policy and the setting of our working capital level.

The charity has in place best practice management of the reserves. It aims to hold reserves to manage the risk against unexpected losses and long-term concern of the organisation and any other unanticipated financial risks as explained earlier in the report. As at 30 June 2019, our total reserves stand at £10.4m (FY 2018: £8.2m).

The restricted funds amount to £0.8m (FY 2018: £0.5m). The increase is due to appeals, in particular for Yemen detailed in note 13. These sums will remain held until they are allocated against expenditure.

Unrestricted reserves are the general funds of the charity that enable it to meet its objectives. It excludes the restricted funds and any designated funds and the value tied up in tangible fixed assets.

The Board of Directors has examined the requirement for unrestricted funds. In arriving at a target figure, the Directors 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 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.

Accordingly the Directors wish to achieve a target of unrestricted funds excluding Fixed Assets representing at least six months' operating expenditure, achieved with unrestricted reserves excluding Fixed Assets and the related party donation to MCNL. The £5.9m (FY 2017: £4.4m) represents 9 months (FY 2018: 7 months) of operating expenditure.

The Directors are mindful of current global economic conditions and instability, particularly with regards to the outcome of Brexit and foreign exchange markets. Consequently, they wish to adopt a prudent approach to reserves. Of the designated funds created in earlier years, £1.5m was undesignated to support the anticipated capacity build of the Dutch entity, MCNL. This was gifted to MCNL in the period.

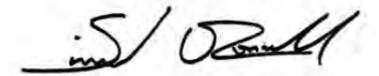
Mercy Corps Netherlands

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.

The Strategic Report and Accounts was approved by the Board of Directors on 13 November 2019 and signed on their behalf by:



Nick Blazquez



Simon O'Connell

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

Opinion

We have audited the financial statements of Mercy Corps Europe ("the charitable company") for the year ended 30 June 2019, which comprise the consolidated and charity Statement of Financial Activities and Income and Expenditure Accounts, the consolidated and charity Balance Sheets, the consolidated and charity Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable group's and the charitable company's affairs as at 30 June 2019 and of the charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF MERCY CORPS EUROPE (Continued)

Other information

The directors are responsible for the other information, which comprises the Executive Director's Message, the Chair's Message, the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement which begins on page 28, 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the 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 they either intend to liquidate the charitable company or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

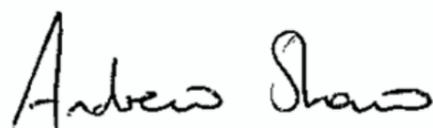
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF MERCY CORPS EUROPE (Continued)

The purpose of our audit work and to whom we owe our responsibilities

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



Andrew Shaw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

14 November 2019

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF MERCY CORPS EUROPE (Continued)

Mercy Corps Europe - Registered Company SC208829

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2019

	Note	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Unrestricted Funds £	Restricted Funds £	Total 2018 £
INCOME							
Donations and Legacies	2	574,484	366,566	941,050	685,605	142,039	827,644
Income from Investments		106,194	-	106,194	73,750	-	73,750
Other income		18,226	57,929	76,155	33,600	-	33,600
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	1,752,614	29,864,962	31,617,576	1,237,305	27,097,845	28,335,150
Economic Development	2	2,806,133	32,321,450	35,127,584	1,916,310	28,783,038	30,699,348
Public Health, Water and Environment	2	765,916	10,487,193	11,253,109	693,108	8,947,206	9,640,314
Disaster Risk Reduction and Emergency Response	2	2,177,880	32,321,660	34,499,540	1,467,206	29,867,877	31,335,083
Gains on Exchange		271,984	-	271,984	760,494	-	760,494
Total income		8,473,431	105,419,761	113,893,192	6,867,378	94,838,005	101,705,383
EXPENDITURE							
Expenditure on Raising Funds	4	580,755	-	580,755	691,954	-	691,954
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	1,582,476	29,824,730	31,407,206	1,412,014	27,238,474	28,650,488
Economic Development	4	2,682,950	32,170,563	34,853,513	1,547,098	28,577,788	30,124,886
Public Health, Water and Environment	4	529,333	10,519,602	11,048,935	532,217	8,943,766	9,475,983
Disaster Risk Reduction and Emergency Response	4	1,638,433	32,132,891	33,771,324	1,544,190	30,257,442	31,801,632
Total expenditure		7,013,947	104,647,786	111,661,733	5,727,473	95,017,470	100,744,943
Net income/(expenditure) before transfers		1,459,484	771,975	2,231,459	1,139,905	(179,465)	960,440
Transfers between Funds	12, 13	441,082	(441,082)	-	62,581	(62,581)	-
Net movement in funds		1,900,566	330,893	2,231,459	1,202,486	(242,046)	960,440
Balances brought forward		7,679,848	494,080	8,173,928	6,477,362	736,126	7,213,488
Balances carried forward		9,580,414	824,973	10,405,387	7,679,848	494,080	8,173,928

