



MERCY CORPS EUROPE

ANNUAL REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018



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EXECUTIVE DIRECTOR'S MESSAGE



With the end of our fiscal year 2018, so ends our 2015-2018 strategy. The past three years have seen momentous changes to the external environment within which we operate – a rise in populist and nativist sentiments, a decline in trust – including trust in NGOs, and increasingly polarised politics and communities. In June 2015 we could not have envisioned such seismic shifts, both in Europe and beyond. And as we embarked on the three-year strategy we certainly hoped the horrors of the conflicts in Syria and Yemen, and the protracted crises of the DR Congo and South Sudan would be moving in a positive direction. Instead we've seen a rise in humanitarian need to almost unprecedented levels across many of the countries where we work.

There have also been substantial internal changes. In spite of the complexity and uncertainty, there are many positives to highlight with both pride and humility. We have an exceptional team in place and the ongoing increase in our profile, expansion of our strategic relationships and ability to influence is more widespread than ever. We have more than doubled in income, which is in large part a sad reflection on the scale of crises affecting many of the countries where we work, furthering the organisation's ability to reach close to 28 million people over the past year. We've also carefully and strategically expanded our footprint in Europe and, with a view to generating efficiencies, become more integrated globally at both management and governance levels.

This past year, we have reinforced our efforts on implementing and impacting at scale in many of the world's most fragile environments. This focus on the most fragile places, on fragility and on addressing its root causes (notably the 3 Gs of weak Governance, Grievances and lack of equitable and sustainable Growth), will be increasingly important over the year ahead. Specifically, with regards to our growing partnerships with the British Government, we've been commended for our work in Syria and have now moved into the next significant phase of our impressively large-scale water and sanitation programme in the DR Congo.

Also noteworthy, we are seeing significant expansion of our partnerships with key European institutional partners – notably the Dutch, Swedish and French development agencies. We are also seeing progress with a number of new corporate partners – increasingly focused on areas of strategic priority for us.

We are now embarking on a refreshed, ambitious three-year strategy from Europe, where we've sharpened our vision, purpose and core priorities as follows:

Vision: Mercy Corps is the pre-eminent global organisation in Europe for impactful, innovative solutions to some of the most complex challenges, at scale, in the world's most fragile places.

Purpose: As an integral part of a global agency and in full support of our Mission and Compass priorities, Mercy Corps Europe's purpose is to provide excellent support to country offices and the wider organisation in relation to overseeing the stewardship of all European resources, growth and elevated influence over European funding, policy, profile and partnerships, and serve in contributing talent, knowledge and expertise towards the agency's overall excellence.

Whilst ongoing uncertainty around the outcome of Brexit negotiations has created considerable complexity for us, I am pleased with the way that we have navigated the establishment of a new entity in the Netherlands, where we have strived to balance doing whatever is possible to ensure our ongoing eligibility for EU funding whilst not increasing too significantly our cost structure or adding too much complexity to our governance and management structures. Mercy Corps Netherlands (MCNL) is now fully registered as an Association with the Chamber of Commerce in Amsterdam, we have begun to sign partnerships through the entity and have begun setting up a presence in The Hague. We are continuing to submit proposals to the EU institutions as Mercy Corps Europe (registered in the UK) and continue to be awarded funding.

The NGO sector has been under significant scrutiny with regards to safeguarding over the past few months. In response, we have been actively coordinating with key stakeholders on this critical issue,

including co-leading one of the four sector-wide working groups set up with our peer organisations. We are committed and underway with a range of initiatives to reinforce our systems and procedures with regards to safeguarding, whilst contributing to strengthening the sector in this important area to the greatest extent possible. We have also expanded our child safeguarding and anti-trafficking policies and have strengthened our complaints and whistle-blower procedures. At the time of writing, we have also strengthened our policies around sexual misconduct, harassment, and the abuse of beneficiaries. These will be presented to the Board for ratification in November 2018.

When I reflect on the Mercy Corps culture — it is the diversity of our identities, experiences and perspectives all working together to solve complex problems in furtherance of our mission that inspires me the most. Having embarked on an agency-wide Gender, Diversity and Inclusion initiative over a year ago, and undertaken an organisation-wide survey, we are committed to ensuring we bridge the diversity gaps we have identified, and to building safer, more inclusive environments across Mercy Corps teams and offices. Getting this right is critical to achieving our vision for transformational change.

Whilst we can certainly anticipate much ongoing complexity in the year ahead, and being mindful of the need to continue fostering an ethos of humility and openness to listening, there is much we can be confident of. I see our emphasis on nimble, flexible and decentralised structures, our pursuit of new partnerships and ways of working, our commitment to innovation, our focus on fragility and the world's toughest contexts, our growing capacities around adaptive management, and our emphasis on the importance of culture, as critical to enabling us to increase our impact and efficiency at a time of such fluidity. This, together with helping to generate greater understanding – and trust – in the importance of what we do, has never felt more important.

None of our work would be possible without the extraordinary commitment of the 5,000+ people who make up the Mercy Corps team, the vast majority of whom live and work in highly fragile contexts. Alongside the team on the ground, I would like to extend my gratitude to Tom Murray in his role as Board Chair, and to all the Board for such wholehearted support and engagement over the past 12 months – both to me personally and to the wider organisation.

Warmly,

Simon O'Connell
Executive Director, Mercy Corps Europe

CHAIR OF THE BOARD MESSAGE



In my third year as Chairman, I feel my appreciation of the organization has grown exponentially and I am now able to understand more fully what an incredibly innovative and forward-thinking organisation Mercy Corps is. From employing the latest technology in humanitarian contexts, through to the organisations' sector-leading research on issues as varied as countering violent extremism or market systems, I see what a pivotal role innovation is playing at Mercy Corps and, in the increasingly turbulent contexts in which we are operating, how effective, even game-changing, Mercy Corps' bold approaches can be.

The Gaza Sky Geeks programme epitomises Mercy Corps' commitment to innovation and continues to go from strength to strength. I was thrilled to read that Nour ElKhoudary, a young woman who participated in the programme, has gone on to win second place at Start-up Istanbul, a leading industry event where more than 100 companies vie for a prize. This is an incredible example of how technology is creating opportunities and giving people, like Nour, the chance to thrive, not just survive, in challenging contexts.

Alongside innovation, I think "ambition" would be a fitting term to sum up 2017/18. We have grown significantly in the past year, both in terms of our funding from institutional donors, and in the impact of our programming to those we work with (and for) in more than 40 countries around the globe.

The IMAGINE programme, in the Democratic Republic of the Congo, encapsulates for me, why our programming is so highly regarded. Last year I visited our teams in DRC and was able to witness, first-hand, the sheer scale of Mercy Corps ambition. Working with agents across civil, government and private sectors, the programme aims to secure clean drinking water for 1.5 million people in Eastern DRC- arguably the hardest hit area in a country where more than 13 million people are in need of humanitarian assistance. In Goma city, the capital of North Kivu, Mercy Corps is already delivering at least 15 litres of clean water a day to more than 415,000 people. It is an inspirational programme that is delivering real change on a massive scale.

Sadly, the world remains as turbulent, if not more so, than it was in 2017. Because of this, humanitarian responses remain a critical cog in our operations as we continue to deliver life-saving aid inside Syria, Yemen and other conflict-affected countries. I hope that this year will bring to a close the needless wars in Syria and Yemen, but until that day comes, we stand ready to support the vulnerable communities that are trapped by these devastating conflicts.

As a final point, I would like to thank the incredible team that we have working at Mercy Corps, for Simon's leadership, as well as our Board who support them. The work I have witnessed in the last year has been truly inspirational and none of it would have been possible without their passion, intelligence and commitment. It is the people at the coal-face who make this organisation what it is, and it is thanks to them that we are delivering a 'stronger tomorrow' for the people we serve.

Tom Murray
Chair, Mercy Corps Europe



WHO WE ARE

Mercy Corps is a leading global organisation powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action – helping people triumph over adversity and build stronger communities from within. Now, and for the future.

We have no political or religious agenda. For almost four decades, we have learned and grown alongside extraordinary people who understand their own needs better than anyone else. Our experience shows they are best able to strengthen their communities from within. In everything we do, we look for moments of transition to connect people to the resources and expertise that they need so that they can catalyse transformative change.

When we refer to “Mercy Corps” throughout this report we are referring to the global agency which is supported by central offices in Europe and North America, our unified global programmes employ more than 5,000 team members worldwide. This year our work saved and improved the lives of nearly 28 million people in more than 40 countries.

Mercy Corps Global (MCG) is a US company, a separate charity registered in Portland, Oregon USA.

Mercy Corps Europe (MCE) is based at Mercy Corps’ European headquarters in Edinburgh, and at offices in London and Geneva. While we are a separate legal entity (company limited by guarantee number SC208829; registered charity SC030289), we work as part of the global Mercy Corps agency.

Alongside our operations in Edinburgh, London and Geneva, a fourth European presence was established in The Hague as a non-profit association on 19 December 2017. It is an independent legal entity with its own constitution as an Association registered with the Chamber of Commerce in Amsterdam (RSIN: 8582.69.235).

Mercy Corps Europe exists for three charitable purposes, as set out in the objects of our Articles and Memorandum of Association:

- to promote the relief of persons suffering from poverty, sickness and distress in any part of the world and to preserve and protect health;
- to advance the education of such persons; and
- to advance education for the public benefit.

Our charitable objectives 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.

To make us a more effective and efficient organisation, Mercy Corps is now in its third year of a new governance structure which better reflects the integrated global agency, with a Joint Board Executive Committee (JBEC) with membership from both the MCG and MCE Boards, as well as a Joint Finance Committee (JFC) and Joint Audit & Risk Committee (JARC).

OUR APPROACH

Mercy Corps’ Mission

Our mission is to alleviate suffering, poverty and oppression by helping people around the world to build secure, productive and just communities.

Mercy Corps’ Vision and Strategy

Our ‘Vision for Change’, based on the Universal Declaration of Human Rights, is that peaceful, secure and just societies emerge when the private, public and civil society sectors are able to interact with accountability, inclusive participation and mechanisms for peaceful change.

Our strategy is to work in countries in transition, where communities are suffering and recovering from disaster, conflict or economic collapse. We help communities move rapidly from crisis to long-term, durable recovery and then continue to provide assistance until we are no longer needed. We do so by helping communities organise for the change they wish to see, bringing together a strengthened civil society with the private and public sectors, and promoting economic opportunity so positive change can be sustained.

What we do

We often enter countries during a humanitarian crisis, in which our immediate action saves lives and reduces suffering. We do this work quickly and well. Then, just as quickly, we extend our efforts to economic empowerment initiatives. In this way we help communities rapidly recover from the crisis - and also create mechanisms to increase their resilience to shocks and setbacks that are likely to recur. We want to make sure that communities grow stronger, more self-reliant and are better able to continue achieving progress on their own.

We frequently focus our assistance on youth, women and smallholder farmers – the demographic groups that often have the greatest power to transform their communities. That is because when their lives improve, the lives of many other people also improve. By combining three areas of programmatic focus - immediate humanitarian response, rapid economic recovery and long-term resilience - Mercy Corps takes a distinct approach to international development work and creates a vehicle for lasting, sustainable improvement in people’s lives.

Simply put, where others see intractable problems we see opportunities for progress. Decades of field experience have shown us the most effective ways to support that transformation. We know that local people are the best agents of the fastest, most durable economic recovery. That is why we live in the communities we work to improve. We literally speak the language and partner with local people to develop unique solutions to the challenges they confront.

Where we work

As a global agency, we work on some of the toughest challenges around the world. These include programmes in fragile states such as Somalia, conflict zones including Afghanistan, Central African Republic, Syria, South Sudan and Yemen, and countries that have endured natural disasters. In these places, a child’s life is often at risk, a woman’s education is regularly ignored, and a family’s livelihood is rarely a sure thing. These conditions threaten the welfare of communities, towns, provinces, countries and entire regions.

MCE OUR CAPACITY

As a highly decentralised, global organisation, we are committed to achieving best practice in all areas of our operations through the promotion and adoption of shared values, the efficient employment of up-to-date technology and resources, and the development and well-being of our team members.

Last year we:

- Moved in to a new London office, providing space for new members and collaboration with external partners, including DFID, expanded the Geneva office and added a team member in Brussels.
- Restructured the finance division to better reflect and support regional programming and country operations.
- Recruited a Strategic Institutional Partnerships Manager to strengthen our relationship, elevate our influence and increase revenue with the French Development Agency (AFD), the Swiss Agency for Development and Cooperation (SDC), Danish Refugee Council (DRC), and the European Commission (EC).
- Invested in a dedicated New Initiatives team member, focused on European donor funding, to provide additional bandwidth on opportunities and improve the quality of proposals submitted.
- Diversified and significantly increased, by over £30m, funding from key institutional donors, particularly continental Europe.
- Continued to increase our influence and profile through media coverage, increasing mentions in UK and European media by close to 100%.
- Became International Aid Transparency Initiative compliant and committed to organisational transparency.

