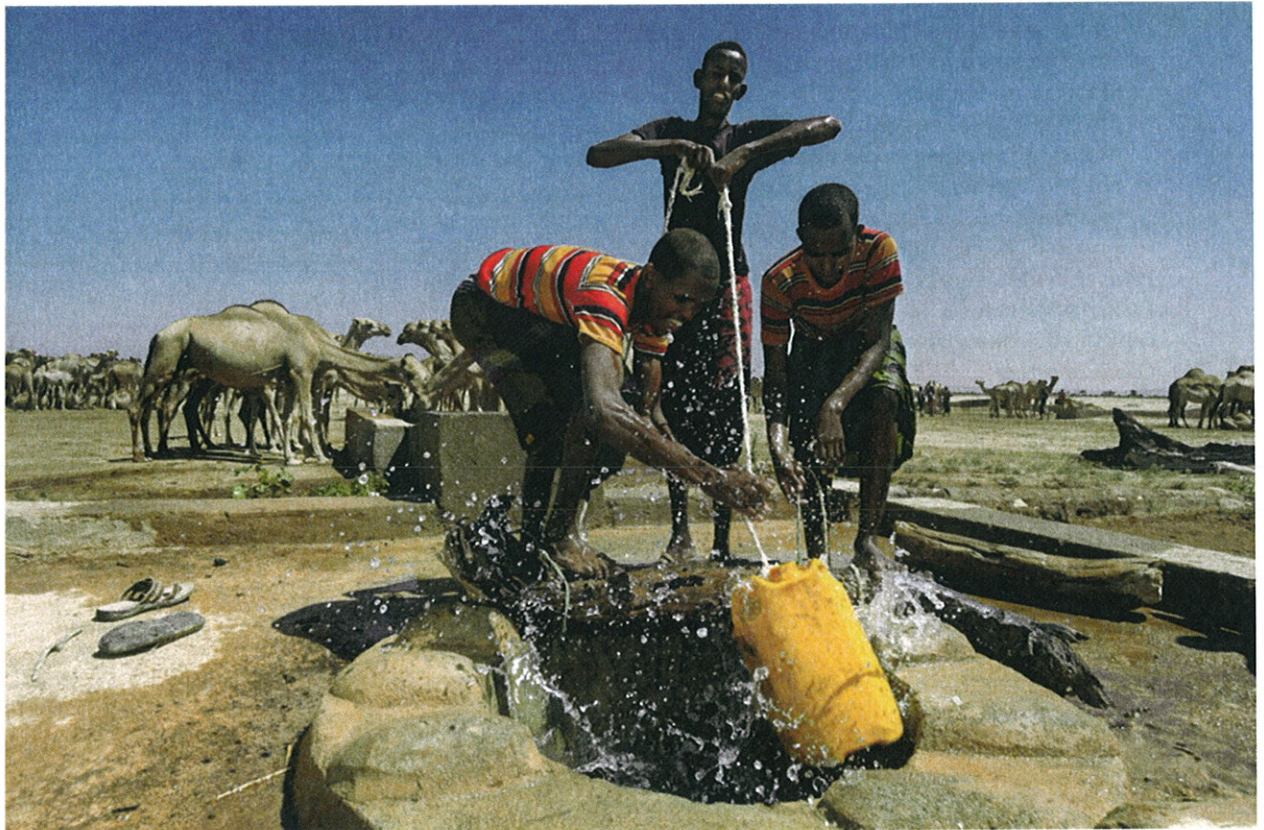


Mercy Corps Scotland



Annual Report and Accounts
For the year ended 30 June 2014

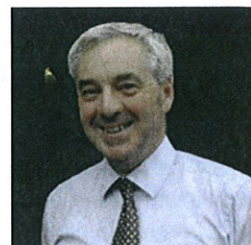
Contents

| | |
|--|----|
| Executive Director’s Message | 3 |
| Chairman’s Message | 4 |
| Who We Are | 5 |
| Our Approach | 6 |
| Our Capacity | 7 |
| Our People | 8 |
| Our European HQ staff | 10 |
| Our Structure, Governance and Management | 11 |
| Our Directors and their Statutory Responsibilities | 12 |
| Strategic Report: 1 July 2013 to 30 June 2014 | 13 |
| RELIEF: Ensuring families and individuals receive the emergency help they need | 14 |
| RECOVERY: Building secure, productive and just communities | 16 |
| RESILIENCE: Helping vulnerable communities plan ahead and mitigate risk | 21 |
| Risk Management | 23 |
| Reserves | 24 |
| Financial Review | 25 |
| Independent Auditors’ Report to the Trustees of Mercy Corps Scotland | 29 |
| Financial Statements | 31 |
| Notes to the Financial Statements | 34 |
| Our Supporters | 51 |
| Our Advisors | 52 |

Front cover photo: Ayanle, Mowlid and Hussein use a busy water point established through Mercy Corps programmes that help rural Ethiopians adapt and thrive in one of the world’s harshest climates. © Mercy Corps

Executive Director's Message

When I wrote my message to you all last year, it began: "Over the past year we have felt both shocked and humbled by the enormity of the challenges facing the people in the communities where we work". One year later, as the world faces an unprecedented storm of complex emergencies in the Middle East and beyond, the challenges facing us are even greater.