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 45 to 71 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829
Financial Statements

Charity Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2019

	Note	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Unrestricted Funds £	Restricted Funds £	Total 2018 £
INCOME							
Donations and Legacies	2	552,947	366,566	919,513	667,884	142,039	809,923
Income from Investments		106,194	-	106,194	73,750	-	73,750
Other income		16,800	57,929	74,729	33,600	-	33,600
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	1,752,122	29,857,939	31,610,061	1,237,305	27,097,845	28,335,150
Economic Development Public Health, Water and Environment	2	2,803,642	32,296,544	35,100,187	1,916,310	28,783,038	30,699,348
Disaster Risk Reduction and Emergency Response	2	721,196	10,195,527	10,916,723	613,573	8,416,973	9,030,546
	2	2,177,880	32,321,660	34,499,540	1,467,206	29,867,877	31,335,083
Gains on Exchange		352,051	-	352,051	605,846	-	605,846
Total income		8,482,833	105,096,165	113,578,998	6,615,474	94,307,772	100,923,246
EXPENDITURE							
Expenditure on Raising Funds	4	563,522	-	563,522	691,148	-	691,148
Expenditure on New Modalities		1,484,667	-	1,484,667	-	-	-
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	1,519,020	29,784,968	31,303,988	1,412,014	27,238,474	28,650,488
Economic Development Public Health, Water and Environment	4	2,612,499	32,178,396	34,790,895	1,547,098	28,577,788	30,124,886
Disaster Risk Reduction and Emergency Response	4	507,596	10,227,092	10,734,688	526,219	8,413,533	8,939,752
	4	1,570,185	32,132,891	33,703,076	1,544,190	30,257,442	31,801,632
Total expenditure		8,257,489	104,323,347	112,580,836	5,720,669	94,487,237	100,207,906
Net income/(expenditure) before transfers		225,344	772,819	998,162	894,805	(179,465)	715,340
Transfers between Funds		441,082	(441,082)	-	62,581	(62,581)	-
Net movement in funds		666,426	331,737	998,162	957,386	(242,046)	715,340
Balances brought forward		7,434,748	494,080	7,928,828	6,477,362	736,126	7,213,488
Balances carried forward		8,101,174	825,817	8,926,990	7,434,748	494,080	7,928,828

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 45 to 71 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829

Consolidated and Charity Balance Sheets as at 30 June 2019

Note	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £	
FIXED ASSETS					
Tangible assets	7	641,860	641,860	364,209	364,209
CURRENT ASSETS					
Debtors	8	19,475,901	19,467,154	16,542,067	16,542,067
Cash at bank and in hand	9	51,202,219	49,675,624	50,882,631	50,863,161
		70,678,120	69,142,778	67,424,698	67,405,228
CREDITORS: amounts falling due within one year	10	(60,914,592)	(60,857,647)	(59,614,979)	(59,840,609)
NET CURRENT ASSETS		9,763,528	8,285,131	7,809,719	7,564,619
NET ASSETS		10,405,387	8,926,990	8,173,928	7,928,828
FUNDS					
Restricted	13	824,974	825,818	494,080	494,080
Unrestricted - designated	12	1,556,886	1,481,953	2,916,547	2,761,899
Unrestricted - general	12	8,023,526	6,619,219	4,763,301	4,672,849
		10,405,387	8,926,990	8,173,928	7,928,828

The notes on pages 45 to 71 form part of these financial statements.

These financial statements were approved by the Board of Directors on 13 November 2019 and signed on their behalf by:



Nick Blazquez
Chairman

Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ended 30 June 2019

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Cash flows from operating activities				
Net income	2,231,459	998,162	960,440	715,340
Income from investments	(106,194)	(106,194)	(73,750)	(73,750)
Depreciation	138,179	138,179	122,993	122,993
(Increase) in debtors	(2,933,834)	(2,925,087)	(4,476,092)	(4,476,092)
Increase in creditors	1,299,613	1,017,039	14,291,846	14,517,476
Cash provided by / (used in) operating activities	629,224	(877,901)	10,825,437	10,805,967
Cash flows from investing activities				
Interest received	106,194	106,194	73,750	73,750
Purchase of fixed assets	(415,830)	(415,830)	(127,710)	(127,710)
Cash used in investing activities	(309,636)	(309,636)	(53,960)	(53,960)
Increase / (decrease) in cash and cash equivalents at the end of the year	319,588	(1,187,537)	10,771,477	10,752,007
Cash and cash equivalents at the beginning of the year	50,882,631	50,863,161	40,111,154	40,111,154
Total cash and cash equivalents at the end of the year	51,202,219	49,675,624	50,882,631	50,863,161
Cash and cash equivalents comprise:				
Cash in hand	484	484	415	415
Bank accounts	51,201,735	49,675,140	50,882,216	50,862,746
	51,202,219	49,675,624	50,882,631	50,863,161

The notes on pages 45 to 71 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 Board has considered the position for the next twelve months and concluded the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast doubt about the ability of the charity to continue as a going concern.