This year we have:

- Expanded our Strategic Institutional Partnerships team to engage more effectively with donors and key stakeholders in the Netherlands, Germany and Sweden.
- Improved our capacity to secure and implement contracts issued by DFID and other European donors.
- Continued to build links with policy makers in UK and Europe, advancing on advocacy goals on cash, youth, resilience, foreign aid, and preventing conflict, and convened high level policy roundtables and events in London, Brussels and The Hague to highlight our research and recommendations on addressing the root causes of conflict and violence.
- Invested across finance operations to better align teams with country programming achieving effective business partnering and donor compliance.
- Completed a review of our FX compliance and treatment policy and practice and, in consultation with MCG and our auditors, implemented a new approach to manage interagency FX risks.
- Continued to support an efficient risk process linking it to agency wide Enterprise Risk Management.
- Established a Mercy Corps entity in The Netherlands, in anticipation of the UK's withdrawal from the EU.
- Implemented a global governance model that fully integrates the new Dutch entity, and so that European and US operations are more streamlined.
- Ensured that MCE is GDPR compliant, including an inventory of all data held by MCE, updating of consent and privacy statements, review and updating of policies and training of staff.
- Approved and rolled-out updated Policies on child safeguarding policy, anti-trafficking policy and ethics complaints and whistle-blower policy.
- Expanded our team by 41%

In the coming year we will:

- Update and strengthen our Code of Conduct and update policies on Sexual Misconduct, Addressing Sexual Harassment and Assault in the Workplace and Preventing Sexual Exploitation and Abuse of our Beneficiaries.
- Identify and secure new partnerships to develop Mercy Corps' brand profile, including with corporate organisations and public figures.
- Roll out European Donors' Compliance and Partner Management training in both HQ and in the Field to enable more effective management of work funded by European donors.
- Further grow and diversify our funding portfolio, strengthening our corporate relationships, improving our capacity to win and implement contracts and secure new revenue streams.
- Double down on building greater accuracy to our programme forecasting to achieve variance tolerance in line with donors' expectation.
- Continue to build our profile and influence in order to drive better policy from UK and mainland European governments and institutions around addressing the root causes of conflict and violence and improving the response to complex emergencies.
- Establish a Leadership Council to further our ability to influence around key priority areas

MCE 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
David Evans – Director of Human Resources (interim)
Amy Fairbairn - Head of Media and Communications (joined June 2018)
Michael McKean – Director of Programmes and Strategic Institutional Partnerships
Henri Van Eeghen – Senior Director of Fundraising
Selena Victor – Senior Director of Policy & Advocacy

Mercy Corps Europe Board of Directors:

Tom Murray, Chair
Adrienne Airlie
Nick Blazquez
Roberto Bocca
Allen Grossman
Paul Dudley Hart
Elsie Kanza
Neal L. Keny-Guyer – Global CEO
Debu Purkayastha
Howard Taylor
Iman Dakhil (appointed November 2017)

Mercy Corps Europe Audit and Risk Committee:

Adrienne Airlie (Board director) (Chair)
Bob Cowan
Richard Martin
Howard Taylor (resigned April 2018)
Alison Warden
Les Campbell (joined June 2018)

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.

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

Joint Audit and Risk Committee and Joint Finance Committee

Established in FY17, the Joint Audit and Risk and Joint Finance committees assist the Board of MCG and the Board of MCE with advice and recommendations regarding their responsibility of oversight duties and in financial affairs.

Joint Audit and Risk Committee

Bob Newell, Chair
Gun Denhart
Mark Gordon
Howard Taylor (resigned April 2018)
Adrienne Airlie (interim)
Alison Warden

Joint Finance Committee

David Mahoney, Chair
Adrienne Airlie
Nick Blazquez
Scott Brown
Hank Vigil



Biographies for Board and Committee members:

Tom Murray (Chair): Director, Charityflow; consultant to Gillespie MacAndrew LLP, Tom brings expertise in charities, NGOs, trusts & tax.

Adrienne Airlie: Chief Executive of Martin Aitken & Co, an independent firm of Chartered Accountants, Adrienne brings extensive expertise of UK charity legislation and accountancy.

Nick Blazquez: Former President of Diageo across Africa, Turkey, Russia, Central and Eastern Europe and with over ten years' experience managing businesses in Africa and Asia, Nick provides great insights, views and advice around the private sector's role in economic and social development in emerging markets, and how enterprise can support the building of human capacity.

Roberto Bocca: Senior Director, Head of Energy Industries at the World Economic Forum with over fifteen years' experience in the energy sector working across business and international organisation. Roberto brings in depth knowledge of the international energy sector combined with the ability to work across different stakeholders' groups.

Scott Brown: CEO and co-founder of New Energy Capital Corp., a New England-based company with investments in biofuels, renewable power generation, and on-site cogeneration assets. Mr. Brown's career in the renewable energy sector has included positions as a member of the founding management team of First Solar, Inc., and the President of Glasstech Solar, Inc. Mr. Brown was also a founding member of the Harvard Negotiation Project at Harvard Law School, and was the President of Conflict Management Group, Inc. from 1992-1996.

Les Campbell: has more than 40 years of experience as a chartered accountant. Before his retirement in 2017, he was Finance Director at the Department for International Development. He currently sits on the board of the International Institute of Environmental Development (IIED).

Bob Cowan: Scottish Chartered Accountant with over 20 years' experience in senior finance roles in the private and public sectors. He is a Deputy General Treasurer of the Church of Scotland. He has been a member of the Audit and Risk Committee of Mercy Corps Europe since 2007.

Iman Dakhil: is the founder and CEO of Hinthint, a universal gift registry service and gift marketplace, and Kenza Lee Jewellery. Previously, Iman founded and was CEO of InTv, the first English language community television channel in the United Arab Emirates.

Gun Denhart: co-founded the Hanna Andersson children's clothing company in 1983. Through her leadership, the company has become known for its high-quality clothing made from soft cotton materials, as well as community involvement and family-friendly work practices. Gun Denhart and successful entrepreneur Laury Hammel also co-authored the book Growing Local Value.

Mark Gordon: co-founder and Chairman of the Conflict Management Group and the Senior Adviser to the Harvard Negotiation Project. He is Managing Director of Vantage Partners, a negotiation consulting firm, and co-author of "The Point of the Deal: How to Negotiate When 'Yes' Is Not Enough".

Allen Grossman: Senior Fellow at Harvard Business School, Allen has written extensively on high-performing non-profits. He has experience of running non-profit organisations and has served and chaired many non-profit and for-profit boards. He has a B.Sc. in Corporate Finance.

Paul Dudley Hart: Senior Advisor, has held a number of executive positions at Mercy Corps over the last 16 years. Throughout his tenure at Mercy Corps much of Paul's efforts were focused on Mercy Corps' evolution to a more diversely funded global agency. After starting his career in marine science, he brings over 35 years of NGO senior management experience to the board.

Elsie Kanza: Senior Director and Head of Africa for the World Economic Forum, Elsie is responsible for the Forum's Africa Strategy, and champions multi-stakeholder regional initiatives. She has held various positions in the political and financial sector in Tanzania and was ranked among the Choiseul 100 Africa 2015: 'Economic Leaders for Tomorrow' for the second consecutive year.

Biographies for Board and Committee members (continued):

Neal L. Keny-Guyer: Chief Executive Officer of Mercy Corps. Brings over 30 years of international relief and development experience in leadership positions. Neal is also actively involved with the Yale School of Management (SOM), and serves on its Board of Advisors, and is the Alumni Fellow to the Yale Corporation. He also serves on the Yale President's Council on International Affairs Advisory Board. He serves on ImagineNations' Board of Directors, and the Nike Foundation's Advisory Group.

David Mahoney: a private equity investor and the former Co-CEO of McKesson HBOC and CEO of iMcKesson LLC. He serves on the board of Symantec, Inc., Corcept Therapeutics, and Adamas Pharmaceuticals as well as a trustee of the Schwab Mutual Funds and SFMOMA. He has a bachelor's degree from Princeton University and an MBA from Harvard Business School.

Richard Martin: has had a long career in investment that has included managing the Royal Bank of Scotland's pension fund and supervising Scottish Amicable's investments. Richard has worked in Algeria, Zambia, and Malawi. His charity work has included convening the investment committee of the National Trust for Scotland and he also founded the Prince's Trust Financial Lunch fundraising event.

Linda Mason: Chair and Founder of Bright Horizons, the largest worldwide provider of worksite childcare and early education. She is the former co-director of Save the Children's emergency program in Sudan. Ms. Mason currently serves as Leader-in-Residence at the Center for Public Leadership at the Harvard Kennedy School.

Bob Newell: partner with Davis Wright Tremaine LLP, one of the Northwest's largest and leading law firms with offices throughout the U.S. and overseas.

Debu Purkayastha: Formerly Principal of New Business Development at Google. MBA (London Business School) and qualified Chartered Accountant. Debu brings his expertise and experience to the voluntary work he undertakes in his personal time with leading NGOs and governmental institutions, focusing on economic development initiatives.

Hank Vigil: an independent tech investor and advisor. Before retiring in July 2011, Mr. Vigil worked at Microsoft for 25 years including as Senior Vice President, Consumer Strategy and Partnerships. Mr. Vigil was responsible for developing Microsoft's consumer strategy, managing Microsoft's strategic engagements with consumer electronics companies, and developing relationships around emerging consumer platforms and consumer services.

Alison Warden: Finance & Administration Partner at Baillie Gifford & Co. Alison is a qualified accountant who has gained expertise in the areas of business management, finance, compliance, internal audit and risk management during her 27 years with the firm

Melissa Waggener Zorkin: CEO, President and Founder of Waggener Edstrom Worldwide an independent communications agency. Melissa has been recognised for her contributions initiatives that lift women out of poverty through education and entrepreneurial training, notably in Ethiopia, and together with her family has supported women and children in Ghana through a school library and an orphanage.

OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

Mercy Corps Europe (MCE) is a registered charity (registration number SC030289) and is constituted as a company limited by guarantee (registration number SC208829). The objects (defined on page 8 of this report) and powers are set out in its Memorandum and Articles of Association.

MCE operates as the European headquarters for Mercy Corps, with Mercy Corps Global (MCG) as the US headquarters based in Portland, Oregon. Additionally, Mercy Corps Netherlands (MCNL) was established in December 2017 with headquarters based in The Hague to strengthen our presence in continental Europe, particularly taking into account the prospect of the UK leaving the European Union. MCNL is fully integrated into the Mercy Corps Europe Senior Leadership Team (ESLT) structure to ensure efficient governance, with Simon O'Connell as Executive Director of both MCE and MCNL.

Together the three entities, MCE, MCG and MCNL give us the ability to secure resources, build partnerships and influence and advocate policies on a global scale. The three organisations have separate Boards of Directors who are responsible for the operation of the respective companies. MCE, MCG & MCNL operate globally under the title of "Mercy Corps". The formalisation of this operational structure is detailed below.

MCE and MCG are member corporations, made up of a common nine Members and the current Members are listed on page 11; those individuals sit on the JBEC. MCNL is also a member corporation and from 1 July 2018, MCNL will have the same common nine Members.

The Directors of MCE are the statutory Charity Trustees, collectively known as the Board. The Board, by which MCE is governed, comprises a minimum of 6 and a maximum of 20 directors. The Board meets three times a year and the current Directors are listed on page 11.

MCE Board Directors serve an initial term of three years. One third of the Directorate retires each year but may be re-elected for further terms of office. Director appointments are made based on the skills and experience required by MCE to guide the strategic direction of the charity and to monitor its implementation. New Directors are nominated by the Board of MCE, following recommendation and nomination by existing Board Members and the Executive Director.

The selection process of new Board Directors includes interviews by the Board Chair and Executive Director, organisational briefings, office visits and attendance at a board meeting or event. On appointment, new Directors are offered an induction by each of the departmental directors – the European Senior Leadership Team (ESLT) - who cover the functional operational aspects of the organisation. All Directors are given the opportunity and encouraged to visit field offices and attend US Board meetings.

There is also a Joint Board Executive (JBEC) Committee made up of the Board Chair of MCG, the Board Chair of MCE, the global Chief Executive Officer (CEO), four Members of the Board of MCG and two members of the Board of MCE. The JBEC exercises the full power of the Board of MCE and of the Board of MCG as delegated to it by the Boards. Conversely the Boards of the two organisations will remain in overall control of their respective organisation. JBEC members also serve as members of MCNL.

The roles and responsibilities of the Board are published in the Governance Handbook. In addition to the Board and the JBEC, there are three sub-committees, the MCE Audit and Risk Committee, the Joint Audit and Risk Committee and the Joint Finance Committee, which all have specific terms of reference and functions. Each of these has a chair and provides reports to the directors.

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

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. We believe in the power of the individual to create their own future and we believe that both team members and beneficiaries alike have the possibility to shape the organisation. We want our team members to embrace interesting opportunities, feel empowered to make decisions, generate new ideas, tackle challenging problems and pursue valuable solutions. In addition to Mercy Corps' entrepreneurial culture, we strive to offer competitive pay. Every position at Mercy Corps is essential to our success and we want our team members to feel valued for the work they do.

Mercy Corps evaluates the external market and internal organisation context on a regular basis to ensure that our compensation packages are equitable and in line with our targeted colleague agencies and other comparator organisations. Mercy Corps has a banded pay structure that has been established with input by third-party compensation consultants. We have established guidelines that enable our hiring and leadership teams to accurately determine the salary band of a position and appropriate range for each team member. Additionally, with recent enhancements to family friendly and flexible working approaches and enhancements to team member care support, our benefits packages are comprehensive and competitive. We believe in fair pay and this package signals the value we place on our team members.

OUR DIRECTORS AND THEIR STATUTORY RESPONSIBILITIES

The directors are responsible for preparing the Annual Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102, The Financial Reporting Standard applicable in the UK).

Company law requires the directors to prepare financial statements for each financial year. These financial statements must only be approved if directors 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 for that period.

In preparing these financial statements, the directors 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 directors 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 directors confirm that they complied with the above requirements in preparing these financial statements.

The directors 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. This information should be interpreted in accordance with the provisions of the Companies Act 2006 s418.

STRATEGIC REPORT FOR YEAR ENDED 30 JUNE 2018

Our Strategic Report provides a snapshot of our activity from 1 July 2017 to 30 June 2018. As a global organisation we work in over 40 countries, and this report documents the 39 countries where MCE is operational. It would be unwieldy to cover every programme during this period in one report, but we are happy to provide further information on any of our programmes. For the purposes of this report, a cross-section of work is illustrated.

We have chosen to document our four key charitable activities under the umbrella headings of **urgent needs** and **stronger tomorrows**. This is the essence of what we do at Mercy Corps, although we do not see these headings as finite or definitive. Much of the programming we implement in urgent contexts, like in Bidi Bidi camp in Uganda, is addressing urgent needs with a longer-term, more sustainable approach. Wherever possible, we want to deliver solutions that foster independence and break the cycle of dependency that can be an unfortunate consequence of the aid sector.

Our key charitable activities are covered under these headings:

- Civil Society, Education and Conflict Management
- Economic Development
- Public Health, Water and Environment
- Disaster Risk Reduction and Emergency Response

Our Strategic Report includes the following sections:

- Urgent needs
- Stronger tomorrows
- Risk Management
- Financial Review and Reserves

Public benefit

The directors ensure that the activities of the charity are consistent with its charitable objects and aims. In agreeing our annual plans, the directors take into account public benefit as set out in the Charity Commission's general guidance on public benefit in relation to the prevention and relief of poverty, the advancement of education and health and the relief of those in need. The directors believe there is clear public benefit derived from the activities of the charity.



URGENT NEEDS:

ENSURING FAMILIES AND INDIVIDUALS RECEIVE URGENT HELP IN A CRISIS OR EMERGENCY

Mercy Corps provides emergency relief in times of crisis. We react swiftly to serious humanitarian crises by providing targeted short-term aid – relief - and by quickly identifying ways to help communities recover and rebuild. Mitigating the impact of emergencies and building resilience to future challenges is at the heart of our work.