Our field staff, nearly all of whom are nationals of the countries we work in, have responded with selfless commitment and often great courage to meet the needs of people in dire and frequently dangerous straits in pursuit of our mission. On a recent field visit to Mogadishu I came away inspired by the sheer professionalism, dedication and resourcefulness of our team working in very difficult circumstances. All demonstrated a sense of purpose and good humour.

This year's Annual Report reports our activities and programmatic interventions across the spectrum of humanitarian relief, through to recovery and ultimately resilience. We are helping communities survive, become stronger and more self-reliant.

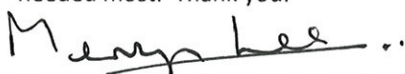
In terms of our humanitarian work, the Syrian crisis is unprecedented. Six million Syrians are displaced within Syria and three million are refugees in neighbouring countries. Our response in Syria and in the countries surrounding its borders - Iraq, Jordan, Lebanon and Turkey - is the largest humanitarian operation we have ever undertaken. Overall we are meeting the needs of three million people of whom two million are inside Syria, with UK Aid (DFID) as the major funder.

Elsewhere, the contribution from our European Headquarters in Edinburgh to Mercy Corps' global work continues to grow with our team here securing funding for 36 out of the 43 countries the global agency works in. We continue to develop our relationships with key donors including the European Commission, DFID, the Swiss Agency for Development and Co-operation and others. We seek a true partnership with all our donors which goes beyond funding and is essential to ensure that we work together in seeking and designing lasting solutions in some of the world's toughest places.

It is with sadness but excitement too that after more than eight years as Executive Director of the European Headquarters in Edinburgh I am moving to another global position within Mercy Corps. I am proud to say that during the last eight years, Mercy Corps has grown significantly in size, influence and effectiveness. This last year alone has seen the implementation of some of our largest and most innovative projects. These include our programme in Helmand, Afghanistan which is designed to grow the business sector, as well as our major infrastructure work in the Democratic Republic of the Congo which will provide water to one and a half million people.

Today, we are better positioned than ever to meet the complex challenges we face and to find innovative ways of creating opportunities and transforming lives for the better. In financial terms we have had consistently strong growth; quadrupling our income in five years. The numbers are certainly important, but the people more so. To maximise our financial growth, we have increased our staff numbers in Edinburgh ensuring that, in the next few years, we have the right capacity and quality in all departments to sustain growth, increase our impact and influence in Europe and work better with communities around the world.

I am producing this message as the Executive Director for the period of this financial report and accounts having left this post on 30 June 2014. Until my successor is appointed, I am handing the reins over to the very safe hands of Paul Dudley Hart, Senior Vice President, Global Partnerships and Alliances for the global agency. Throughout my tenure I have been very grateful for all the support we receive from our individual donors and supporters, staff, Board Members, volunteers, corporate partners, trusts and foundations and our institutional donors, which enables Mercy Corps to deliver high quality aid and development programmes where they are needed most. Thank you.



Mervyn Lee OBE, Executive Director (retired 30 June 2014)

Chairman's Message

I am using this opportunity to talk again about the Syrian crisis. The conflict in Syria is now in its fourth year and unfortunately, there are few grounds for optimism. It is estimated that the first three years of the conflict have already eroded 35 years of development.



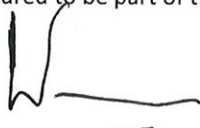
Mercy Corps teams are meeting the basic and emergency needs of three million people within and outside Syria, and we are using our expertise to develop cutting-edge programming for Syrian refugee adolescents. Of the 1.2 million Syrian refugee children under the age of 18 living outside of Syria, nearly one in three is between 12 and 18 years old. 68% of them are not in school. Mercy Corps is the main partner organisation for UNICEF's 'No Lost Generation' campaign for this age group.

When I was in the Middle East earlier this year, I saw first-hand the impressive work being done by our teams delivering adolescent programming. We are working beyond Syria's borders, in particular in Jordan and Lebanon, to provide safe places for young people to learn and interact, to build their confidence, their resilience, their capacity and their hope. This generation will play a vital role in trying to rebuild their country and the region. Our work with them is vital.

Like Syria, many crises around the world are increasingly complex and large. There are no quick fixes. Mercy Corps has recognised the urgent and increasing scale of humanitarian needs and we are prioritising our resources to meet these crises head-on – without losing sight of the importance of long-term programming to build resilience.

I also want to take the opportunity to thank Mervyn Lee for his leadership of Mercy Corps in Europe over the past eight years. He has helped us go from strength to strength across the organisation. Thank you also to Paul Dudley Hart, for stepping in to guide Mercy Corps in the interim while Mervyn's successor is appointed.