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 five designated funds:

- a dilapidations fund to cover future dilapidation costs of our Edinburgh office, which is expected to increase gradually to the amount required as estimated by the directors.
- a foreign exchange fund used to offset future foreign exchange losses.
- a fund to support the development of the European platform.
- a fund to assist with co-financing when this cannot be secured for projects.
- a fund to support working capital needs due to new funding modalities.

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.

1. Accounting Policies (continued)

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 fair market value, 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.

1. Accounting Policies (continued)

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: -

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 2019, 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 not registered 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.

1. Accounting Policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

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	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Donations in cash	574,484	685,605	366,566	142,039	941,050	827,644

Donations and legacies - Charity

	Charity Unrestricted		Charity Restricted		Totals	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Donations in cash	552,947	667,884	366,566	142,039	919,513	809,923

2. Income (continued)

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 £15,930 (2018: £3,980) were received from trustees.

Income from charitable activities by Donor

		Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
European Commission	European Commission	8,606,474	8,606,474	10,574,637	10,574,637
	ECHO	14,934,937	14,934,937	16,398,252	16,398,252
		23,541,411	23,541,411	26,972,889	26,972,889
United Nations	CHF	-	-	-	-
	UNDP	918,963	918,963	933,173	933,173
	UNFAO	-	-	80,692	80,692
	UNICEF	26,460	26,460	165,045	165,045
	UNHCR	1,273	1,273	2,176,266	2,176,266
	UNOCHA	68,677	68,677	500,974	500,974
	967,432	967,432	1,603,114	1,603,114	
		1,980,259	1,980,259	5,459,264	5,459,264
UK Government	British Council	355,703	355,703	267,388	267,388
	DFID	42,883,397	42,883,397	38,467,007	38,467,007
	FCO	2,304,620	2,304,620	164,699	164,699
	Scottish Government	197,379	197,379	8,532	8,532
		45,741,099	45,741,099	38,907,626	38,907,626

2. Income (continued)

Income from charitable activities by Donor (Continued)

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Non-UK Government				
Austrian Development Agency (ADA)	-	-	8,247	8,247
French Government (AFD)	3,502,748	3,502,748	89,885	89,885
GIPA	90,993	90,993	65,713	65,713
GIZ	3,639,248	3,639,248	1,525,205	1,525,205
Ministry of Foreign Affairs of Denmark	80,464	80,464	1,258,539	1,258,539
Monaco Aid	109,584	109,584	756	756
Norwegian Agency for Development (NORAD)	-	-	13	13
Royal Netherlands Embassy	6,791,062	6,783,548	6,135,919	6,135,919
Swedish International Development Agency (SIDA)	5,029,407	5,029,407	2,175,336	2,175,336
Swiss Agency for Development and Cooperation (SDC)	2,804,653	2,804,653	2,875,795	2,875,795
	22,048,159	22,040,645	14,135,408	14,135,408
Foundations, Corporates & CSOs				
ACF	7,478	7,478	-	-
ActionAid	16,351	16,351	-	-
Aga Khan Foundation	87,277	87,277	530,801	530,801
Artemis Charitable Foundation	12,420	12,420	(114,448)	(114,448)
Argidius	220,262	220,262	6,586	6,586
Asfari	11,825	11,825	45,582	45,582
Blockchain Charity Foundation	1,679	1,679	26,675	26,675
Cardno Emerging Markets	44,497	44,497	-	-
CARE	8,143,425	8,143,425	3,302,462	3,302,462
Chanel Foundation	139,599	139,599	-	-
Christian Aid	110,834	110,834	6,443	6,443
CTA	-	-	135,584	135,584

2. Income (continued)

Income from charitable activities by Donor (Continued)