Alongside the conflicts in Syria and Yemen, Mercy Corps is responding to a range of complex and multi-faceted crises across the world, which have been exacerbated by conflict, climate change, and natural disasters.

REDUCING VULNERABILITY AND RESTORING DIGNITY TO YEMEN'S INTERNALLY DISPLACED

The ongoing conflict in Yemen has created the world's worst humanitarian crisis. Three quarters of the population, 22 million people, are in need of humanitarian aid, and more than eight million people do not know where their next meal will come from. Add to this the scarcity of clean water, and the scale of the humanitarian challenge becomes truly stark. Poor sanitation and lack of clean drinking water saw more than one million reported cases of cholera in 2017, making it the worst cholera outbreak in history.

In the poorest country in the Middle East, the conflict has left a population devastated by a complex crisis that continues to threaten to overwhelm humanitarian actors.

Amongst the most vulnerable are those who have been internally displaced, many of whom have no access to food, water or any means of generating an income. As part of a wider consortium, Mercy Corps is helping to meet their urgent needs through the delivery of cash, food vouchers, health and water, sanitation and hygiene programming. In 2018 across our global operations, Mercy Corps supported approximately 3.7 million vulnerable people inside of Yemen, including more than 10,000 households in Taiz governorate, one of the worst affected areas, as part of DFID's emergency response through Mercy Corps Europe. In June 2018, we received further funding from DFID to support an estimated 3,000 households displaced by fighting around Hodeida.

“Mercy Corps took care of our food needs, which ensured that our children would have at least two meals a day, if not more, and they are not suffering from malnutrition.” Explains Salem, “Mercy Corps also provided us with cash assistance to help us buy food for our families and, most importantly, return to us a sense of dignity that the war robbed us of.” - Salem

Salem Alreboy and his family fled Taiz when fighting intensified.

With nowhere to go, the family found themselves sheltering in the Alfager Algadid School, a derelict school building and unofficial settlement for as many as 30 displaced families, many of whom, like the Alreboys, come from marginalised communities. Discovered by our team, Mercy Corps is now supporting these families with food vouchers and cash assistance.



SUPPORTING THE MOST VULNERABLE PEOPLE INSIDE SYRIA'S PROTRACTED WAR

Syria's prolonged and increasingly violent civil war is now in its eighth year. The fighting has killed a reported 470,000 people and driven 11 million people from their homes, creating a desperate humanitarian crisis inside the country, and throughout the region.

Mercy Corps has been working in Syria since 2008 and has one of the largest humanitarian responses currently underway in the country. With UK Government support, Mercy Corps is supporting hundreds of thousands of Syrians with life-saving assistance in the form of food rations, cash, access to safe drinking water, and non-food items such as blankets and detergent.

In just one quarter in 2018, through the DFID Emergency response fund, our teams distributed 78,460 food rations, delivered emergency water to 155,628 people in Northern Syria, and provided non-food items, such as blankets and hygiene products to 56,311 individuals.

LIBYA USING TECHNOLOGY TO DELIVER CASH ASSISTANCE

The security situation in Libya continues to present severe challenges for humanitarian actors. Lack of effective governance, political instability and continuing conflict has left hundreds of thousands of people across Libya without access to basic household goods or essential commodities. It is estimated that more than one million people across the country are in need of humanitarian assistance.

In order to reach these vulnerable individuals, Mercy Corps is implementing an innovative, industry-first programme which is delivering cash to vulnerable communities in three regions: Sirte, Misrata and Tripoli. Through mobile phone transfers, Mercy Corps will be able to deliver cash to internally displaced families in contexts where physical cash transfers would pose a security risk. The cash can then be collected at designated shops in their communities.



MEETING SOUTH SUDAN'S URGENT NEEDS WITH SUSTAINABLE LONG-TERM SOLUTIONS

Since violent conflict erupted in December 2013, tens of thousands of South Sudanese civilians have been killed and more than three million people have been forced to flee their homes. The country's economy is in pieces and this has left many people in a desperate state. Despite the peace agreement, the humanitarian needs in the country remain severe with seven million people in need of humanitarian assistance- more than half the country's population.

Through a UK-funded programme that specifically aims at assisting internally displaced households, Mercy Corps is helping families meet their urgent needs through providing cash, whilst at the same time supporting them to find longer-term solutions that allow them to find a route out of emergency. By providing training, tools and access to finance, Mercy Corps is making these communities more resilient to the shocks caused by conflict and crisis, and breaking the chains of dependency that can be an unfortunate by-product of the aid industry.

Last year the programme reached more than two million people with food, water and hygiene supplies to meet their urgent needs, as well as supporting displaced people in restarting their livelihoods.

When Mercy Corps met Elizabeth, she was 9 months pregnant. Forced to flee her home in Koch after fighting erupted, she fled with her 6 children to Nyal, Unity state.

Mercy Corps are providing Elizabeth with cash to support her and her expanding family.



“Now the children are happy here, because they can go play with other kids and they can go to other areas” she says, “When I arrived in Nyal I found it was better because people are not running and there is no more war in Nyal. It is peaceful” - Elizabeth

JORDAN

ENSURING CHILDREN WITH DISABILITIES DON'T MISS OUT ON AN EDUCATION

In seven years of bloodshed, more than half a million Syrians have sought refuge in Jordan. This influx of people has put a huge strain on vital resources. For the 40,000 young Syrians who are hoping to continue their education, countless obstacles—inadequate facilities, overcrowding, poverty, a shortage of qualified teachers—stand in their way. For children living with disabilities, the obstacles are even greater. If services could be described as limited before the war, now they are almost non-existent.

Around 10 percent of people crossing the border from Syria have some sort of disability. Mercy Corps' inclusive education program aims to prevent those of school age from being refused an education simply because they have special needs.

With the support of the United Nations and European donors, Mercy Corps is helping children with disabilities enrol in schools throughout Jordan, by providing essential equipment like wheelchairs, glasses and hearing aids, as well as the staff they need to be safe and supported.

“I receive a lot of things here, a lot of useful things,” she says. “I do exercise. ... I learn lots of math and I learn how to read and how to multiply numbers. I feel good. It is helping me be on the same level as my classmates”. - Malak

At 15 years old and barely 2-feet tall, Malak has a combination of health issues including dwarfism and severe scoliosis. Because of the war in her home country-Syria-she's now also a refugee.

When Mercy Corps heard about Malak's case, it worked with her school to develop tailored solutions that would allow her to continue her education. Mercy Corps provided a specially-fitted desk, so she could be integrated into the regular classroom, and paired her with her own teacher, Haleema, to receive one-on-one physical therapy and academic support to help her catch up with her peers.





DRC

HELPING CONFLICT-AFFECTED FAMILIES MEET THEIR URGENT NEEDS

The Democratic Republic of the Congo (DRC) is host to one of the world's most complex and long-standing humanitarian crisis, centred particularly in the east.

Armed conflict and insecurity has displaced 4.5 million people within the country, with a total of 13.1 million people in need of humanitarian assistance, 5.6 million more than in 2017. Over the last year the humanitarian situation has drastically worsened, and a surge of violence has forced hundreds of thousands of people to flee and this year, the largest ever humanitarian funding appeal of \$1.7 billion has been launched for the country.

This year, Mercy Corps doubled its humanitarian response in the Democratic Republic of Congo, with the ambition to help more than half a million Congolese, making Mercy Corps one of the largest organisations working in the country.

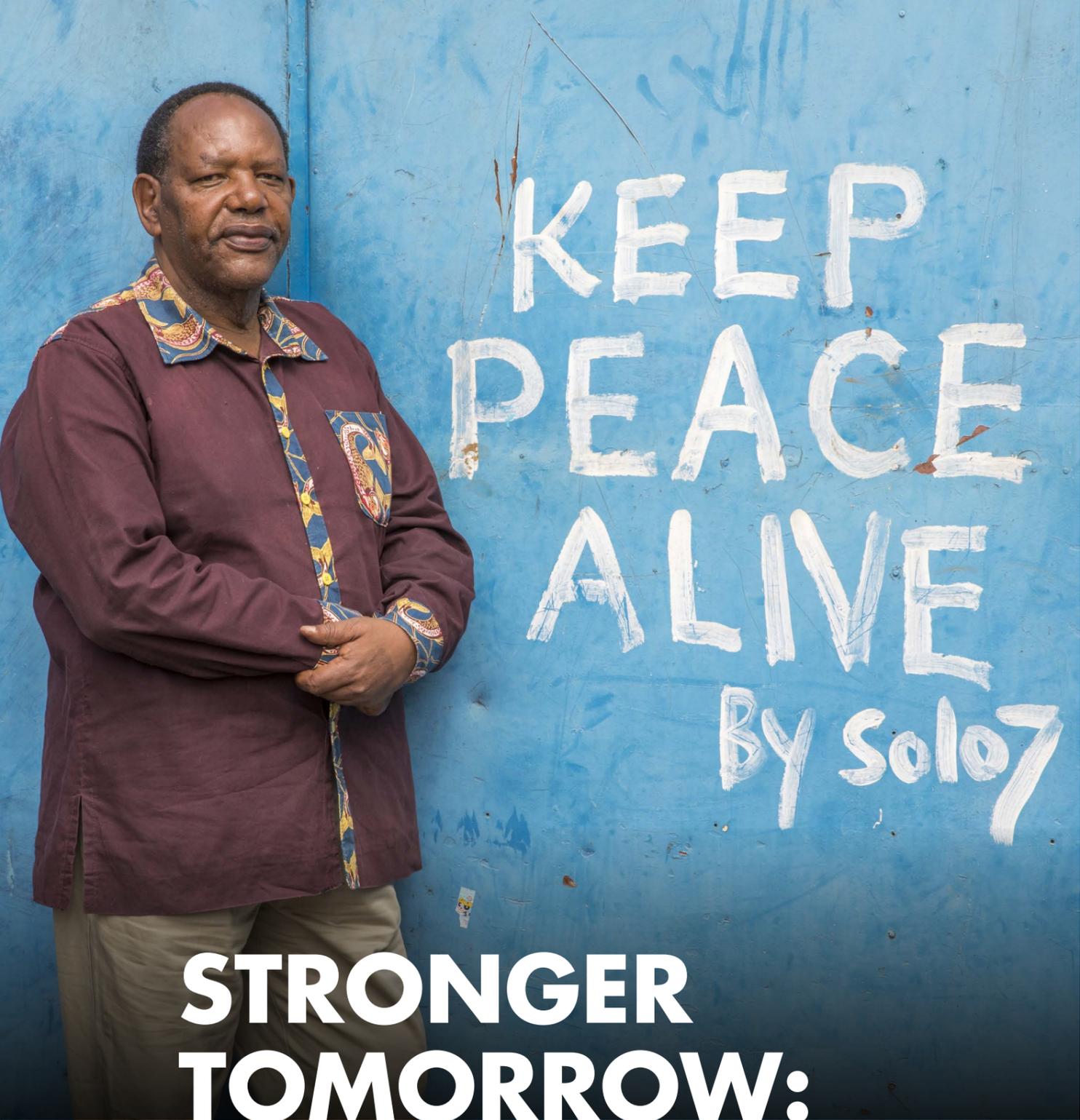
Mercy Corps' mobile emergency team is responding to acute crisis and multiple waves of population movement in the east of the country. When conflict and violence erupt, Mercy Corps' experts in water, hygiene and sanitation, and cash support, travel to help people who have moved east after fleeing violence and conflict. Since January 2018, we have delivered cash support to more than 190,000 people.

› *“We are happy” she says, “now we can buy food and clothes that we can give to our children” - Ruhune*

In Walungu, our team was undertaking a cash distribution over three days to reach 2,828 households. 85% of people who receive cash are displaced, 10% are from the host community and 5% are particularly vulnerable residents. Each person receives the equivalent in Congolese francs of \$96, which is based on the analysis of a food basket and what a household might need.

One of the people who has benefitted is Ruhune Mungu, a mother of three who has already been displaced three times. After fighting broke out in her village, she took her children and fled on foot to Walungu. Now that she is settled in Walungu she is receiving support from Mercy Corps.





STRONGER TOMORROW:

HELPING PEOPLE FIND THEIR OWN ROUTE OUT OF CRISIS

As an organisation, Mercy Corps believes that people can thrive even in the most challenging contexts. That is why, alongside our humanitarian interventions, we pride ourselves on the programmes that are delivering stronger tomorrows for the people we work with. Even in the midst of unimaginable hardship, people are flourishing: gaining new skills, establishing businesses, and even engaging in regional and national politics. Helping people find their own route out of crisis not only breaks the cycle of dependency which is often an unwelcome by-product of humanitarian intervention, it also restores people's sense of independence- one of the first things to be stolen at the onset of a crisis.

LEBANON

HELPING REFUGEES FIND A PLACE IN THEIR NEW COMMUNITIES

The consequences of the ongoing conflict in Syria has reached far beyond the country's borders. Lebanon, a country of only six million people, is now home to almost one million Syrian refugees, an increase which has placed a great deal of strain on the economy and public infrastructure.

Mercy Corps research has shown that the relative stagnation of the Lebanese economy, along with a deterioration of public services and strain on national resources, has greatly increased tensions between Lebanese and Syrian refugee communities.

Mercy Corps is working to improve the stability and prosperity of communities in Lebanon by tackling unemployment and improving economic prospects for businesses and communities.

In order to support Syrian, Palestinian and Lebanese people in marginalised or vulnerable communities, Mercy Corps is working with training providers, NGOs and small businesses to provide training opportunities that could lead to gainful employment. Over a two-year period, the DFID funded project has supported more than 1,900 people in finding employment, working with 103 small and medium sized businesses.

“*INTAJ supported me in finding this job*”.
 “*I feel safe in this workplace*”. - **Taha**

Taha Abed is from Beddawi, a small village in Northern Lebanon which has become home to an estimated 16,500 Syrian refugees. With a population of only 6,000 before war broke out, the influx of refugees has put a great deal of strain on the local economy.

Being unemployed and with few opportunities open to him in Beddawi, Taha enrolled on a graphic design course funded by the INTAJ programme. After successful completion of the course, Taha won an internship at a web design agency and, after proving to be a hard worker, is now on his way to becoming a full-time graphic designer.