And finally, my thanks to my fellow Board members, the Audit and Risk Committee and to all Mercy Corps staff in Edinburgh and the field for their unwavering, inspirational dedication to helping others. We are all honoured to be part of the Mercy Corps global family.

A handwritten signature in black ink, appearing to be "Viscount Encombe".

Viscount Encombe, Chairman

Who We Are

We are a global humanitarian agency, working amid disasters, conflicts, chronic poverty and instability to help people and communities overcome the challenges they face.

Since 1979, our work has improved 229 million lives in 115 countries around the world. Supported by headquarter offices in Europe and North America, our unified global programmes employ over 4,000 staff worldwide. Last year our work saved and improved the lives of 42 million people in more than 40 countries.

Mercy Corps Scotland is based at Mercy Corps' European headquarters in Edinburgh. 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.

Mercy Corps Scotland 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 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 focus our assistance on youth, women and smallholder farmers – the demographic groups that 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 in some of the toughest places around the world. Fragile states such as Somalia and Zimbabwe, conflict zones including Afghanistan, Central African Republic, Iraq and Syria and countries that have endured natural disasters, such as Pakistan and Philippines. In these places, a child's life is often at risk. A woman's education is usually ignored. A family's livelihood is never a sure thing. These conditions threaten the welfare of communities, towns, provinces, countries and entire regions.

Our Capacity

To achieve our mission it is essential that Mercy Corps constantly strives to achieve excellence in terms of our own internal capacity, resources and capabilities. As an 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 staff.

Last year we aimed to:

- Continue to streamline and simplify our finance processes.
- Optimise our banking software and develop improved cash flow tools.
- Examine new funding modalities further and explore the implications these will have on our organisational structure, systems and processes.
- Implement the new global human resources information system interfaced with SAGE payroll.
- Review the current pension scheme with a view to providing optimal benefit to employees.
- Implement our new fundraising strategy.

This year we have:

- Continued to streamline and simplify our finance processes.
- Changed banking provider following deficiencies in the banking software offered by our bankers. This led to delays in developing cash flow tools.
- Examined new funding modalities and set up systems to facilitate applying for contract funding.
- Introduced a new asset tracking system to optimise equipment usage.
- Successfully challenged the payment of Employer's Withdrawal Debt and closed contributions to the existing pension scheme.
- Engaged professional advice to recommend a suitable alternative pension scheme.
- Implemented our new fundraising and marketing strategy and created two new positions focussed on community fundraising and operations and data management.

- In the coming year we will: Welcome a new Executive Director.
- Develop a European Strategic Plan.
- Introduce a new Masters Trust Pension scheme and implement auto-enrolment in line with our staging date.
- Create a staff handbook for UK based staff incorporating the London office.
- Equip staff to deal with security incidents when travelling by providing HEAT training (Hostile Environment Awareness Training) to all travellers.
- Explore cash flow options with our bank to enable us to apply for contracts and grants which fund in arrears.
- Develop reporting tools to enable faster submission of donor reports.
- Grow the visibility of our programmes in London through involvement in key networks and an increased media profile.
- Continue to build our Programmes team capacity to seek out new funding opportunities.
- Build on private fundraising success and opportunities to realise our five year plan.
- Focus on further integration between the European and US Mercy Corps headquarters and field teams.

Our People

Mercy Corps Scotland Board of Directors:

Viscount Jock Encombe, Chairman
Tom Murray, Company Secretary
Adrienne Airlie
Nick Blazquez
Roberto Bocca
Rear Admiral Michael Gregory OBE
Neal Keny-Guyer
Paul Dudley Hart
Malini Mehra (joined 21 November 2013, resigned 17 September 2014)
Debu Purkayastha

Mercy Corps Scotland Executive Committee:

Viscount Jock Encombe (Chairman) (Board Member)
Adrienne Airlie (Board Member)
Roberto Bocca (Board Member)
Beth deHamel Chief Financial Officer, Mercy Corps
Paul Dudley Hart (Board Member)
Tom Murray (Board Member)

Mercy Corps Scotland Audit and Risk Committee:

Martin Fairbairn (Chairman)
Adrienne Airlie (Board member)
Bob Cowan
Rear Admiral Michael Gregory OBE (Board member)
Alison Warden

Biographies for Board and Committee members:

Viscount Jock Encombe, Chairman: Independent leadership and organisational consultant and psychologist, Jock brings extensive international consulting experience.

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

Nick Blazquez: President of Diageo across Africa, Turkey, Russia, Central and Eastern Europe and for Global Sales. 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 of 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.

Bob Cowan: Bob is a Scottish Chartered Accountant with over 15 years' experience in senior finance roles in the private and public sectors. He is Financial Controller at Edinburgh College and is Honorary Treasurer of The Cockburn Association, The Edinburgh Civic Trust. He has been a member of the Audit and Risk Committee of Mercy Corps Scotland since 2007.