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Danish Refugee Council	3,269,895	3,269,895	3,241,134	3,241,134
Development Alternatives Incorporated (DAI)	146,034	146,034	-	-
Dubai Cares	1,583	-	-	-
Dynasafe Minetech Ltd	26,722	26,722	-	-
East-West Seed	69,125	69,125	-	-
Ecosystems Services	-	-	1,944	1,944
Expo DUBAI	5,281	5,281	61,460	61,460
Farm Africa	753,237	753,237	989,357	989,357
Frankfurt School	4,387	4,387	-	-
FSDZ	48,896	48,896	155,525	155,525
Global Partnership Alliance	183,438	183,438	434,292	434,292
GOAL	1,163,478	1,163,478	1,658,012	1,658,012
GSMA	77,836	77,836	-	-
HIVOS	645,094	645,094	334,426	334,426
Human Dynamics	57,465	57,465	-	-
IMMAP	101,384	101,384	18,067	18,067
Initiative France	27,801	27,801	33,898	33,898
IRC	20,346	20,346	378,303	378,303
KFW Development Bank	448,410	448,410	346,072	346,072
Kenya Markets Trust	-	-	8	8
Landell Mills	-	-	27	27
Lloyds of London	16,169	16,169	-	-
Netherlands Organisation for Scientific Research	15,274	15,274	64,140	64,140
NIRAS	-	-	38,690	38,690
Norwegian Refugee Council	27,098	27,098	-	-
Orange Foundation	3,248	3,248	21	21

2. Income (continued)

Income from charitable activities by Donor (Continued)

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Palladium International	-	-	9,449	9,449
Peace Support Fund	151,115	151,115	289,632	289,632
People in Need	124,479	124,479	33,088	33,088
Porticus	147,047	147,047	101,374	101,374
Private	274	274	10,786	10,786
Rabobank Foundation	67,291	67,291	11	11
Rheatech	28,691	28,691	45,454	45,454
Save The Children	2,288	2,288	96,884	96,884
Shell	375,188	12,987	955,929	346,161
SNV Netherlands Development Org	301,096	301,096	123,256	123,256
Somalia Stability Fund	244,185	244,185	-	-
Soneva	85,104	85,104	24,459	24,459
Soro Yiriwaso	-	-	8,530	8,530
Start Network	28,507	28,507	102,063	102,063
Street Football World	272,043	272,043	4,173	4,173
Swedish Postcode Lottery	59,768	59,768	114,151	114,151
Syngenta	12	12	-	-
Twinings	102,232	102,232	179,307	179,307
Unilever	110,946	110,946	126,522	126,522
Vitol	98,367	98,367	162,867	162,867
VSF International	658,972	658,972	54,640	54,640
World Vision	-	-	108,982	108,982
Welt Hunger Hilfe	-	-	20,416	20,416
Zurich	486,401	486,401	267,674	267,674
	19,244,810	18,881,026	14,534,708	13,924,940
Total	112,555,738	112,184,440	100,009,895	99,400,127

2. Income (Continued)

Income from charitable activities by Donor (Continued)

Income from charitable activities by Region

	Group 2019 £	Charity 2019 £	Group 2018 £	Charity 2018 £
Americas	675,389	675,389	587,352	587,352
Africa	43,926,847	43,590,461	28,596,053	27,986,285
CASA	6,152,781	6,151,198	5,361,952	5,361,952
Middle East	57,067,306	57,067,306	59,993,122	59,993,122
Southeast Asia	4,388,988	4,381,473	5,357,971	5,357,971
HQ Managed	344,427	318,613	113,445	113,445
	112,555,738	112,184,440	100,009,895	99,400,127

3. Team member numbers and costs

	2019	2018
The average monthly number of team members was:	127	118
Comprising - UK based employees	89	77
Expatriate employees	30	32
Continental Europe based employees	8	9

The above figures do not include team members seconded to the charity from MCG.

3. Team member numbers and costs (continued)

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Wages and salaries:				
Employed by the charity	6,020,532	5,916,038	5,516,700	5,516,700
Redundancy and termination	-	-	15,000	15,000
(Less seconded to MCG)	(2,110,049)	(2,110,049)	(1,920,592)	(1,920,592)
Field team members seconded from MCG	19,612,089	19,612,089	18,164,703	18,164,703
	23,522,272	23,418,078	21,775,811	21,775,811
Social security				
Employed by the charity	555,014	545,568	535,893	535,893
Less seconded to MCG)	(165,819)	(165,819)	(146,164)	(146,164)
Field team members seconded from MCG	-	-	-	-
	389,196	379,750	389,729	389,729
Other benefits				
Employed by the charity	9,759	9,759	2,719	2,719
Less seconded to MCG)	-	-	-	-
Field team members seconded from MCG	8,048,974	8,048,974	7,578,989	7,578,989
	8,058,733	8,058,733	7,581,708	7,581,708
Pension costs				
Employed by the charity	342,301	334,053	256,545	256,545
(Less seconded to MCG)	(118,053)	(118,053)	(83,494)	(83,494)
	224,248	216,000	173,051	173,051
	32,194,748	32,072,561	29,920,298	29,920,298

3. Team member numbers and costs (continued)

	2019 Group Number of Employees	2019 Charity Number of Employees	2018 Group Number of Employees	2018 Charity Number of Employees
Salary Bands (£)				
60-70k	8	7	5	5
70-80k	7	7	9	9
80-90k	5	5	3	3
90-100k	2	2	2	2
100 – 110k	1	1	-	-
110 – 120k	1	1	2	2
120 – 130k	1	1	1	1
130 – 140k	1	1	-	-
140 – 150k	-	-	1	1
Total	26	25	23	23

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £111,769 (2018: £95,482).