GAZA
HOW THE INTERNET IS GIVING PALESTINIANS IN GAZA OPPORTUNITY

The Gaza Strip, home to 1.8 million people, has been under a blockade since 2007, which has paralysed its economy and led to severe shortages of water, electricity, food and fuel. According to the UN, at least 70 percent of the population is dependent on external assistance.

Building on the success of Gaza Sky Geeks, a programme which supports and nurtures tech entrepreneurship in Gaza, created by Mercy Corps with support from Google, Mercy Corps is now working to connect the Palestinian entrepreneurs that the Gaza Sky Geeks programme has created with entrepreneurs around from around the world. This work has a particular focus on building relationships with members of the Israeli technology community. By forging relationships based on shared interests, the programme is building mutual respect and understanding between Israelis and Palestinians, whilst at the same time creating job opportunities and access to new markets.

In late 2017, Nour ElKhoudary joined other Gaza Sky Geek CEOs in attending Start-up Istanbul, an event which attracts more than 100 companies who vie to win one of the coveted top prizes.

ElKhoudary's app, Momyhelper - an online platform that provides wellness consultations for Arabic women, - won second place at the event - a huge achievement given ElKhoudary almost missed the deadline to join the programme.



“It still feels like a dream! My journey started on the last day to submit the application for GSG’s start-up event and it was a miracle that I was able to finish my application.” Explains ElKhoudary, “When I received an email that informed me of my winning, it brought me to the brink of insanity with happiness. GSG has empowered me and it’s now my turn to empower Arab women all over the world.” - Nour

REBUILDING COMMUNITIES DISRUPTED BY CONFLICT IN IRAQ.

Despite victory being declared over ISIS in 2014, conflict continues to blight a country that has been ravaged by years of instability and war. The UN estimates that 8.7 million people are in need of humanitarian assistance, and more than 2 million people remain internally displaced.

As Iraqis begin the difficult journey towards reconstruction, millions of Iraqis are returning home to find their communities destroyed, opportunities limited, and tribal, religious and political tensions running high. Nowhere is this more apparent than in Mosul city. Captured by ISIS in 2014, the city was devastated by the protracted battle for its liberation. Now, four years later, tensions remain high as the reconstruction efforts stall and people are forced to compete for limited resources.

In order to foster collaboration and reduce conflict in Mosul and surrounding Ninewa governorate, Mercy Corps is training youth and community leaders in conflict resolution, as well as providing them with a platform to raise community issues with provincial and national governments. Through the programme, which has been funded by the German government, Mercy Corps has trained 82 community leaders who have already been able to resolve 79 disputes, influenced five government policies, and established 10 local projects aimed at engaging the youth and supporting social cohesion. As a result of the programme, 69 percent of residents surveyed said they now had positive perceptions of other groups within the community.

› *“This money saved us” - Faiza*

Faiza Abdulrazak Aziz and her family fled from ISIS. Her car was burned, and her home was destroyed.

Mercy Corps is supporting Faiza and her 6 children with cash grants which allow her to buy food and clothing for her children. Faiza was initially given \$400, a life-changing sum of money for a mother who had been relying on the charity of relatives.



BUILDING TRUST, PEACE AND PROSPERITY IN MYANMAR

Myanmar has suffered from internal conflict for many decades, such that it has been called one of the world's longest civil wars. Cut off from the outside world, market systems and agricultural practices have not kept step with neighbouring countries, leaving local tradespeople vulnerable as the economy is now opening up to cheaper foreign imports.

To help local farmers improve production and access support from regional and national governments, Mercy Corps, through a LIFT grant, established programmes in South Shan and Rakhine States. Working in 10 townships across the two regions, Mercy Corps has trained more than 20,000 farmers in better agricultural practices and provided them with vouchers to purchase agricultural equipment. Of the 20,000 trained, 16,000 have adopted the practices and have reported improved vegetable production and higher household income.

As well as improving farmers' crop yields, the programme also created a platform at the national level to allow local farmers an opportunity to have their voices heard by the government and agricultural sector stakeholders on the need for agricultural policy reform.

“Our harvests were never profitable enough to ensure a stable and sufficient income”, she says, “that is why I was interested when Mercy Corps came to our village to explain the possibility of increasing our vegetable production. My participation in this program had a direct impact on my capacity to generate profit. As my productivity increased, I managed to make 400,000 kyats of net profit in the first year, and 600,000 kyats the following year.” - Daw

Daw Mya Nwet is a farmer from the Nyaung Shwe Township in Southern Shan State. On her two-acre plot, she grows sugar cane, corn and pepper.



ENHANCING WELLBEING AND RESILIENCE TO CLIMATE EXTREMES IN NORTHERN KENYA AND UGANDA

Climate extremes, drought and climate variability are affecting the people of Wajir in Kenya and Karamoja in Uganda. To combat the impact, Mercy Corps is bringing together communities, the private sector and governments to change behaviour and improve the lives of more than two million people in both countries. Activities include awareness-raising campaigns through radio and print to provide communities with improved climate and weather information, as well as technical training for government offices and livelihoods support.

One of the innovative approaches that Mercy Corps has adopted is to harness the popularity of camel's milk in order to provide women in Hadado, a village 80 km from Wajir, with a thriving business.

One of the world's biggest camel producers, East Africa also produces much of the world's camel milk, much of it being consumed domestically due to its perceived health benefits compared to cow's milk. As part of the Braced Programme (Building Resilience and Adaptation to Climate Extremes and Disasters) funded through DFID, Mercy Corps is equipping about 50 women with refrigerators to cool the milk, a van to transport the milk to local villages, and the training they require to make the enterprise a success.

Asha Abdi, (far left) a milk trader in Hadado who operates one of the refrigerators with 11 other women, used to have to boil camel's milk – using costly and smoky firewood – to prevent it turning sour.



“I spent 100 shillings (\$1) a day on firewood, and the milk would often go bad by the time it got to Wajir as the (public) transport took over three hours,” she said. Now Abdi and the other women in her group send about 500 litres of fresh milk to Wajir every day – a trip that takes just over an hour by van. They then reinvest the profits in other ventures. “With the milk money I bought 20 goats,” - Abdi

HOW FARMING IS UNITING COMMUNITIES AND FOSTERING INDEPENDENCE IN UGANDA

Ongoing instability in neighbouring South Sudan saw an average of 3,000 people cross into Uganda every day in 2017. As a result, Bidi Bidi refugee settlement in North-western Uganda is home to more than 270,000 refugees. This has dramatically increased demand for basic needs like food, water, sanitation and education, whilst creating longer term challenges to provide livelihood support for both the refugees and host communities.

Mercy Corps is working with both refugees and members of the host community to support them to gain their independence through income generating activities and livelihoods training.

So far, through the ECHO funded project, Mercy Corps has worked with more than 8,000 small scale farmers to train them in better agricultural practices, which will help them mitigate the risks posed by the increasingly erratic weather- and provided them with improved agricultural inputs to increase their productivity. Mercy Corps has also provided cash to help 2,589 small business owners and farmers buy vital tools, equipment and materials to help their businesses grow.

One way that Mercy Corps is helping South Sudanese refugees is through the establishment of farming groups that equip them with the training and skills they need, whilst also building bridges between the refugee and host community.

Two friends who met through the programme are Tiko and Guo. Tiko is Ugandan, while Guo came to Bidi Bidi camp from South Sudan.



“We are growing crops in our group in order to help ourselves,” Tiko explains, “If you have a problem and you need some money to solve it, you can ask the members. They will help you so that you solve your problem.” - Tiko

How Mercy Corps is partnering with Unilever to offer clean energy solutions in Myanmar
With Unilever’s support, Mercy Corps has trained more than 230 entrepreneurs over the past year, more than half of whom are female, to sell cookstoves in their communities in Myanmar. These entrepreneurs have gained a new income stream and developed essential skills in cash management, marketing techniques, and in organising awareness-raising meetings. More than 4,000 community members have been engaged in awareness-raising activities to improve their understanding of their relationship with the environment, and the benefits of using clean cookstoves.

Through this campaign, a total of 31,075 stoves have been purchased, meaning that as many families now have to spend less time collecting firewood, save money, and reap the health benefits of having a cleaner stove that does not pollute homes with smoke.

This project is Myanmar’s first and only carbon finance project and an early stage actor in market-based distribution of clean cooking products. With Unilever’s support, Mercy Corps is expanding the project to a further ten townships in the Magway region, and exploring the possibility of implementing the project in Rakhine State.



LOOKING AHEAD TO FY2019

The ravages of conflict and the fallout from increasingly erratic weather patterns means that humanitarian organisations are increasingly encountering complex humanitarian crises. From severe drought and food insecurity across the Horn of Africa, to displaced communities in Yemen, DRC and Syria, we envisage that humanitarian responses will continue to play an integral role in 2019 due to the overwhelming need we are witnessing around the globe.

Alongside our humanitarian responses, we will continue to implement programmes that foster and promote inclusion and independence. We believe that people can thrive even in the most challenging of contexts and want to ensure that we are providing people with the opportunities to find their own way out of crisis. That is why we will continue to implement innovative livelihood programmes that give the agency back to the individual and break the cycle of aid dependency.

Innovation will remain a core driver for the organisation and we will continue to build on the successes we have seen in this area, harnessing the latest technology to provide twenty-first century solutions to twenty-first century problems.

These are some of the programmes that Mercy Corps Europe will be implementing in FY2019 - Iraq: With support from the German Government, Mercy Corps will provide safe drinking water for vulnerable populations in Iraq. Through rehabilitation of existing infrastructure, and the introduction of innovative, solar powered reverse osmosis filtration systems, Mercy Corps hopes to provide clean, safe water to 70,000 people across Anbar and Ninewa governorates.

Uganda: In order to strengthen market systems in Northern Uganda, Mercy Corps will partner with a local bank to develop, design and deliver financial products aimed at benefiting smallholder farmers. The UK Government funded programme will establish an Agribusiness Capital Fund which will disburse more than £25 million to support the development of the industry and directly benefit more than 150,000 smallholder farmers.

Jordan: We will continue to support children living with disabilities to ensure they receive equal access to support and vital services. With the help of EU funding, Mercy Corps will fund 160 teachers who will support children living with disabilities who may otherwise be excluded from education. We will also provide transport and accommodative equipment to ensure they can take an active role in school life. Haiti: Mercy Corps will develop tools and processes in order to share our expertise in cash transfers with humanitarian and private sector actors. Building upon our success in this area, Mercy Corp will design, develop and test tools for mobile and physical cash transfers, making this type of humanitarian response more readily available.

RISK MANAGEMENT AGENCY-WIDE

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, which means that risks are inherent in how we operate. The problems we seek to address are often entrenched and require innovative approaches which inherently carry risks. However, we believe the potential opportunities are worth the risks, so managing opportunities and risk must permeate everything we do. In order to operate effectively, bring about the changes we aim for, and safeguard our team members and the people we work with, we examine and respond to the risks we face. Risk management is therefore embedded at various levels throughout Mercy Corps.

It begins with rigorous security and risk management assessments of our field programmes and related training programmes for our team members.

Additionally, as part of the Annual Planning Cycle, key risks are identified for each of our countries of operation by their relevant teams. Mitigating strategies are subsequently developed and managed throughout the year.

Risk management is also a key component of "Programme Management at Mercy Corps" and programmes designated complex, either by virtue of size, nature or location, are subject to additional rigour. Review of a Risk Register is part of the regular Board agenda that takes place for these designated complex programmes. Additionally, most Mercy Corps programmes develop programme risk registers as part of good project governance. These are also required by most of our donors.

At the global agency level, the Mercy Corps Global Enterprise Risk Management Group includes representation from the Programmes, Human Resources, Finance, and Legal departments, and MCE is represented by the Executive Director, the Director of Finance and the Director of Compliance, Governance and Risk. This group meets regularly, and each function represented in the group brings forward main strategic concerns for discussion and action. The MC Global Enterprise Risk Management Group reports to the Joint Audit and Risk Committee. Going forward, we will be working to further improve how Mercy Corps defines and tolerates risk and we will be formalising a consolidated Mercy Corps Global Risk Matrix and Process.

RISK MANAGEMENT MCE

The Risk Management policy was revised in May 2018 and this revision was reviewed by the MCE Audit and Risk Committee. The Corporate Risk Register (CRR) remains the main tool for managing risk at MCE and is grouped by Risk Categories: Strategic/Commercial/Business, Political, Environmental, Technical/Operational/Infrastructure, Financial/Economic/Market, Legal and Regulatory, and Organisational/Management/ Human Factors.

The Corporate Risk Register is a standing agenda point on the MCE senior leadership monthly meeting and as such regular discussions around Corporate Level risks have taken place this year at Mercy Corps Europe and have improved the collective understanding at European Senior Management level.

Below are the CRR's key risks identified over the year, along with a record of how these risks were managed.

Unexpected interruption/cessation of project activities in countries which constitute a high percentage of total income:

A key Strategic/Commercial/Business risk continues to be the potential unexpected interruption/cessation of project activities in countries which constitute a high percentage of total income. This risk also relates to the need to avoid creating unsustainable cost structures and donor dependencies, whilst ensuring that we are able to respond to those experiencing the impact of global crises. The unprecedented scale of the Syria crisis is an example of this challenge and risk, and the unexpected revocation of our registration in Turkey in February 2017 is a demonstration of its relevance. Whilst we will never be able to completely prevent this risk, designating some of our more significant/large programmes as "Complex" ensures that there are additional mitigation measures in place. These include monthly Complex Board calls, as well as thorough reviews of past experiences and identification of lessons learned. During the past year, for instance, the agency conducted in-depth analysis around the revocation of our registration in Turkey and produced a detailed 'lessons learned' document as a result. Other mitigation measures currently in place for high risk countries include the set-up of working groups to support the re-registration of in countries where this is still pending or being re-examined.

Change in the political status of the UK in the EU as a result of Brexit

A key Political Risk, but also Strategic/Commercial/Business, is the change in the political status of the UK in the EU, which could result in MCE no longer being able to receive EU funding. Registration of MC Netherlands has been completed and work is on-going to ensure the entity becomes eligible for EU funding. We also expect our presence in The Hague will strengthen our presence in continental Europe.