Martin Fairbairn: Senior Director with the Scottish Further & Higher Education Funding Council. Martin is a Scottish Chartered Accountant and brings nearly twenty years' experience of working in further and higher education and of public sector governance.

Rear Admiral Michael Gregory: Over 40 years' experience of business, organisational, risk and change management in both the public and private sectors. Michael is the CEO of two not-for-profit organisations and brings high level contacts on occasion through Lord-Lieutenant links. He is an experienced trustee and board member of other NGOs.

Paul Dudley Hart: Senior Vice-President for Global Partnerships and Alliances for Mercy Corps and Interim Executive Director of Mercy Corps European Headquarters. Has responsibility for coordinating Mercy Corps' evolution to becoming a more global agency. He also brings over 35 years of NGO senior management experience to the board.

Beth deHamel: Mercy Corps' Chief Financial Officer. Beth was previously CFO of a large US public transit agency, and has over 20 years' experience as an investment banker focused on infrastructure finance.

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 on the Yale Corporation's Board of Trustees, ImagineNations' Board of Directors, and the Nike Foundation's Advisory Board.

Malini Mehra: Founder and CEO of the Centre for Social Markets (CSM), a non-profit that has pioneered work on sustainability and corporate responsibility in India and the Diaspora since 2000. Malini has served on several advisory boards for a range of NGO, corporate and government bodies.

Tom Murray, Company Secretary: Chairman of Gillespie Macandrew LLP, Tom brings expertise in charities, NGOs, trusts & tax.

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.

Alison Warden: FSCI, ACA, 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 22 years with the firm.

Our European HQ staff

Executive

Paul Dudley Hart – Interim Executive Director

Finance Compliance and Office Administration

Elizabeth Sams – Director

Kamran Ahmed

Alexandra Angulo

Joanne Glover

Gillian Gordon

PuiYue Lee

Judith Moore

Matthew O'Brien

Paul Patrick

Aaron Platt

Victoria Roos

Leanne Thompson

Mihaela Tistu

Louise Whyte

Fundraising

Alison MacLeod – Director

Jennifer Adams

Amy Fairbairn

Emma Goldsmith

Alex Muirhead

Harriet Batten

Elizabeth Robertson

Laura Swan

Human Resources

Susan Moore – Director

Gill Morgan

Programmes

Michael McKean – Director

Sandy Biggar

Mark Chadwick

Emily Gilloran

Jenny Hanley

Camilla Higgins

Zoe Hopkins

Graham Niven

Martje van Raamsdonk

Lisa Seymour

Technical Services Unit & Procurement and

Logistics

Emma Proud

Andrea Mottram

Janaka Seram

Staff who have left or transferred within the organisation during the period of this report:
Andras Beszterczey, Grace Canham, Valerie Ceccherini, Marisa Charosky, Nicola Doderio, Fiona Kerr, Mervyn Lee, Kim Meikle, Colleen Roberts, Fernando Soares, Alison Khan.

Our Structure, Governance and Management

Mercy Corps Scotland (MCS) is a registered charity (registration number SC030289) and is constituted as a company limited by guarantee (registration number SC208829). The objects (defined on page 5 of this report) and powers are set out in its Memorandum and Articles of Association.

Mercy Corps Scotland operates as the European headquarters for Mercy Corps, with the US headquarters based in Portland, Oregon. Together this gives us the ability to secure resources and advocate policies on a global scale. Our strategy is to work in countries in transition, where communities are suffering and recovering from disaster, conflict or economic collapse – supporting them to build stronger communities and find their own solutions to poverty and hardship.

The Directors of Mercy Corps Scotland are the statutory Charity Trustees, collectively known as the Board. The Board, by which Mercy Corps Scotland is governed, comprises a minimum of 6 and a maximum of 20 directors. The Board meets three times a year and the members are listed on page 8.

Directors serve an initial term of one to three years. One third of Directors retire each year but may be re-elected for further terms of office. Director appointments are made based on the skills and experience required by Mercy Corps Scotland to determine the strategic direction of the charity and to monitor its implementation. New Directors are appointed by the full board following recommendation and nomination by existing Board Members and senior staff.

The selection process 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 given an induction by each of the departmental directors – the Senior Leadership Group (SLG) - who cover the functional operational aspects of the organisation. All Directors are given the opportunity to visit field offices and attend US Board meetings.

The roles and responsibilities of the Board are published in the Governance Handbook which is updated annually. In addition to the Board there are two sub-committees, the Executive Committee and the Audit and Risk Committee, which have specific terms of reference and functions. Each of these has a chair appointed by the Board and provides reports to the directors. The Audit and Risk Committee and Executive Committee are attended by the Director of Finance and the Director of Programmes.