Mercy Corps Europe seconded 14 team members within salary bands exceeding £60,000 to Mercy Corps Global in 2019 (2018: 11).

Key management remuneration – comprising members of the European Senior Leadership Team - were as follows: -

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Total employment benefits	845,435	784,618	702,591	702,591

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 £117,996 (2018: £127,158) were outstanding at the year end.

None of the Board of Directors received any remuneration (2018: £0). One director is remunerated by MCG as they are an employee of MCG, a US charity and related party (see note 15). Expenditure of £30,722 (2018: £18,881) 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.

4. HQ support costs allocation – Unrestricted Funds

HQ support costs of £6m (2018: £5.6m) 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.

4. HQ support costs allocation – Unrestricted Funds (continued)

GROUP

Stage 1	2018 Costs	2019 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	280,137	341,802	43,124	5,647	21,215	(27,091)	-	384,696
Finance	1,082,962	1,116,334	349,303	45,740	171,840	(110,738)	-	1,572,479
Programmes	1,618,710	1,899,901	396,739	51,951	195,176	(167,353)	-	2,376,415
Fundraising	1,116,828	858,239	186,870	24,470	91,931	(76,415)	(580,755)	504,340
Human Resources	658,253	398,877	71,873	9,411	(480,162)	-	-	-
Governance	56,619	155,471	-	-	-	381,598	-	537,068
Office Administration	712,233	1,068,034	(1,068,034)	-	-	-	-	-
IT	111,523	117,095	20,124	(137,220)	-	-	-	-
Totals	5,637,265	5,955,753	-	-	-	-	(580,755)	5,374,998

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 £	2019 £	2018 £
Civil Society, Education and Conflict Management	152,217	109,032	445,676	673,530	142,941	1,523,396	1,391,180
Economic Development	168,996	121,050	494,802	747,771	158,697	1,691,316	1,459,386
Public Health, Water and Environment	52,143	37,350	152,670	230,724	48,966	521,853	528,094
Disaster Risk Reduction and Emergency Response	163,712	117,265	479,331	724,390	153,735	1,638,433	1,544,190
Totals	537,068	384,696	1,572,479	2,376,415	504,340	5,374,998	4,922,850

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

4. HQ support costs allocation – Unrestricted Funds (continued)

CHARITY

Stage 1	2018 Costs £	2019 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	280,137	341,802	36,192	5,590	20,250	(26,568)		377,266
Finance	1,082,962	1,116,307	293,156	45,283	164,021	(106,498)		1,512,269
Programmes	1,618,710	1,859,495	320,903	49,569	179,546	(158,521)		2,250,992
Fundraising	116,828	858,239	156,832	24,225	87,748	(74,148)	(563,522)	489,375
Human Resources	658,253	381,927	60,320	9,317	(451,565)			
Governance	56,619	155,471				365,734		521,205
Office Administration	705,431	884,293	(884,293)					
IT	111,523	117,095	16,890	(133,985)				
Totals	5,630,463	5,714,629	-	-	-	-	(563,522)	5,151,106

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2019 £	2018 £
Civil Society, Education and Conflict Management	147,721	106,926	428,611	637,982	138,700	1,459,940	1,389,461
Economic Development	164,004	118,712	475,856	708,305	153,988	1,620,865	1,457,582
Public Health, Water and Environment	50,603	36,628	146,825	218,547	47,513	500,116	527,442
Disaster Risk Reduction and Emergency Response	158,876	115,000	460,977	686,158	149,174	1,570,185	1,542,281
Totals	521,205	377,266	1,512,269	2,250,992	489,375	5,151,106	4,916,766

5. Governance costs

	Group £	Charity £	Group £	Charity £
External Audit	113,812	71,674	28,316	23,040
Trustees' indemnity insurance	2,408	2,408	2,408	2,408
Trustees' expenses	30,722	30,722	18,881	18,881
Board costs	-	-	6,961	6,961
Professional Fees	66,395	64,367	7,111	5,329
Apportionment of senior team members costs (based on time spent)	381,598	381,598	367,432	367,432
	594,935	550,769	431,109	424,051

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

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Depreciation	138,179	138,179	122,993	122,993
Operating lease rentals – land and buildings	342,750	341,956	313,759	312,965
Operating lease rentals – other	14,127	14,127	10,448	10,448
Auditors' remuneration – in respect of the audit	113,812	71,674	23,040	23,040