Sexual Misconduct

A key Organisational/Management/Human Factors risk is child and adult safeguarding both for MCE and the agency overall. The agency was actually in the process of issuing new policies on child safeguarding, human trafficking, reporting and whistleblowing, when media coverage of sexual misconduct in the sector broke in February 2018. Due to recent developments, we have revised and expanded this risk in the CRR, so it now reads: "Sexual misconduct including: sexual exploitation of beneficiaries, sexual harassment or assault in the workplace, or sexual abuse or misconduct towards children and or vulnerable adult and lack of appropriate safeguards in place or clear process to timely respond and report to incidents". We have also revised and expanded the mitigation measures based on the actions and commitments taken by Mercy Corps since March 2018. These include: the adoption of new Ethics policies, the rolling out of a Gender, Diversity and Inclusivity (GDI) survey, and updating of the agency's Code of Conduct. There is also active involvement in sector-wide initiatives, such as DFID's Safeguarding Summit and follow-up working groups, and reaching an agreement with the Office of the Scottish Charity Regulator (OSCR) on incident reporting.

Fraudulent activity leads to financial and reputational damage

This risk continues to be very relevant due to the complex environment within which we work. The agency has three full time Internal Auditors. This team works closely with the MCE Compliance team, and an agency-wide group regularly monitors the Corruption Incidents Register. We have also agreed incident reporting requirements with OSCR and continue to follow donor requirements. However, notwithstanding the above, this risk status is likely to remain the same due to the complex contexts in which we work.

Employees are placed at risk

Another important Organisational/Management/Human Factors risk is around the recognition that our employees are placed at risk because of the nature of our work and the increasingly dangerous locations where we work. This is being mitigated by ensuring that we continue to have robust and up-to-date security policies and procedures in place, and ensure guidelines, training opportunities and technical support are available to all team members to ensure that they are equipped to identify and manage risks inherent within the local context where they work. The global security manual and Crisis Management procedures are currently being revised and we are developing a Security Risk Rating document and management targets for office and personal safety.

Lack of unrestricted income (that generates cash availability) stops European Operations

The risk related to unrestricted income now reads "Lack of unrestricted income generating cash availability stop European Operations" and during the past 12 months, we have put in place the following to manage and mitigate this risk: we are closely tracking retention on projects to ensure more efficient management; we have unrestricted reserves at adequate levels; we are putting in place long-term cash tracking tools; and our debt to cash cycle is being accelerated. The Fundraising team is also looking at alternative unrestricted income streams based on their new fundraising strategy. We also continue to have a reserves policy in place.

Increased FX loss exposure

Although mitigation measures were already in place around FX exposure, it was deemed important that the CRR includes this as a separate and specific risk. During the past year, we have continued to naturally hedge currencies by keeping funds in donor currency and developed monthly Budget vs Actuals (BvAs) that have FX analysis tabs which highlight adjustments / actions required on a project level.

Contracts as a new funding modality present a risk due to Payment by Result element, cash flow needs, and a greater liability in case of non-delivery

We have included a new risk related to the new funding modality of Contracts that we are actively pursuing. Mercy Corps has taken the following steps to allow us to pursue contracts whilst at the same time mitigating and preventing some of the associated risks. These include: the recruitment of a full-time Commercial Contracts Manager, the formation of a Contracts Oversight Group (similar to a Complex Board to oversee implementation with monthly or more frequent calls as necessary), training for MCE and field staff, and a cautious approach to priming contracts, i.e. monitoring the number of contracts that we have at any one time.

Underspend on MC programmes leading to delays in programmes, potential loss of income and reputation

In order to address this, we are working to improve budgeting and forecasting in addition to the BvA reports produced on a monthly basis. On the programmatic and operational side, we are continuing to apply PM@MC, including Complex Board programmes for significant and strategic programmes.

Data Protection and specifically non-compliance with GDPR

The last new risk on the CRR relates to Data Protection – this risk was already there, but under a generic risk of non-compliance with legal requirements. MCE has been working over the last 6 months to have an updated data policy and governance set-up in place. We have been training all current team members on GDPR compliance and have developed new material that will be used during onboarding of all new team members

FINANCIAL REVIEW

The financial statements for the charity were prepared in accordance with the Charities Financial Reporting applicable in the UK and Republic of Ireland: Statement of Recommended Practice (SORP), FRS102 and Charities Act 2011. The applicable accounting policies are set out on pages 49 - 52.

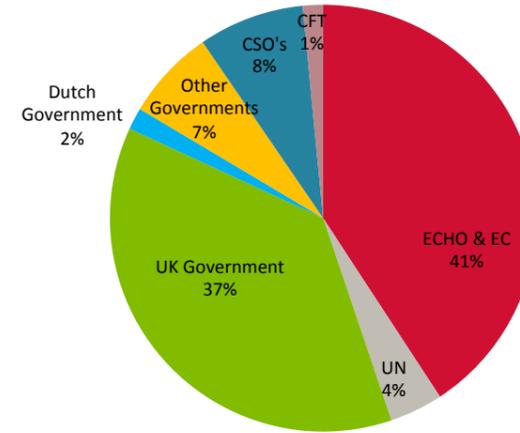
For the first time these statements represent the consolidation of Mercy Corps Netherlands (MCNL) with MCE.

Income

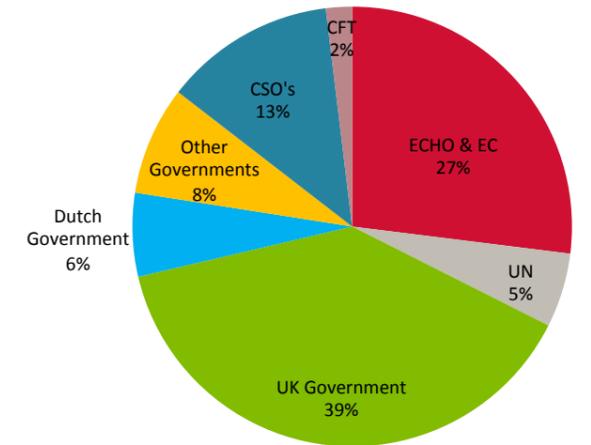
Like-for-like income (excluding foreign exchange gains and losses) increased to £100.9m (FY 2017: £93.1m), an increase of 8 per cent on the previous financial year. Beyond the three main donors; DFID, EC and ECHO, increases were secured with the Dutch Government; Royal Netherlands Embassy. The majority 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 provide life-saving assistance inside Syria and to Syrian refugees in Lebanon and Jordan; across Iraq for people affected by conflict; and in various African countries (DRC, Uganda, Nigeria and South Sudan) meeting urgent needs amid emergency response.

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

Institutional Donor Sources - FY 2017



Institutional Donor Sources - FY 2018

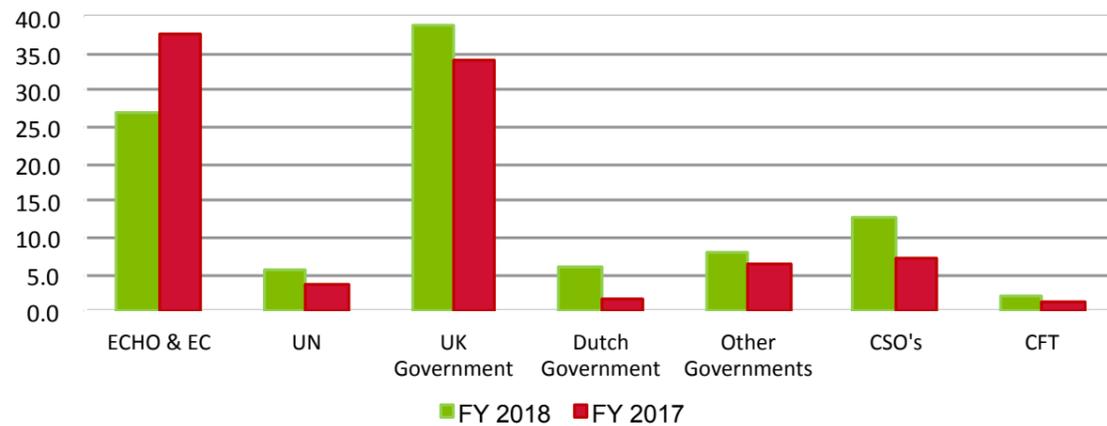


Unrestricted voluntary donations increased to £668k (FY 2017: £594k), up by 12 per cent on last year. The other income is based on returns on cash deposits, co-location income and a municipal disbursement. The yield from low interest deposits was £74k; up from last year (FY 2017: £34k).

Charitable Expenditure

Expenditure in the year was £100.0m (FY 2017: £92.3m), our highest level ever, as charitable expenditure continued to reach those who most needed our help in the world's most fragile and challenging places. The chart below shows where funds were deployed by country. In the financial year MCE was active in 39 countries with the Middle East and African countries dominating our expenditure.

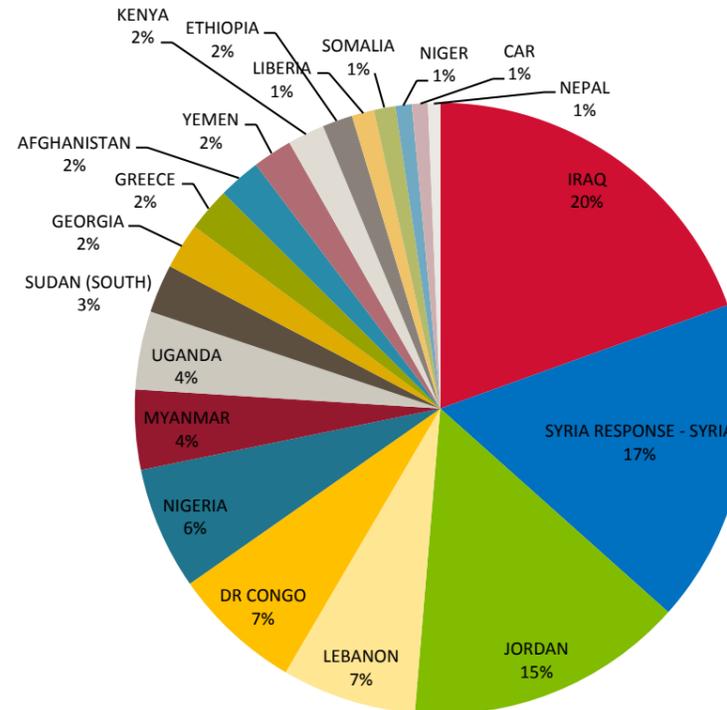
Institutional Donor Income in £'M



The chart compares 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 66% (FY 2017: 78%). 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 the Dutch Government at 6% (FY 2017: 2%)

The Board and management are closely evaluating the impact of Brexit. The registration of MCNL is a step towards future-proofing relationships and funding after UK withdrawal from the European Union.

Top 20 Deployment by Country



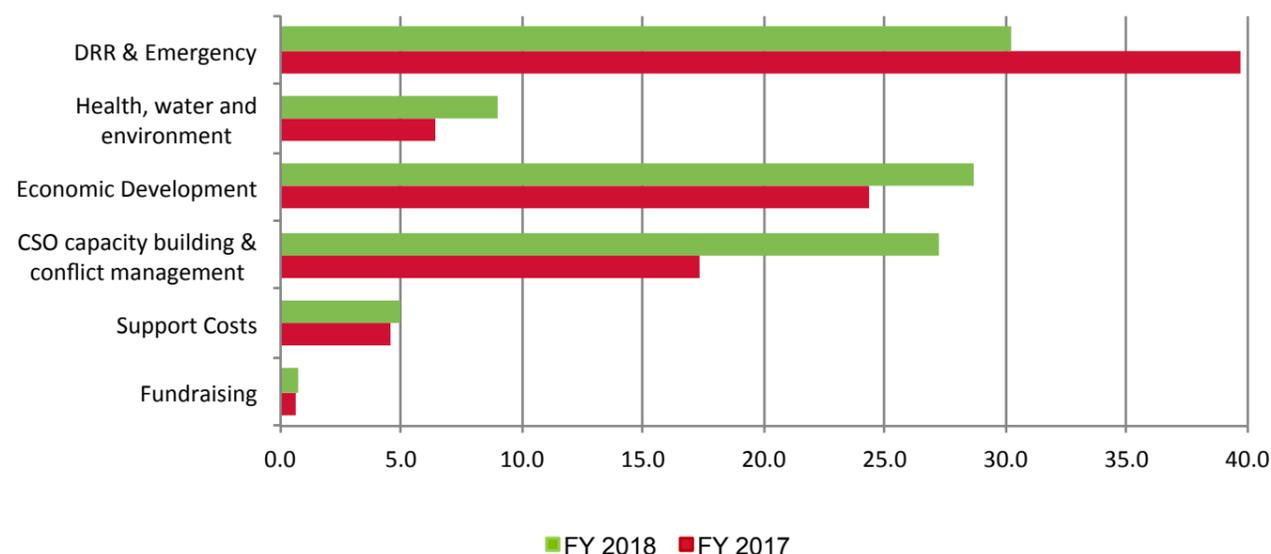
The humanitarian response inside Syria and in the neighbouring countries of Iraq, Jordan and Lebanon remains an important area of donor focus, with the Internally Displaced Peoples (IDPs) in East Mosul, Iraq being the biggest recipients of cash programming. There was also increased activity in programming in Northern Nigeria supporting the plight of refugees fleeing from conflict.

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 £5.6m (FY 2017: £5.1m). Including cost sharing and support given to country operations, this is represented by investment in team resources across Europe. 94 per cent of spend can be attributed to charitable activities and projects contributing to our areas of strategic focus (FY 2017: 94%).

Charitable Expenditure (continued)

Certain grants relating to humanitarian response carry co-financing requirements. The potential gap on our projects is £0.8m (FY 2017: £1.5m), a significant improvement to the prior year. MCE policy is to monitor co-financing liabilities carefully. MCG has agreed to support the fulfilment of matching funding requirements of projects agreed with MCE.

Charitable Expenditure by Activity in £'M



Financial Risk and Cash

Financial risk is controlled by continuously monitoring the cash flow sensitivity resulting from timely delivery of international programmes and timely recognition of unrestricted income. We monitor our risks closely with oversight by the Enterprise Risk Management and Audit and Risk Committees.

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

All European programmes are implemented by MCG and any donor disallowances and unmet match funding related to grant implementation is provided by MCG.

MCE holds cash in current and deposit accounts with NatWest Bank and Bank of Scotland. Cash is held in donor currencies and the equivalent GBP holdings stand at £50.9m (FY 2017: £40.1m). The £10.8m increase on the previous year is due mainly to the timing of advance instalments of programme monies, and payments to the field which are in arrears with MCG. The MCG intercompany balance (see note 10) was £14.7m (FY 2017: £9.9m), a 48 per cent increase on last year. This increase is driven by the payment terms 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. In collaboration with MCG, more progress is anticipated with early interagency settlements as the new cash flow process for payments to the field is fully implemented from September 2018.