Our Directors and their Statutory Responsibilities

Law applicable to incorporated charities in Scotland requires the directors to prepare an annual report and financial statements for each financial year in accordance with applicable law and regulations. Under the Law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the surplus or deficit for the period. In preparing these statements, the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The directors confirm that they have complied with the above requirements in preparing these financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006, the Statement of Recommended Practice 'Accounting and Reporting by Charities 2005', other current statutory requirements and the governing document. They are also responsible for safeguarding the assets of the charity, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the directors' knowledge there is no relevant audit information of which the charity's auditors are unaware and the directors have taken all steps and actions, as is their duty, to ensure they are aware of any such audit information and to establish that the auditors are aware of that information.

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

Strategic Report: 1 July 2013 to 30 June 2014

Our Strategic Report provides a snapshot of our activity from 1 July 2013 to 30 June 2014. As a global organisation working in over 40 countries, it is impossible to cover every programme during this period in one report. We are happy to provide further information on any of our programmes.

This year, we have documented our four key charitable activities under our umbrella headings of **Relief – Recovery – Resilience**. This is the essence of what we do at Mercy Corps. By combining these three areas of programmatic focus - immediate humanitarian response, rapid economic recovery and long-term resilience and self-reliance - Mercy Corps takes a distinct approach to international development work and creates a vehicle for lasting, sustainable improvement in people's lives.

Under these headings, our key charitable activities are covered:

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

Included within our Strategic Report are the following sections:

- Relief – Ensuring families and individuals receive the emergency help they need
- Recovery – Building secure, productive and just communities
- Resilience – Helping vulnerable communities plan ahead and mitigate risk
- Risk Management
- Reserves
- Financial review.

RELIEF: Ensuring families and individuals receive the emergency help they need



Nour, 13, a Syrian refugee who has been living in Jordan's Zaatari refugee camp for the past year.

Photo: Cassandra Nelson/Mercy Corps

Mercy Corps provides emergency relief in times of crisis. We react swiftly to serious humanitarian crises by providing targeted short-term aid – relief - and quickly identify 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. In 2013/2014, we managed humanitarian responses in some of the world's toughest places, including Syria and South Sudan.

The Syria crisis is, without a doubt, one of the most complex humanitarian issues of our time. In three years, the increasingly violent war has driven over nine million people from their homes – including three million to neighbouring countries. This has created increased pressure on resources and tensions throughout the region. Mercy Corps is working inside Syria and in Iraq, Jordan, Lebanon and Turkey where refugees have fled.

In Syria in the last year, we have met the urgent needs of over two million people with emergency food baskets and supplies which include winterisation kits – blankets, clothing and mattresses – as well as household/welcome kits and hygiene kits which include items such as soap, toothbrushes and toothpaste. We have also helped deliver access to clean water and sanitation, improve the condition of temporary shelters and provide safe spaces and activities to help children heal from trauma.

In Jordan, we are reaching over half a million people with clean, safe drinking water. This includes Syrian refugees in the Zaatari and Azraq camps, as well as Jordanian communities through rehabilitation and development of vital infrastructure. In the past year, we have also reached Syrian refugees in northern Jordan with shelter and non-food assistance, including provision of necessary assistive and mobility devices for people with disabilities.

In addition, specific Scotland-led projects include working with Syrian refugees and host communities to mitigate conflict. We have completed 38 community-led projects and created spaces to promote co-operation and alleviate tension between Syrian refugee and host communities – these projects include the construction of sports facilities, playgrounds, health clinics and communal spaces.

Similarly in Lebanon, our work with host and refugee communities is to alleviate tension and promote co-operation, ultimately increasing resilience. In the northern city of Tripoli, Mercy Corps has trained 80 community leaders in dispute resolution. This has mitigated the potential for conflict and increased stability.

Living with disability as a Syrian refugee

Wa'ad, nicknamed Touta, will spend her 6th birthday in Azraq; a remote town in central eastern Jordan, hundreds of miles away from her Syrian hometown of Derra. Touta was born with an inherited illness called Maple Syrup Urine Disease which is a metabolic disorder that affects an estimated one in two hundred thousand infants worldwide. Her body cannot process certain protein building blocks and she requires special food supplements for growth and physiotherapy to develop her delayed motor skills. When she arrived in Jordan, due to the absence of health facilities in Azraq, Touta stopped receiving medical attention causing her physical condition to deteriorate.



Mercy Corps provided Touta with a children's cerebral palsy wheelchair and standing frame. As part of our relief for Syrian refugees her family also received emergency items including mattresses, blankets, pillows, bedding, a gas heater and a gas supply kit. Their temporary home was also improved to help them get through the winter season.

The wheelchair allows Touta's mother to take her on strolls. She can visit friends and relatives, run errands and spend quality time together. Using her standing frame, Touta can play with her siblings while building her lower body strength. These interventions have improved the lives of Touta and her wider family.

In **South Sudan**, we have provided emergency relief and education during a time of conflict and disaster. In December 2013, internal divisions caused violence to erupt. Hundreds of thousands of people were displaced. Mercy Corps focused our work on three states (Unity, Warrap and Abyei Administration Area) where the impact of insecurity, the influx of displaced people, the presence of landmines, rebel militia groups, floods and frequent cattle raids were most acute.