7. Tangible Fixed Assets

	Leasehold improvements London £	Leasehold improvements Edinburgh £	Computers £	Equipment £	Total £
Cost					
At 1 July 2018	393,059	-	199,762	99,475	692,296
Additions	-	385,036	29,193	1,601	415,830
Disposals	-	-	-	-	-
Reclassification	(27,326)	-	27,326	-	-
At 30 June 2019	365,733	385,036	256,281	101,076	1,108,126
Depreciation					
At 1 July 2018	113,018	-	181,328	33,741	328,087
Charge for year	62,969	30,855	21,653	22,702	138,179
At 30 June 2019	175,987	30,855	202,981	56,443	466,266
Net Book Value at 30 June 2019	189,746	354,181	53,300	44,633	641,860
Net Book Value at 30 June 2018	280,041	-	18,434	65,734	364,209

MCNL do not have any fixed assets to be reported as at 30 June 2019.

8. Debtors

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Income tax recoverable	5,097	5,097	13,741	13,741
Other debtors	1,725,471	1,725,342	3,040,740	3,040,740
Prepayments	3,150,644	3,143,582	2,044,447	2,044,447
Accrued project income	14,594,690	14,593,133	11,443,139	11,443,139
	19,475,901	19,467,154	16,542,067	16,542,067

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 2019.

9. Cash at Bank and in Hand

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Bank accounts	51,201,735	49,675,140	50,882,216	50,862,746
Cash in hand	484	484	415	415
	51,202,219	49,675,624	50,882,631	50,863,161

10. Creditors: amounts falling due within one year

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Deferred income	40,459,444	40,330,369	35,250,554	34,919,319
Intercompany balance	11,252,775	11,369,787	14,732,933	15,295,115
Accruals	292,347	250,209	292,420	287,103
Taxation and social security	157,128	157,128	251,744	251,744
Other creditors	8,752,898	8,750,154	9,087,328	9,087,328
	60,914,592	60,857,647	59,614,979	59,840,609

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 2018	35,250,554	34,919,319
Transfer from accrued project income	(11,443,139)	(11,443,139)
Currency	1,888,687	1,876,574
Grant funds received in year	115,075,874	114,915,314
Grant funds spent during year	(114,907,223)	(114,530,833)
Transfer to accrued project income	14,594,690	14,593,133
At 30 June 2019	40,459,444	40,330,369

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 £	2019 £	2018 £
In less than 1 year	341,956	14,127	356,083	295,614
In 2 to 5 years	883,645	16,927	900,572	870,317
Over 5 years	-	-	-	10,642
	1,225,601	31,054	1,256,655	1,176,573
Lease payments recognised as an expense	-	-	448,875	324,207

Operating lease - rental income

There is surplus office space which is let to third parties. The future minimum rentals receivable under non-cancellable operating leases are as follows:

	Land and Buildings £	Other £	2019 £	2018 £
In less than 1 year	-	-	16,800	5,600
Lease receipts recognised as income	-	-	16,800	5,600

12. Unrestricted funds

GROUP

	Balance at 1 July 2018 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2019 £
General Funds	4,763,301	8,201,447	(7,013,947)	2,073,082	8,023,883
Designated Funds					
Dilapidations	132,000			(132,000)	
Foreign Exchange	834,547	271,984			1,106,531
European Platform	450,000				450,000
New Modalities	1,500,000			(1,500,000)	
	2,916,547	271,984		(1,632,000)	1,556,531
	7,679,848	8,473,431	(7,013,947)	441,082	9,580,414

CHARITY

	Balance at 1 July 2018 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2019 £
General Funds	4,672,849	8,130,782	(6,772,822)	588,415	6,619,223
Designated Funds					
Dilapidations	132,000			(132,000)	
Foreign Exchange	679,899	352,052			1,031,951
European Platform	450,000				450,000
New Modalities	1,500,000		(1,484,667)	(15,333)	
	2,761,899	352,052	(1,484,667)	(147,333)	1,481,951
	7,434,748	8,482,833	(8,257,489)	441,082	8,101,174

12. Unrestricted funds (continued)

GROUP AND CHARITY

	Balance at 1 July 2017 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2018 £
General Funds	3,630,241	6,106,884	(5,727,473)	753,649	4,763,301
Designated Funds					
Dilapidations	102,000			30,000	132,000
Foreign Exchange	752,405	760,494		(678,352)	834,547
European Platform	450,000				450,000
Co-financing	42,716			(42,716)	-
New Modalities	1,500,000				1,500,000
	2,847,121	760,494		(691,068)	2,916,547
	6,477,362	6,867,378	(5,727,473)	62,581	7,679,848

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 of £588,415 (2018 : £753,649 out of) includes a release of dilapidations fund of £132,000 (2018 : £30,000 increase). There was a net decrease in gap funding for projects of £441,082 (2018 : net decrease of £62,581), and the co-financing funds transfer represents the reduction of the fund to zero. The new modalities transfer out represents utilisation of the funds for investment in European operations paid to MCNL by way of donation.