Reserve Policy and Reserves

As at 30 June 2018 our total reserves stand at £8.2m (FY 2017: £7.2m).

The restricted funds were £0.5m (FY 2017: £0.7m). These have decreased due to appeals funds not being as high as the prior year and more monies being allocated against project spending (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. This is currently achieved with unrestricted reserves excluding Fixed Assets being £4.4m (FY 2017: £3.3m) which represents 7 months (FY 2017: 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. The designated funds created in earlier years remain intact (detailed in note 12). It is anticipated that these will be depleted to further support the investments in the Netherlands and new business opportunities with contracts.

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. As MCNL is an affiliated entity, MCE has consolidated MCNL, which represents trading for seven months to June 30, 2018. Its income and programme expenditures are entirely made up of a grant from Shell for programme activity in Nigeria.

The Strategic Report and Accounts was approved by the Board of Directors on 22 October 2018 and signed on their behalf by:

Tom Murray
Chairman

Simon O'Connell
Executive Director

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

Opinion

We have audited the financial statements of Mercy Corps Europe (the 'group') for the period ended 30 June 2018 which comprise the group and charitable company Statements of Financial Activities, the group and charitable company Balance Sheets, the group and charitable company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable company's affairs as at 30 June 2018 and of the group's and the charitable company's income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditors' Report to the members and directors of Mercy Corps Europe (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended)

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Independent Auditors' Report to the members and directors of Mercy Corps Europe (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the group's directors, 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 (as amended). Our audit work has been undertaken so that we might state to the members and the group's directors 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 group, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

Henderson Loggie

James Davidson (Senior Statutory Auditor)

For and on behalf of Henderson Loggie Statutory Auditors

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

Edinburgh
22 October 2018

Mercy Corps Europe - Registered Company SC208829

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2018

	Note	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Unrestricted Funds £	Restricted Funds £	Total 2017 £
INCOME							
Donations and Legacies	2	685,605	142,039	827,644	593,706	314,215	907,921
Income from Investments		73,750	-	73,750	33,610	-	33,610
Other income	11	33,600	-	33,600	7,472	-	7,472
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	1,237,305	27,097,845	28,335,150	1,208,694	17,301,368	18,510,062
Economic Development	2	1,916,310	28,783,038	30,699,348	1,747,054	24,040,980	25,788,034
Public Health, Water and Environment	2	693,108	8,947,206	9,640,314	588,587	6,244,967	6,833,554
Disaster Risk Reduction and Emergency Response	2	1,467,206	29,867,877	31,335,083	2,096,297	38,970,633	41,066,930
Gains on Exchange		760,494	-	760,494	-	-	-
Total income		6,867,378	94,838,005	101,705,383	6,275,420	86,872,163	93,147,583
EXPENDITURE							
Expenditure on Raising Funds	4	691,954	-	691,954	621,520	43,663	665,183
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	1,412,014	27,238,474	28,650,488	888,276	17,295,439	18,183,715
Economic Development	4	1,547,098	28,577,788	30,124,886	1,398,706	24,238,556	25,637,262
Public Health, Water and Environment	4	532,217	8,943,766	9,475,983	446,934	6,265,738	6,712,672
Disaster Risk Reduction and Emergency Response	4	1,544,190	30,257,442	31,801,632	2,039,159	39,704,036	41,743,195
Losses on Exchange		-	-	-	136,430	-	136,430
Total expenditure		5,727,473	95,017,470	100,744,943	5,531,025	87,547,432	93,078,457
Net income/(expenditure) before transfers		1,139,905	(179,465)	960,440	744,395	(675,269)	69,126
Transfers between Funds	12,13	62,581	(62,581)	-	(895,827)	895,827	-
Net movement in funds		1,202,486	(242,046)	960,440	(151,432)	220,558	69,126
Balances brought forward		6,477,362	736,126	7,213,488	6,628,794	515,568	7,144,362
Balances carried forward		7,679,848	494,080	8,173,928	6,477,362	736,126	7,213,488

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 49 to 74 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 2018

	Note	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Unrestricted Funds £	Restricted Funds £	Total 2017 £
INCOME							
Donations and Legacies	2	667,884	142,039	809,923	593,706	314,215	907,921
Income from Investments		73,750	-	73,750	33,610	-	33,610
Other income	11	33,600	-	33,600	7,472	-	7,472
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	1,237,305	27,097,845	28,335,150	1,208,694	17,301,368	18,510,062
Economic Development	2	1,916,310	28,783,038	30,699,348	1,747,054	24,040,980	25,788,034
Public Health, Water and Environment	2	613,573	8,416,973	9,030,546	588,587	6,244,967	6,833,554
Disaster Risk Reduction and Emergency Response	2	1,467,206	29,867,877	31,335,083	2,096,297	38,970,633	41,066,930
Gains on Exchange		605,846	-	605,846	-	-	-
Total income		6,615,474	94,307,772	100,923,246	6,275,420	86,872,163	93,147,583
EXPENDITURE							
Expenditure on Raising Funds	4	691,148	-	691,148	621,520	43,663	665,183
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	1,412,014	27,238,474	28,650,488	888,276	17,295,439	18,183,715
Economic Development	4	1,547,098	28,577,788	30,124,886	1,398,706	24,238,556	25,637,262
Public Health, Water and Environment	4	526,219	8,413,533	8,939,752	446,934	6,265,738	6,712,672
Disaster Risk Reduction and Emergency Response	4	1,544,190	30,257,442	31,801,632	2,039,159	39,704,036	41,743,195
Losses on Exchange		-	-	-	136,430	-	136,430
Total expenditure		5,720,669	94,487,237	100,207,906	5,531,025	87,547,432	93,078,457
Net income/(expenditure) before transfers		894,805	(179,465)	715,340	744,395	(675,269)	69,126
Transfers between Funds	12,13	62,581	(62,581)	-	(895,827)	895,827	-
Net movement in funds		957,386	(242,046)	715,340	(151,432)	220,558	69,126
Balances brought forward		6,477,362	736,126	7,213,488	6,628,794	515,568	7,144,362
Balances carried forward		7,434,748	494,080	7,928,828	6,477,362	736,126	7,213,488

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 49 to 74 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829

Consolidated and Charity Balance Sheets as at 30 June 2018

	Note	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
FIXED ASSETS					
Tangible assets	7	364,209	364,209	359,492	359,492
CURRENT ASSETS					
Debtors	8	16,542,067	16,542,067	12,065,975	12,065,975
Cash at bank and in hand	9	50,882,631	50,863,161	40,111,154	40,111,154
		67,424,698	67,405,228	52,177,129	52,177,129
CREDITORS: amounts falling due within one year	10	(59,614,979)	(59,840,609)	(45,323,133)	(45,323,133)
NET CURRENT ASSETS		7,809,719	7,564,619	6,853,996	6,853,996
NET ASSETS		8,173,928	7,928,828	7,213,488	7,213,488
FUNDS					
Restricted	13	494,080	494,080	736,126	736,126
Unrestricted - designated	12	2,916,547	2,761,899	2,847,121	2,847,121
Unrestricted - general	12	4,763,301	4,672,849	3,630,241	3,630,241
		8,173,928	7,928,828	7,213,488	7,213,488

The notes on pages 49 to 74 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 October 2018 and signed on their behalf by:


Tom Murray
Chairman

Statement of cash flows and Consolidated Statement of Cash Flows for the year ended 30 June 2018

	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
Cash flows from operating activities				
Net income	960,440	715,340	69,126	69,126
Income from investments	(73,750)	(73,750)	(33,610)	(33,610)
Depreciation	122,993	122,993	30,798	30,798
(Increase) in debtors	(4,476,092)	(4,476,092)	(4,905,507)	(4,905,507)
Increase in creditors	14,291,846	14,517,476	14,135,547	14,135,547
Cash provided by operating activities	10,825,437	10,805,967	9,296,354	9,296,354
Cash flows from investing activities				
Interest received	73,750	73,750	33,610	33,610
Purchase of fixed assets	(127,710)	(127,710)	(376,803)	(376,803)
Cash used in investing activities	(53,960)	(53,960)	(343,193)	(343,193)
Increase in cash and cash equivalents at the end of the year	10,771,477	10,752,007	8,953,161	8,953,161
Cash and cash equivalents at the beginning of the year	40,111,154	40,111,154	31,157,993	31,157,993
Total cash and cash equivalents at the end of the year	50,882,631	50,863,161	40,111,154	40,111,154
Cash and cash equivalents comprise:				
Cash in hand	415	415	502	502
Bank accounts	50,882,216	50,862,746	40,110,652	40,110,652
	50,882,631	50,863,161	40,111,154	40,111,154

The notes on pages 49 to 74 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 40 Sciennes, Edinburgh, Midlothian, EH9 1NJ 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 will be increased 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 probability that certain expenditure may be disallowed, and all income may not be spent.

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 covered by Mercy Corps Global (MCG) and the matched funding requirement would be met from this source.

In such circumstances advance receipts are credited to deferred income until matched against actual expenditure. 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.

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. The rates used are as follows: -

Leasehold improvements	25% 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 2018, has been taken to the appropriate 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.

Redundancy and Termination payments in the period

Compensation for loss of employment due to redundancy is based on the current statutory entitlement but may also be subject to compensation agreements.

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:

Determine whether leases entered into by the charity as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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. MCNL is registered with the Dutch Trade Register (registration number 70333564) and was incorporated by deed executed on 19 December 2017. MCNL is a public benefit organisation (ANBI) with the Netherlands tax authorities and is considered a subsidiary of MCE since MCE controls the company through its 100% membership of the board of directors.

2. Income

Donations and legacies - Group

	Unrestricted		Restricted		Totals	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Donations in cash	685,605	593,706	142,039	314,215	827,644	907,921

Donations and legacies - Charity

	Unrestricted		Restricted		Totals	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Donations in cash	667,884	593,706	142,039	314,215	809,923	907,921

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 £3,980 (2017: £2,580) were received from trustees.

Income from charitable activities by Donor

		Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
European Commission	European Commission	10,574,637	10,574,637	9,605,148	9,605,148
	ECHO	16,398,252	16,398,252	27,990,710	27,990,710
		26,972,889	26,972,889	37,595,858	37,595,858
United Nations	CHF	-	-	8	8
	UNDP	933,173	933,173	275,479	275,479
	UNFAO	80,692	80,692	96,600	96,600
	UNICEF	165,045	165,045	190,696	190,696
	UNHCR	2,176,266	2,176,266	1,169,070	1,169,070
	UNOCHA	500,974	500,974	7,765	7,765
	UNOPS	1,603,114	1,603,114	1,983,334	1,983,334
	5,459,264	5,459,264	3,722,952	3,722,952	
UK Government	British Council	267,388	267,388	177,842	177,842
	DFID	38,467,007	38,467,007	33,900,324	33,900,324
	FCO	164,699	164,699	-	-
	Scottish Government	8,532	8,532	99,864	99,864
	38,907,626	38,907,626	34,178,030	34,178,030	
Non-UK Government	Austrian Development Agency (ADA)	8,247	8,247	-	-
	French Government (AFD)	89,885	89,885	180,101	180,101
	GIPA	65,713	65,713	47,990	47,990
	GIZ	1,525,205	1,525,205	269,930	269,930
	Ministry of Foreign Affairs of Denmark	1,258,539	1,258,539	195,957	195,957
	Monaco Aid	756	756	1,037	1,037
	Norwegian Agency for Development (NORAD)	13	13	42,302	42,302
	Royal Netherlands Embassy	6,135,919	6,135,919	1,527,724	1,527,724
	Swedish International Development Agency (SIDA)	2,175,336	2,175,336	2,622,564	2,622,564
	Swiss Agency for Development and Cooperation (SDC)	2,875,795	2,875,795	2,998,740	2,998,740
	14,135,408	14,135,408	7,886,345	7,886,345	

2. Income (continued)

Income from charitable activities by Donor (continued)

	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
Foundations, Corporates & CSOs				
ACF	-	-	1,064,418	1,064,418
ACP	-	-	143,589	143,589
Aga Khan Foundation	530,801	530,801	-	-
Artemis	(114,448)	(114,448)	135,316	135,316
Argidius	6,586	6,586	-	-
Asfari	45,582	45,582	61,651	61,651
Cardno Emerging Markets	26,675	26,675	-	-
CARE	3,302,462	3,302,462	403,625	403,625
Christian Aid	6,443	6,443	-	-
CTA	135,584	135,584	-	-
Danish Refugee Council	3,241,134	3,241,134	1,247,336	1,247,336
DKH	-	-	356,504	356,504
Ecosystems Services	1,944	1,944	3,686	3,686
Expo DUBAI	61,460	61,460	8,025	8,025
Farm Africa	989,357	989,357	1,546,274	1,546,274
FSDZ	155,525	155,525	30,284	30,284
Futures Group Europe Limited (GRM)	-	-	107,307	107,307
Global Conversations	-	-	107,800	107,800
Global Partnership Alliance	434,292	434,292	82,483	82,483
GOAL	1,658,012	1,658,012	864,505	864,505
HIVOS	334,426	334,426	307,160	307,160
IMMAP	18,067	18,067	-	-
Initiative France	33,898	33,898	33,854	33,854
Institute of Development Studies	-	-	(507)	(507)
IRC	378,303	378,303	-	-
KFW Development Bank	346,072	346,072	-	-
Kenya Markets Trust	8	8	-	-
Landell Mills	27	27	119,019	119,019
Netherlands Organisation for Scientific Research	64,140	64,140	10,082	10,082
NIRAS	38,690	38,690	142,698	142,698
Orange Foundation	21	21	57,075	57,075
Palladium International	9,449	9,449	-	-
Peace Support Fund	289,632	289,632	221,421	221,421
People in Need	33,088	33,088	-	-
Porticus	101,374	101,374	117,803	117,803
Practical Action	-	-	-	-
Private	10,786	10,786	38,932	38,932
Rabobank Foundation	11	11	-	-
Rheatech	45,454	45,454	9,848	9,848
Save The Children	96,884	96,884	19,324	19,324
Shell	955,929	346,161	445,806	445,806
Sheikha	-	-	25,327	25,327
SNV Netherlands Development Org	123,256	123,256	-	-
Soneva	24,459	24,459	116,659	116,659
Soro Yiriwaso	8,530	8,530	-	-
Start Network	102,063	102,063	184,932	184,932
Street Football World	4,173	4,173	-	-
Swedish Postcode Lottery	114,151	114,151	8	8
Twinings	179,307	179,307	102,601	102,601
Unilever	126,522	126,522	5,079	5,079
Vitol	162,867	162,867	246,575	246,575
VSF International	54,640	54,640	47,969	47,969
World Vision	108,982	108,982	131,302	131,302
Welt Hunger Hilfe	20,416	20,416	76,330	76,330
Zurich	267,674	267,674	193,295	193,295
	14,534,708	13,924,940	8,815,395	8,815,395
Total	100,009,895	99,400,127	92,198,580	92,198,580

2. Income (continued)

Income from charitable activities by Donor (continued)

The following restricted funds were released to match project expenditure in the year. All the amounts detailed below relate to aid agreements with the following funding bodies for projects to be carried out in the countries listed.