We constructed 30 temporary learning spaces and pit latrines, making sure that 2,500 children were able to attend school. We distributed supplies that enabled teachers to continue teaching over 5,000 children through 'school in the box' kits which included recreation kits and blackboards and we established 18 child-to-child clubs. We also promoted hygiene education and life skills and worked with children affected by the conflict to improve their awareness on topics such as mine risk, water and sanitation and disaster risk reduction. Next year, we will continue to provide education supplies and we will establish temporary learning spaces to ensure that over 6,000 children can continue to go to school. Our response to the evolving needs of those affected by the conflict in **South Sudan** will continue.

We will also continue our work to support displaced people within and beyond the borders of **Syria**. Specifically, in the coming months, we plan to reach approximately 36,000 refugees in Jordan and displaced people in Syria with food, shelter and other emergency items. In **Iraq**, we will provide thousands of Syrian refugees with assistance including hygiene kits and unconditional cash transfers.

In **Bosnia-Herzegovina and Serbia**, we will be helping restore households and businesses destroyed by widespread flooding and isolated landslides which directly affected 2.6 million people in May. Mercy Corps and our four local partners will focus on household and livelihood restoration for extremely vulnerable individuals and households.

RECOVERY: Building secure, productive and just communities



A rural woman farmer in Guatemala
Photo: Ron Van Dongen/Mercy Corps

In the chaos of a disaster or conflict, daily trade is disrupted - this often prevents people being able to provide for their families. Mercy Corps helps to maintain, restore and rebuild commerce by providing financing, insurance, training, equipment and technical support. This helps people start and expand businesses, purchase tools, improve productivity, protect resources and reopen markets. We aim for a world where every member of the community is given the chance to thrive and support themselves and their family.

In **Afghanistan**, 36% of the population lives below the poverty line¹. Although vocational skills are in high demand, people who live outside the largest cities cannot access training in the skills that could help them earn a living wage and support their families. Opportunities for women are especially rare. A ten year ban on female education has left an entire generation of women illiterate and lacking the skills to teach the next generation – or earn a living for themselves. For the last three years, Mercy Corps' INVEST project has worked with local communities to implement a programme that introduces new vocational education and skills training designed to increase practical skills education and employment opportunities for men and, for the first time, women.

This year saw the expansion of this programme in Helmand province, as well as the strengthening of impact monitoring. By the end of June 2014, a total of 19,522 students had graduated. It can take years — if not generations — to change the attitude toward the participation of women in the classroom, the economy and the community. However, women (who are so marginalised in this part of the country) account for 5,739 of these graduates. Independent surveys, which were conducted six months after course completion, showed that 76% of graduates had been employed and 69% had experienced an increase in income. This is a ground-breaking benchmark programme.

¹ World Bank, 2008.



Abdul participated in Mercy Corps' vocational training programme in Afghanistan and learned how to repair household appliances. He chose to learn this skill because of the demand in his city of Lashkar Gah.

Abdul now has his own business and currently earns about 5,000 AFA a month.

Mercy Corps will now prepare to hand over the vocational training centres to local government in Afghanistan. We are also looking at how to increase support for graduates and influence the national vocational training curriculum.

In Yemen, 63% of the population are under the age of 25². They are increasingly frustrated with the non-inclusive character of the transition process of their country and their perception that young people's interests are being neglected and their voice unheard.

Mercy Corps works to socially integrate adolescents and young people into their communities. We seek to teach them skills to overcome conflict through dialogue rather than violence, so that they can become a force for positive and peaceful change in their communities - and country - during the political transition.

This year, Mercy Corps trained over 500 young people in life skills such as leadership, mediation and dispute resolution, civic engagement and advocacy. We also facilitated 12 dialogue sessions between these young people and government officials, community and religious leaders, local councils, private sector, NGOs, as well as the media. This enabled these groups of young people to apply their skills and discuss priority community issues with leaders. Mercy Corps also supported youth groups to design and implement community projects and establish advocacy campaigns tackling issues such as sexual harassment and drug use. As part of these campaigns youth groups engaged with government officials, their communities and religious leaders.

'Stop the silence! Enough Harassment' – Yemeni youth tell their communities

In Yemen, young people are standing up against the sexual harassment of girls and children by raising a hand. In an advocacy campaign titled 'Stop the silence! Enough Harassment' events were held to build awareness of this issue. One event, which took place on the street – where girls and vulnerable youth are often sexually harassed – drew thousands of participants.



This campaign was supported by Mercy Corps as part of our wider programme to help young people strengthen relations with their community while also addressing issues identified as priorities by communities. 'Stop the silence! Enough Harassment' was one of four campaigns organised by young people and included a host of activities by the youth groups including - photo exhibitions, theatre performances, recitations, songs, and several competitions. 40 mosques agreed to include a 'stop harassment' message in their Friday speeches.

In rural Guatemala, Mercy Corps responds to exclusion and inequality of the Q'eqchi indigenous women. Our programmes empower women to actively participate in community decision-making processes and become the champions of their own development.