13. Restricted Funds

GROUP	Balance at 1 July 2018 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2019 £
Grants	(1,789)	105,053,194	(104,680,525)	(373,513)	(2,633)
Donations	495,869	366,566	32,739	(67,568)	827,606
	494,080	105,419,761	(104,647,786)	(441,082)	824,973
	Balance at 30 June 2017 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2018 £
Grants		94,695,966	(95,017,470)	319,715	(1,789)
Donations	736,126	142,039		(382,296)	495,869
	736,126	94,838,005	(95,017,470)	(62,581)	494,080
CHARITY	Balance at 1 July 2018 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2019 £
Grants	(1,789)	104,729,599	(104,356,086)	(373,513)	1,789
Donations	495,869	366,566	32,739	(67,568)	827,606
	494,080	105,096,166	(104,323,347)	(441,082)	825,817
	Balance at 30 June 2017 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2018 £
Grants		94,165,733	(94,487,237)	319,715	(1,789)
Donations	736,126	142,039		(382,296)	495,869
	736,126	94,307,772	(94,487,237)	(62,581)	494,080

Transfer out of Restricted Grants of £373,513 (2018: £319,715) comprises restricted donations used to cover programmatic expenditure for projects with co-financing gaps. The transfer out of donations of £67,568 (2018: £382,296) represents 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 £441,082 (2018: net transfer out £62,581).

Restricted Funds are country or project specific and allocated to projects as expenditure is incurred. The balances held on individual restricted funds are listed on page 66.

13. Restricted Funds (continued)

Nature of restriction	Balance at 30 June 2019 £	Balance at 30 June 2018 £
<u>To Co-finance projects</u>		
Central African Republic- 1	12,673	12,673
Central African Republic- 2	-	26,020
Georgia	15,000	-
Iraq – 1	20,000	20,000
Iraq – 2	13,446	13,427
Lebanon – 1	37,065	37,065
Liberia	14,637	14,637
Niger	52,022	52,022
Nepal - 1	35,592	35,592
Nepal - 2	-	18,944
Somalia	11,770	10,800
South Sudan	32,045	31,860
Syrian Arab Republic - 1	50,247	45,252
Syrian Arab Republic - 2	52,993	52,993
Timor-Leste – 1	10,228	-
Timor-Leste - 2	21,131	-
Yemen – 1	13,364	13,364
Yemen - 2	331,145	-
Carried forward	723,358	384,649

13. Restricted Funds (continued)

Nature of restriction	Balance at 30 June 2019 £	Balance at 30 June 2018 £
Brought forward	723,358	384,649
<u>Other</u>		
Refugee Crisis	40,585	40,568
Nepal Earthquake	-	14,216
Haiti	3,705	3,705
Other funds (under £10,000)	59,958	52,731
	827,606	495,869

14. Analysis of Net Assets between Restricted and Unrestricted Funds

GROUP	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Tangible fixed assets	641,860	-	641,860	364,209
Other net assets	8,938,553	824,974	9,763,528	7,809,719
	9,580,413	824,974	10,405,387	8,173,928
CHARITY				
Tangible fixed assets	641,860	-	641,860	364,209
Other net assets	7,459,313	825,818	8,285,130	7,564,619
	8,101,172	825,818	8,926,990	7,928,828
GROUP AND CHARITY				
Tangible fixed assets	364,209	-	364,209	359,492
Other net assets	7,315,639	494,080	7,809,719	6,853,996
	7,679,848	494,080	8,173,928	7,213,488

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.

Nick Blazquez	Chairman of Mercy Corps Europe
Neal Keny-Guyer	Chief Executive Officer of Mercy Corps Global

No directors received any remuneration from Mercy Corps Europe. Neal Keny-Guyer was remunerated by Mercy Corps Global, though not in a directorial capacity.

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 MCG 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: £2,292,515; (2018: £2,089,851).

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Global: £513,766; (2018: £119,897).

Expenditure on behalf of Mercy Corps Netherlands by Mercy Corps Europe : £191,552; (2018: £150,091).

At the year-end MCE's liability with MCG was £11,369,787 (2018: £14,732,933).

MCE received £nil; (2018: £580,229) of income on behalf of Mercy Corps Netherlands (MCNL). At the year-end MCE's liability with MCNL was £7,857 (2018: £580,229).

16. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2019 (2018 none).

17. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2019.

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 2019.

19. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2019 to 30 June 2019. We certify that each of the DFID grants below were expended in accordance with the terms agreed with DFID.

Country	Cost Centre	Instalments received/ (returned) £	Expended during the financial year £
Democratic Republic of Congo	91083	6,105,220	7,243,800
Myanmar	91088	8,834	£0
Kenya	91090	1,401,230	1,642,988
Jordan	91146	5,354,449	6,660,007
Lebanon	91147	(45,926)	(208)
Nigeria	91166	0	78,224
Iraq	91185	0	0
Syria Response	91190, 91323, 91370	8,855,715	10,990,906
Nepal	91220	828,280	870,422
Nigeria	91221	1,545,173	1,629,419
Uganda	91240	(89,696)	11,705
Iraq	91251	8,268,498	9,136,526
Nigeria	91271	1,964,915	2,519,435
Uganda	91341	700,000	408,989
Myanmar	91350	42,543	41,869
Kenya	91354	300,000	48,457
Nigeria	91357	85,585	72,658

20. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2019 to 30 June 2019. 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 £
Afghanistan	91032	112,149	86,648
Iraq	91178	(4,405)	2,451
Myanmar	91232	278,364	266,604

21. Financial Instruments

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Carrying amount of financial assets	1,725,471	1,725,342	3,040,740	3,040,740
Debt instruments measured at amortised cost				
Carrying amount of financial liabilities	20,298,020	20,370,150	24,112,681	24,669,546
Measured at amortised cost				

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	Principal activity
Mercy Corps Netherlands	Public benefit entity

Results of affiliate for the year ended 30 June 2019

	Turnover	Expenditure	Net Profit	Aggregate net assets
Mercy Corps Netherland	£1,923,700	£565,564	£1,358,136	£1,358,136

OUR SUPPORTERS

The work of Mercy Corps globally would not be possible without the support of Mercy Corps Europe's many donors, both private and public. We would like to take this opportunity to thank all those listed below, all those who participated in or supported events on behalf of Mercy Corps Europe and all of our volunteers who gave up their time in the past year. Thank you also to our donors who wish to remain anonymous.

Grants and Funders

ActionAid
Aga Khan Foundation
Agence Française de Développement
Blockchain Charity Foundation
British Council
Cardno Emerging Markets
CARE International
Christian Aid
Danish Refugee Council
DCI Monaco
Department for International Development (DFID)
Development Alternatives Incorporated (DAI)
Dutch Ministry of Foreign Affairs
Dynasafe Minetech Ltd
European Commission (EC)
European Humanitarian Aid and Civil Protection (ECHO)
Farm Africa
Financial Sector Deepening (FSD) Zambia
Foreign & Commonwealth Office (FCO)
Frankfurt School
Georgian Institute of Public Affairs (GIPA)
GIZ
Global Partnership Alliance
GOAL
Hivos (Humanist Institute for Cooperation)
Human Dynamics
IMMAP
Initiative France
International Rescue Committee (IRC)
KfW Development Bank
Kingdom of the Netherlands
Ministry of Foreign Affairs of Denmark
Netherlands Organisation for Scientific Research
Norwegian Refugee Council
Peace Support Fund
People in Need
Rheateach Group
Save the Children
Scottish Government
SNV Netherlands Organisation
Somalia Stability Fund
Start Network
Swedish Agency for International Development Cooperation (SIDA)
Swiss Agency for Development and Cooperation (SDC)
United Nations (UN)
Vétérinaires Sans Frontières (VSF)

Corporate

Argidius Foundation
Asfari Foundation
Bayer
BlackRock
Chanel Foundation
CRH Trust
Diageo
Dubai Cares
East-West Seed Myanmar
EXPO 2020
GSMA
Kelvin Top-Set Ltd
Lloyds of London
Orange Foundation
Orbis Investment Management Ltd
Porticus
Rabobank Foundation
Shell
Soneva Foundation
Street Football World
Swedish Postcode Lottery Foundation
Syngenta
The Times Group
Twinings
Unilever
Vitol Foundation
Zurich Foundation

Organisations

Anamika Trust
Artemis Charitable Foundation
Eldon Charitable Trust
Pitlochry Station Charity Bookshop
The Calpe Trust
The Calumet Trust
The Nomads Tent
The Savitri Waney Charitable Trust
The Soghra Ghiassi Charitable Trust
The Wilkins Family Charitable Fund

In addition, in FY19 Mercy Corps Europe also gratefully received donations from local organisations including schools, community and religious groups.

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Back page Photograph: Mercy Corps team members distribute shelter support materials to households affected by Cyclone Fani, which hit India in April 2019. Photo: Gowhar Bhat.



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