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Afghanistan	Aga Khan Foundation	530,801	530,801	1,064,418	1,064,418
	British Council	95,913	95,913	141,909	141,909
	Danish Refugee Council	273,278	273,278	-	-
	EuropeAid	153,069	153,069	271,904	271,904
	Expo Dubai 2020 LLC	61,460	61,460	8,025	8,025
	GIZ	317,349	317,349	269,930	269,930
	KFW Development Bank	346,072	346,072	-	-
	Landell Mills	27	27	119,019	119,019
	Netherlands Organisation for Scientific Research	-	-	10,082	10,082
	SIDA	366,568	366,568	-	-
		2,144,537	2,144,537	1,885,287	1,885,287
Central African Republic	Danish Refugee Council	775,545	775,545	436,365	436,365
	ECHO	(77,992)	(77,992)	-	-
	EuropeAid	211,674	211,674	211,170	211,170
		909,227	909,227	647,535	647,535
Colombia	EuropeAid	317,489	317,489	94,269	94,269
	START Network	8,705	8,705	66,669	66,669
		326,194	326,194	160,938	160,938
Democratic Republic of Congo	DFID	3,709,691	3,709,691	4,116,012	4,116,012
	Dutch Embassy	1,611,709	1,611,709	66,891	66,891
	ECHO	378,123	378,123	-	-
	Swiss Development	732,988	732,988	393,509	393,509
		6,432,511	6,432,511	4,576,412	4,576,412
Ecuador	ECHO	135,722	135,722	943,022	943,022
Ethiopia	Farm Africa	989,357	989,357	1,546,274	1,546,274
	IRC	378,303	378,303	-	-
	SNV Netherlands Organisation	123,252	123,252	-	-
	SIDA	54,375	54,375	-	-
		1,545,287	1,545,287	1,546,274	1,546,274

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Timor Leste	Cardno Emerging Markets	4,382	4,382	-	-
	Norwegian Agency for Development (NORAD)	13	13	42,302	42,302
		4,395	4,395	42,302	42,302
Georgia	Austrian Development Agency (ADA)	8,247	8,247	-	-
	EuropeAid	1,287,824	1,287,824	1,739,954	1,739,954
	GIPA	65,713	65,713	47,990	47,990
	Institute of Development Studies	-	-	(507)	(507)
	NIRAS	38,690	38,690	142,698	142,698
	Swiss Agency for Development and Cooperation (SDC)	1,086,550	1,086,550	1,860,774	1,860,774
	2,487,024	2,487,024	3,790,909	3,790,909	
Greece	DKH	-	-	356,504	356,504
	ECHO	(666)	(666)	5,645,013	5,645,013
	Porticus	-	-	117,803	117,803
	UNHCR	2,176,266	2,176,266	1,169,070	1,169,070
	2,175,600	2,175,600	7,288,390	7,288,390	
Guatemala	EuropeAid	77,074	77,074	-	-
	START Network	7,785	7,785	-	-
		84,859	84,859	-	-
Haiti	Artemis	-	-	9,871	9,871
	ECHO	40,581	40,581	-	-
	40,581	40,581	9,871	9,871	
Indonesia	ESPA	1,944	1,944	3,686	3,686
	EuropeAid	-	-	-	-
	Global Partnership Alliance	434,292	434,292	82,483	82,483
	Zurich	194,384	194,384	193,298	193,298
	630,620	630,620	279,467	279,467	
India	Twinnings	179,307	179,307	102,601	102,601
Ivory Coast	DFID	-	-	21,412	21,412

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Iraq	Artemis	(15,000)	(15,000)	14,891	14,891
	British Council	6,636	6,636	14,542	14,542
	DFID	11,068,816	11,068,816	3,611,278	3,611,278
	ECHO	6,024,945	6,024,945	12,473,722	12,473,722
	GIZ	644,757	644,757	-	-
	17,730,154	17,730,154	16,114,433	16,114,433	
Jordan	EuropeAid	2,414,256	2,414,256	1,745,152	1,745,152
	DFID	6,566,591	6,566,591	8,044,134	8,044,134
	Danish Refugee Council	2,192,311	2,192,311	810,972	810,972
	Dutch Embassy	2,955,437	2,955,437	1,106,361	1,106,361
	FCO	21,965	21,965	-	-
	Netherlands Organisation for Scientific Research	574	574	-	-
	Porticus	101,374	101,374	-	-
	14,252,508	14,252,508	11,706,619	11,706,619	
Kenya	DFID	1,575,242	1,575,242	1,805,435	1,805,435
	EuropeAid	376,254	376,254	525,335	525,335
	KMT	8	8	-	-
	VSF International	54,640	54,640	-	-
	2,006,144	2,006,144	2,330,770	2,330,770	
Lebanon	Denmark Ministry of Foreign Affairs	1,258,539	1,258,539	195,957	195,957
	DFID	3,868,376	3,868,376	5,537,255	5,537,255
	Dutch Embassy	1,114,961	1,114,961	345,637	345,637
	EuropeAid	417,449	417,449	884,079	884,079
	142,734	142,734	-	-	
	6,802,059	6,802,059	6,962,928	6,962,928	
Liberia	EuropeAid	369,151	369,151	375,160	375,160
	SIDA	711,278	711,278	1,417,698	1,417,698
		1,080,429	1,080,429	1,792,858	1,792,858
Libya	ECHO	218,532	218,532	-	-
	START Network	17,345	17,345	-	-
	235,877	235,877	-	-	

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Mali	Save The Children	16,204	16,204	-	-
	Soro Yiriwaso	8,530	8,530	-	-
		24,734	24,734	-	-
Mongolia	People in Need	33,088	33,088	-	-
Myanmar	British Council	164,838	164,838	21,391	21,391
	Cardno Emerging Markets	22,293	22,293	-	-
	EuropeAid	1,548,374	1,548,374	1,290,985	1,290,985
	Peace Support Fund	289,632	289,632	221,421	221,421
	UNLIFT	1,603,114	1,603,114	1,983,334	1,983,334
	Soneva Foundation	24,459	24,459	116,659	116,659
	Swedish Postcode Lottery	114,151	114,151	8	8
	Unilever	126,522	126,522	5,079	5,079
		3,893,383	3,893,383	3,638,877	3,638,877
Nepal	Artemis	(505)	(505)	-	-
	DFID	502,370	502,370	426,059	426,059
	EuropeAid	37,849	37,849	201,872	201,872
	Street Football World	4,173	4,173	-	-
	Zurich Foundation	73,290	73,290	-	-
			617,177	617,177	627,931
Niger	EuropeAid	792,139	792,139	184,201	184,201
	Orange	21	21	57,075	57,075
		792,160	792,160	241,276	241,276
Nigeria	DFID	1,578,805	1,578,805	2,160,463	2,160,463
	ECHO	2,238,661	2,238,661	1,518,696	1,518,696
	EuropeAid	1,573,749	1,573,749	597,131	597,131
	GIZ	92,946	92,946	-	-
	Shell	861,404	251,636	441,548	441,548
		6,345,565	5,735,797	4,717,838	4,717,838
Pakistan	EuropeAid	372,974	372,974	730,441	730,441
	Scottish Government	-	-	99,864	99,864
	Shell	28,297	28,297	-	-
	START Network	11,513	11,513	30,545	30,545
		412,784	412,784	860,850	860,850

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Somalia	GIZ	470,153	470,153	-	-
	NOW	63,566	63,566	-	-
	Scottish Government	8,532	8,532	-	-
	Shell	66,228	66,228	4,259	4,259
	UNCHF	-	-	8	8
	UNOCHA	500,974	500,974	7,765	7,765
		1,109,453	1,109,453	12,032	12,032
South Sudan	DFID	-	-	(1,030)	(1,030)
	GOAL	1,658,012	1,658,012	864,505	864,505
	Swiss Agency for Development and Cooperation (SDC)	312,404	312,404	149,167	149,167
	START Network	-	-	87,719	87,719
	UNDP	487,562	487,562	184,094	184,094
	UNFAO	80,692	80,692	73,918	73,918
		2,538,670	2,538,670	1,358,373	1,358,373
Sudan	EuropeAid	83,289	83,289	82,471	82,471
	SDC	11,997	11,997	-	-
	UNDP	445,611	445,611	91,385	91,385
	UNFAO	-	-	22,682	22,682
	VSF International	-	-	47,969	47,969
			540,897	540,897	244,507
Syria Response	Artemis	(2,301)	(2,301)	16,712	16,712
	CARE	1,771,782	1,771,782	403,625	403,625
	DFID	9,049,330	9,049,330	8,159,009	8,159,009
	ECHO	5,035,008	5,035,008	2,975,509	2,975,509
	IMMAP	18,067	18,067	-	-
	Private	20,111	20,111	38,932	38,932
	SIDA	610,206	610,206	-	-
	Swiss Agency for Development and Cooperation (SDC)	-	-	61,727	61,727
	Vitol	35,657	35,657	-	-
			16,537,860	16,537,860	11,655,514
Tajikistan	DFID	-	-	20,345	20,345
	ECHO	248,383	248,383	9,201	9,201
	START Network	48,807	48,807	-	-
	Welt Hunger Hilfe	20,416	20,416	76,330	76,330
		317,606	317,606	105,876	105,876

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Tunisia	AFD	89,885	89,885	180,101	180,101
	DCI Monaco	756	756	1,037	1,037
	Dutch Embassy	6	6	-	-
	EuropeAid	187,830	187,830	152,885	152,885
	FCO	-	-	-	-
	HIVOS	334,426	334,426	307,160	307,160
	Initiative France	33,898	33,898	33,854	33,854
		646,801	646,801	675,037	675,037
Turkey	Asfari	-	-	32,017	32,017
	ECHO	12,487	12,487	4,124,579	4,124,579
	Private	(9,326)	(9,326)	-	-
		3,161	3,161	4,156,596	4,156,596
Uganda	Artemis	(96,642)	(96,642)	93,842	93,842
	CTA	135,584	135,584	143,589	143,589
	DFID	547,785	547,785	-	-
	ECHO	2,144,472	2,144,472	300,969	300,969
	Rheatech	45,454	45,454	9,848	9,848
	Swiss Development Corporation	731,856	731,856	599,026	599,026
	SIDA	432,909	432,909	1,143,140	1,143,140
		3,941,418	3,941,418	2,290,414	2,290,414
United Kingdom	Argidius Foundation	6,586	6,586	-	-
	Save The Children	80,680	80,680	19,270	19,270
	Vitol	26,180	26,180	-	-
		113,446	113,446	19,270	19,270
West Bank Gaza	Asfari	45,582	45,582	29,633	29,633
	Christian Aid	6,443	6,443	-	-
	Global Conversations	-	-	107,800	107,800
	Kingdom of The Netherlands	453,806	453,806	8,836	8,836
	Sheikha	-	-	25,327	25,327
	Vitol	101,031	101,031	246,575	246,575
		606,862	606,862	418,171	418,171
Yemen	CARE International	1,530,680	1,530,680	-	-
	EuropeAid	354,235	354,235	372,007	372,007
		1,884,915	1,884,915	372,007	372,007
Zambia	FSDZ	155,525	155,525	30,284	30,284
	Rabobank	11	11	-	-
		155,536	155,536	30,284	30,284

2. Income (continued)

Income from charitable activities by Donor (continued)

Country	Donor	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Zimbabwe	EuropeAid	(41)	(41)	146,131	146,131
	Futures Group Europe Limited (GRM)	-	-	107,307	107,307
	Palladium International	9,449	9,449	-	-
	SDC	-	-	(3,737)	(3,737)
	START Network	7,909	7,909	-	-
	UNICEF	165,045	165,045	190,696	190,696
	World Vision	108,982	108,982	131,302	131,302
		291,344	291,344	571,699	571,699
Total		100,009,895	99,400,127	92,198,580	92,198,580

3. Team member numbers and costs

	2018	2017
The average monthly number of team members was:	118	101
Comprising UK based employees	77	63
Expat employees	32	31
Continental Europe based employees	9	7

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

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Wages and salaries:				
Employed by the charity	5,516,700	5,516,700	4,478,296	4,478,296
Redundancy and termination	15,000	15,000	25,000	25,000
(Less seconded to MCG)	(1,920,592)	(1,920,592)	(1,563,848)	(1,563,848)
Field team members seconded from MCG	18,164,703	18,164,703	16,080,414	16,080,414
	21,775,811	21,775,811	19,019,862	19,019,862
Social security				
Employed by the charity	538,611	538,611	426,759	426,759
(Less seconded to MCG)	(146,164)	(146,164)	(95,537)	(95,537)
Field team members seconded from MCG	7,578,989	7,578,989	6,537,094	6,537,094
	7,971,436	7,971,436	6,868,316	6,868,316
Pension costs				
Employed by the charity	256,545	256,545	224,013	224,013
(Less seconded to MCG)	(83,494)	(83,494)	(73,063)	(73,063)
	173,051	173,051	150,950	150,950
	29,920,298	29,920,298	26,039,128	26,039,128

3. Team member numbers and costs (continued)

	2018		2017	
	Group	Charity Number of Employees	Group	Charity
Salary Bands (£)				
60-70k	5	5	6	6
70-80k	9	9	3	3
80-90k	3	3	2	2
90-100k	2	2	1	1
110 – 120k	2	2	-	-
120 – 130k	1	1	1	1
130 – 140k	-	-	1	1
140 – 150k	1	1	-	-
Total	23	23	14	14

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £95,482 (2017: £61,956).

Mercy Corps Europe seconded 11 team members within salary bands exceeding £60,000 to Mercy Corps Global in 2018 (2017: 6).

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

	2018		2017	
	Group £	Charity £	Group £	Charity £
Total employment benefits	702,591	702,591	723,865	723,865

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 £127,158 (2017: £39,162) were outstanding at the year end.