In the last year, more than 200 women from 82 communities attended bi-monthly training in leadership and economic development, then replicated the training in their own villages, to a total of 3,300 women. The trained female leaders have now formed Women's Commissions within their Community Committees which are instrumental in pushing gender equality and women's issues to the forefront of local development. Representatives of the Commissions participate in municipal planning forums and regional networks, to further push women's needs onto political agendas.

² The World Factbook – 2014

Our political empowerment programmes have been delivered alongside technical agricultural training. 59 communities and 2,800 women have taken part in these activities. Increased theoretical and practical knowledge has helped these women to generate additional income for previously self-subsistent households. This is fundamental to increasing women's economic independence alongside their political empowerment.

Building capacity to manage conflict – and removing barriers to growth

In **Iraq**, our work supports efforts to reduce violence across all 19 governorates of Iraq and the Middle East region. Through the Iraqi Centre for Negotiation Skills and Conflict Management we provide training and mentorship to local leaders and community members. Our training develops negotiation skills, conflict resolution skills and promotes the attributes of good governance. The Centre is working towards becoming a Centre of Excellence for conflict resolution. In time, through a structure of membership fees and charging for mediation services, a sustainable business model will be established.

In the last year, we supported the Centre to resolve 230 conflict disputes and to record them in a database. This data will feed into an online platform that will be used by the Centre as an early warning system for conflict disputes, data mapping and online incident reporting. Mercy Corps also helped to develop five training curricula on conflict mediation using key conflict drivers, conflict prevention for refugee and host populations, youth conflict resolution (which will be included in the curriculum of three Iraqi universities - Ninawa, Baghdad, and Sulaimaniyha Universities), advocacy and negotiation, and a Training for Trainers on conflict resolution.

Mediating Iraqi-Turkish tensions in Basra

In April 2014, a conflict arose at one of the largest multinational metal smelting plants in Basra, Iraq. Turkish and Iraqi employees were in dispute over two explosions at the plant in three months. The management of the plant interpreted these incidents as an inability of Iraqi employees to carry out the work. Iraqi employees said that they had not received the required technical training from their Turkish employers.

Management of the Basra plant fired 230 members of staff and replaced them with employees from its Baghdad branch. In response to this, workers who had been fired, together with their supporters, held demonstrations and threatened to burn the plant. Managers were accused of showing a lack of respect for Basra people. The plant had to cease all activities.

Two representatives from the Iraqi Centre for Negotiation began a mediation process and through discussions with all groups, helped the parties to reach a solution. The fired staff members returned to work, management created an independent committee to investigate the causes of the explosions, technical training was provided to all staff, and an incentive and bonus scheme to reward employees for good performance was initiated. The plant resumed activity.

In **Colombia**, our prevention of child soldiers' programme delivered significant activity and impact. The programme works at three levels (local, regional and national) to prevent children being recruited into armed groups operating in the most conflict ridden areas of Colombia.

Through tailored after-school activities, Mercy Corps staff have strengthened the emotional, social and intellectual development of 600 children and youth at high risk of recruitment. Young people have been guided to life opportunities which offer an alternative to joining armed groups.

To enable replication and scale, frameworks have been developed which provide operating procedures, models of holistic educational programmes for rural boarding schools, interactive activities and methods of developing community linkages. These have been shared with regional and national committees to use as protection models for other areas.

Building infrastructure

Since 2009, Mercy Corps has been working with the Congolese government in the **Democratic Republic of the Congo** to rehabilitate and expand the water system in the city of Goma. The system was significantly degraded leaving hundreds of thousands of Goma residents without access to clean drinking water. Mercy Corps constructed two water storage reservoirs, installed over 20km of new pipeline to expand the reach of Goma's water system, and installed and/or rehabilitated 26 community water points to increase public access to safe, affordable water and established 50 community rainwater harvesting facilities.

Mercy Corps also trained local partner organisations to manage water quality testing, detect leaks and identify illegal water connections. 75 community committees were also trained to deliver hygiene awareness to at least 150,000 community members.

This financial year, we began our follow-on project - IMAGINE - which focusses on the governance of water systems, hygiene and behaviour, gender dynamics, environmental impacts and financial stability and risks. The objective of the project is to provide sustainable water and sanitation services to urban populations of Eastern Congo in order to reduce the prevalence of water-borne illness. This will impact 1.55million people who will have direct access to clean water and improved hygiene behaviours.

Timor-Leste is one of the poorest countries in Asia with 49.9% of the population living on less than a \$1 a day. A lack of access to modern energy services is a major factor in the country's overall poverty cycle and limits economic growth where it is needed most. In addition, it contributes to poor education and gender inequities. Only 36% of Timor-Leste's one million people have access to electricity, the majority who do have access are concentrated in the capital, Dili.