None of the Board of Directors received any remuneration (2017: £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 £18,881 (2017: £21,379) 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 £5.6m (2017: £5.1m) 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)

Stage 1	2017 Costs £	2018 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	280,645	280,137	35,260	6,205	36,536	(23,562)	-	334,576
Finance	751,483	1,082,962	223,307	39,299	231,397	(104,032)	-	1,472,933
Programmes	1,957,561	1,618,710	270,319	47,573	280,111	(145,836)	-	2,070,877
Fundraising	989,519	1,116,828	141,036	24,821	146,145	(94,002)	(714,415)	620,413
Human Resources	577,084	658,253	30,558	5,378	(694,189)	-	-	-
Governance Office Administration	77,455	56,619	-	-	-	367,432	-	424,051
IT	404,500	712,233	(712,233)	-	-	-	-	-
IT	91,006	111,523	11,753	(123,276)	-	-	-	-
Totals	5,129,253	5,637,265	-	-	-	-	(714,415)	4,922,850

- 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 £	2018 £	2017 £
Civil Society, Education and Conflict Management	118,615	94,550	417,467	585,221	175,327	1,391,180	888,276
Economic Development Public Health, Water and Environment	124,430	99,186	437,933	613,915	183,922	1,459,386	1,252,383
Disaster Risk Reduction and Emergency Response	45,026	35,891	158,471	222,152	66,554	528,094	327,915
Totals	135,980	104,949	459,062	649,589	194,610	1,544,190	2,039,159
Totals	424,051	334,576	1,472,933	2,070,877	620,413	4,922,850	4,507,733

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

5. Governance costs

	2018 £	2017 £
External Audit	23,040	22,950
Trustees' indemnity insurance	2,408	1,953
Trustees' expenses	18,881	21,379
Board costs	6,961	21,563
Professional Fees	5,329	9,610
Apportionment of senior team members costs (based on time spent)	367,432	332,355
Totals	424,051	409,810

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

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Depreciation	122,993	122,993	30,798	30,798
Operating lease rentals – land and buildings	313,759	312,965	167,809	167,809
Operating lease rentals – other	10,448	10,448	9,829	9,829
Auditors' remuneration – in respect of the audit	23,040	23,040	22,950	22,950
in respect of programme audits	-	-	3,600	3,600

7. Tangible Fixed Assets

	Leasehold improvements £	Computers £	Equipment £	Total £
Cost				
At 1 July 2017	338,737	189,918	40,656	569,311
Additions	59,047	9,844	58,819	127,710
Disposals	(4,725)	-	-	(4,725)
At 30 June 2018	393,059	199,762	99,475	692,296
Depreciation				
At 1 July 2017	25,068	171,018	13,733	209,819
Charge	92,675	10,310	20,008	122,993
On disposals	(4,725)	-	-	(4,725)
At 30 June 2018	113,018	181,328	33,741	328,087
Net Book Value at 30 June 2018	280,041	18,434	65,734	364,209
Net Book Value at 30 June 2017	313,669	18,900	26,923	359,492

8. Debtors

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Income tax recoverable	13,741	13,741	3,531	3,531
Other debtors	3,040,740	3,040,740	745,695	745,695
Prepayments	2,044,447	2,044,447	155,044	155,044
Accrued project income	11,443,139	11,443,139	11,161,705	11,161,705
	16,542,067	16,542,067	12,065,975	12,065,975

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 2018.

9. Cash at Bank and in Hand

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Bank accounts	50,882,216	50,862,746	40,110,652	40,110,652
Cash in hand	415	415	502	502
	50,882,631	50,863,161	40,111,154	40,111,154

10. Creditors: amounts falling due within one year

	Group £	Charity £	Group £	Charity £
Deferred income	35,250,554	34,919,319	29,406,264	29,406,264
Mercy Corps Global Intercompany balance	14,732,933	15,295,115	9,932,076	9,932,076
Accruals	292,420	287,103	73,605	73,605
Taxation and social security	251,744	251,744	175,224	175,224
Other creditors	9,087,328	9,087,328	5,735,964	5,735,964
	59,614,979	59,840,609	45,323,133	45,323,133

Deferred income above relates to project income received in advance, or the balance of income held for projects, which are still to be completed. 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 2017	29,406,264	29,406,264
Transfer from accrued project income	(11,161,705)	(11,161,705)
Currency	493,343	489,944
Grant funds received in year	98,377,340	96,748,750
Grant funds spent during year	(93,307,827)	(92,007,073)
Transfer to accrued project income	11,443,139	11,443,139
At 30 June 2018	35,250,554	34,919,319

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 £	2018 £	2017 £
In less than 1 year	281,473	14,141	295,614	295,916
In 2 to 5 years	840,731	29,586	870,317	707,188
Over 5 years	10,642	-	10,642	-
	<u>1,132,846</u>	<u>43,727</u>	<u>1,176,573</u>	<u>1,003,104</u>
Lease payments recognised as an expense	-	-	324,207	177,638

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 £	2018 £	2017 £
In less than 1 year	5,600	-	5,600	5,600
Lease receipts recognised as income	-	-	33,600	7,472

12. Unrestricted funds

GROUP

	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
	<u>2,847,121</u>	<u>760,494</u>	<u>-</u>	<u>(691,068)</u>	<u>2,916,547</u>
	<u>6,477,362</u>	<u>6,867,378</u>	<u>(5,727,473)</u>	<u>62,581</u>	<u>7,679,848</u>

CHARITY

	Balance at 1 July 2017 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2018 £
General Funds	3,630,241	6,009,628	(5,720,669)	753,649	4,672,849
Designated Funds					
Dilapidations	102,000	-	-	30,000	132,000
Foreign Exchange	752,405	605,846	-	(678,352)	679,899
European Platform	450,000	-	-	-	450,000
Co-financing	42,716	-	-	(42,716)	-
New Modalities	1,500,000	-	-	-	1,500,000
	<u>2,847,121</u>	<u>605,846</u>	<u>-</u>	<u>(691,068)</u>	<u>2,761,899</u>
	<u>6,477,362</u>	<u>6,615,474</u>	<u>(5,720,669)</u>	<u>62,581</u>	<u>7,434,748</u>

12. Unrestricted funds (continued)

GROUP AND CHARITY

	Balance at 1 July 2016 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2017 £
General Funds	3,657,243	6,275,420	(5,394,595)	(907,827)	3,630,241
Designated Funds					
Dilapidations	90,000	-	-	12,000	102,000
Foreign Exchange	888,835	-	(136,430)	-	752,405
European Platform	450,000	-	-	-	450,000
Co-financing	42,716	-	-	-	42,716
New Modalities	1,500,000	-	-	-	1,500,000
	2,971,551	-	(136,430)	12,000	2,847,121
	6,628,794	6,275,420	(5,531,025)	(895,827)	6,477,362

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 (2017 : Out of) general funds of £753,649 (2017 : £907,827) includes an increase in dilapidations fund of £30,000 (2017 : £12,000). There was a net decrease in gap funding for projects of £62,581 (2017 : net increase of £895,827), and the co-financing funds transfer represents utilisation of the funds to cover shortfalls on projects. The transfer from the foreign exchange designated fund represents reallocation of additional foreign exchange loss in the prior year.

13. Restricted Funds

GROUP	Balance at 1 July 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
	Balance at 1 July 2016 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2017 £
Grants	-	86,557,948	(87,503,769)	945,821	-
Donations	515,568	314,215	(43,663)	(49,994)	736,126
	515,568	86,872,163	(87,547,432)	895,827	736,126
CHARITY	Balance at 1 July 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
	Balance at 1 July 2016 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2017 £
Grants	-	86,557,948	(87,503,769)	945,821	-
Donations	515,568	314,215	(43,663)	(49,994)	736,126
	515,568	86,872,163	(87,547,432)	895,827	736,126

Transfer in to Restricted Grants of £319,715 (2017: £945,821) comprises restricted donations used to cover programmatic expenditure for projects with co-financing gaps. The transfer out of donations of £382,296 (2017: £49,994) 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 £62,581 (2017: net transfer in £895,827).

13. Restricted Funds (continued)

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

Nature of restriction		Balance at 30 June 2018 £	Balance at 30 June 2017 £
<u>To Co-finance projects</u>			
	Central African Republic- 1	12,673	12,673
	Central African Republic- 2	26,020	26,020
	East Timor – 1	-	10,229
	East Timor – 2	-	21,131
	Iraq – 1	20,000	20,000
	Iraq – 2	13,427	15,000
	Lebanon – 1	37,065	37,065
	Lebanon – 2	-	123,852
	Liberia	14,637	12,711
	Niger	52,022	54,286
	Nepal - 1	35,592	35,592
	Nepal - 2	18,944	23,267
	Somalia	10,800	-
	South Sudan	31,860	-
	Syrian Arab Republic - 1	45,252	44,455
	Syrian Arab Republic - 2	52,993	-
	Turkey	-	88,785
	Uganda	-	127,640
	Yemen	13,364	-
		384,649	652,706
<u>Other</u>			
	Refugee Crisis	40,568	39,798
	Nepal Earthquake	14,216	13,991
	Haiti	3,705	10,000
	Other funds (under £10,000)	52,731	19,631
		495,869	736,126

14. Analysis of Net Assets between Restricted and Unrestricted Funds

GROUP	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
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
	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
CHARITY				
Tangible fixed assets	364,209	-	364,209	359,492
Other net assets	7,070,539	494,080	7,564,619	6,853,996
	7,434,748	494,080	7,928,828	7,213,488
	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
GROUP AND CHARITY				
Tangible fixed assets	359,492	-	359,492	13,487
Other net assets	6,117,870	736,126	6,853,996	7,130,875
	6,477,362	736,126	7,213,488	7,144,362

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 during the year.

Tom Murray 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 and Mercy Corps Global work closely together under a Memorandum of Understanding. In some instances, both 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 and Mercy Corps Global.

For the purposes of this note, related party transactions include (a) any expenditure made by Mercy Corps Europe on behalf of Mercy Corps Global and (b) any expenditure made by Mercy Corps Global HQ or field offices in relation to Mercy Corps Europe core HQ departments. Direct expenditure by field offices and / or Mercy Corps HQ on Mercy Corps Europe 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: £2,089,851; (2017: £2,645,373).

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Global: £119,897; (2017: £823,812).

At the year-end MCE's liability with MCG was £14,732,933 (2017: £9,932,076).

MCE received £580,229; (2017: £0) of income on behalf of Mercy Corps Netherlands (MCNL). At the year-end MCE's liability with MCNL was £580,229 (2017: £nil).

16. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2018 (2017 none).

17. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2018.

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, MCG will produce consolidated accounts which include the results of MCE. The next period of consolidation will be for the year ended 30 June 2018.

19. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2017 to 30 June 2018. 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 £
Afghanistan	90949	(1,889,330)	-
Nepal	91001	(70)	-
Syria Response	91060, 91063	-	(5,578)
Democratic Republic of Congo	91083	5,401,069	3,709,691
Myanmar	91088	16,634	-
Kenya	91090	1,764,845	1,575,242
Jordan	91146	8,438,610	6,566,591
Lebanon	91147	5,000,000	3,868,376
Nigeria	91166	-	(47,934)
Iraq	91185	2,219,657	2,079,392
Syria Response	91190	9,600,545	9,054,909
Nepal	91220	570,218	502,370
Nigeria	91221	999,508	1,262,344
Uganda	91240	500,000	397,736
Iraq	91251	9,953,502	8,989,425
Nigeria	91271	962,189	364,396

20. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2017 to 30 June 2018. 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	125,848	95,913
Iraq	91178	-	6,636
Myanmar	91191	(429)	8
Myanmar	91232	186,885	164,830

21. Financial Instruments

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,040,740	3,040,740	749,226	749,226
Carrying amount of financial liabilities				
Measured at amortised cost	24,112,681	24,669,546	15,741,645	15,741,645

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. Subsidiary

The following companies have been included in the consolidated financial statements using the equity method of accountings: -

Jointly controlled entity	Basis of control	Principal activity
Mercy Corps Netherlands	100% board membership	Public benefit entity

Results of subsidiary for the year ended 30 June 2018

	Turnover	Expenditure	Net Profit	Aggregate net assets
Mercy Corps Netherlands	£782,137	£537,034	£245,103	£245,103

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 events on behalf of Mercy Corps Europe and those that supported them. Thank you also to our donors who wish to remain anonymous.

Grants and Funders

Agence Française de Développement
British Council
Cardno
CARE
Christian Aid
Danish Church Aid
Danish Government Overseas Aid (DANIDA)
Danish Refugee Council
Department for International Development (DFID)
Dutch Ministry of Foreign Affairs
East-West Seed Myanmar
European Commission (EC)
European Humanitarian Aid and Civil Protection (ECHO)
Farm Africa
Financial Sector Deepening (FSD) Zambia
Foreign & Commonwealth Office (FCO)
Georgian Institute of Public Affairs (GIPA)
GIPA
GIZ
Global Resilience Partnership
GOAL
Hivos (Humanist Institute for Cooperation)
Human Dynamics
Initiative France
International Rescue Committee (IRC)
KfW Development Bank
Kingdom of the Netherlands
Livelihoods and Food Security Trust Fund
Netherlands Organisation for Scientific Research
Norwegian Government
Paung Sie Facility (PSF)
Rhea Group
Save the Children
Scottish Government
SNV Netherlands Organisation
Soro Yiriwaso
Start Network
South Sudan Humanitarian Fund (SSHF)
Somalia Stability Fund

Swedish Agency for International Development
Cooperation (SIDA)
Swiss Agency for Development and Cooperation (SDC)
United Nations (UN)
Vétérinaires Sans Frontières (VSF)
World Vision International

Corporate

BlackRock
Diageo
EXPO 2020
Unilever
Twinings
Shell
Zurich Foundation
Orange
Google
Vitol Foundation
Porticus
Earthy
Pitlochry Station Charity Bookshop
The Nomad's Tent
Rural Projects Limited
Morgan Stanley
The Argyle Bar
TripAdvisor

Organisations

Artemis Charitable Foundation
Asfari
Argidius Foundation
John Laing Charitable Trust
Martin Currie Charitable Foundation
Rabobank Foundation
Swedish Postcode Lottery
The Supreme Committee for Delivery & Legacy, Qatar (SC)

In addition, in FY18 Mercy Corps Europe also gratefully received donations from community organisations including schools, community groups and religious communities totalling £66,821.

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