This past year, Mercy Corps worked with Dili-based suppliers of alternative energy technology to expand outreach to the largely untapped market of rural and off-grid energy consumers. We have supported the upgrade and expansion of 26 existing small businesses to become rural and peri-urban Alternative Energy Centres (AECs) which supply alternative energy technology and provide regular servicing and maintenance of products. 2,426 households have now purchased solar energy products from the new businesses. We have supported market development and the improvement of household outcomes.



Solar energy sales soar in Baucau

Tomas is the owner of Loja Haburas, a micro retail business in the village of Osamesa, in Baucau district of Timor-Leste. He's been running his business since 1998, selling basic food goods and kitchen equipment. Last year he also began selling solar energy products to households in Osamesa and neighbouring villages.

When he found out about the opportunity to become a supplier of solar goods, he knew that there would be a market as many people were without electricity and had to pay high prices for kerosene.

With Mercy Corps support, Tomas attended three days of business and technical training in Dili, learning about the products and how to train customers to use them.

Tomas is now averaging sales of between 10 and 20 solar products (such as lights and household systems) a month, which for a small business like his is a huge boost in income, quadrupling his previous profits. His business is a family-run enterprise; his wife oversees sales on a day-to-day basis, and his eldest son, in his early teens, helps by installing the systems in customers' homes, and promoting them through schoolmates.

In 2014/2015, we will continue to help communities recover, rebuild and improve productivity. In **Guatemala**, we will strengthen municipal and regional agrarian offices to better manage land conflicts. Working with our two specialised law partners, we will strengthen links between community members and municipal authorities to understand land conflict challenges and guide stakeholders through a framework of conflict resolution options. The project works in six municipalities, reaching 3,000 people and aims to solve at least 40 land conflicts.

In **Myanmar**, we will implement one of the first market development programmes in the country. Our programme will directly contribute to improving incomes from vegetable production for 15,000 smallholder farmers, both men and women, in Southern Shan and Chin States. The programme will work with farmers, the private sector and the government to improve information flows and incentives for co-operation, create or strengthen market linkages, and build trust at different levels while demonstrating the economic development potential of the rural poor.

In **Afghanistan**, an analysis of the rural economy in Helmand showed that a major constraint on local development is the lack of affordable electricity for farmers and small businesses who rely on expensive diesel generators. In the coming year we hope to facilitate investment which could help generate affordable and sustainable energy through a 1Mw power station in Lashkar Gah using agricultural waste. Mercy Corps has already facilitated the drafting of a comprehensive business plan and market analysis to assist potential investors.

In **Georgia**, we will be expanding and scaling up two previous livestock programmes targeted at small scale livestock producers in the mountainous and lower land regions. Since the collapse of the Soviet Union, this area has had very little governmental support and no major development assistance has been focused on the agricultural sector.

RESILIENCE: Helping vulnerable communities plan ahead and mitigate risk



*Disaster risk reduction in Nepal
Photo: Mercy Corps*

Around the world, communities face loss and danger of all kinds. To mitigate the impact of disaster, we work with communities to develop strategies and practices that build resilience and minimise the impact of future challenges and crises. This work includes educating communities on how to watch for and avoid harm from potential disasters, training on new house building techniques that will better withstand earthquakes and building the capacity of local organisations.

Building regional capacity for climate change adaptation and conservation

Across **Georgia, Armenia and Azerbaijan**, Mercy Corps is helping to strengthen resilience to climate change. We are building the capacity of communities, local officials and the environment ministries to develop and act on local and national climate change adaptation action plans for two eco-zones that span the trans-boundary river basins area between the three countries.

12 municipal plans have been produced and 12 working groups established to monitor their implementation by the local authority environment offices. Two transnational plans, to ensure international coordination for protection of both eco-zones in the Caucasus, have also been drafted. So far, 12 pilot innovative sustainable land management projects have been implemented, addressing desertification, overgrazing, deforestation, and water management problems.

Early warning and risk planning in Nepal

As part of Mercy Corps' work, we help communities and countries who are more vulnerable to natural disasters to try to prepare for them in advance. Nepal is ranked 30th for vulnerability to floods and 11th for vulnerability to earthquakes (UNDP/BCPR, 2004). While larger scale threats are now being taken seriously, smaller, day-to-day disasters are widespread and still largely ignored. The impact of flash floods in small catchment river basins and localised landslides affecting remote hill communities are often never even recorded in natural disaster statistics.

Our programmes are working with over 23,000 people living on complex river systems and in landslide-prone locations to address these threats. In order to do this, we have established community-based disaster management plans and an early warning system from the river and village level up to the national level for two way planning and early warning.

We have also helped to establish and/or strengthen Community Disaster Management Committees (CDMCs) to raise their own emergency funds which will be used for community led disaster response and to help those in need outside of disaster periods. This capacity building has empowered communities to plan and to be able to help themselves.

In 2014/2015, we will continue to work with communities to ensure they are prepared to meet crises and increase their self-reliance. This will include working with 25 rural communities in the mountainous Rasht Valley region of **Tajikistan** to increase resilience to landslides, flash floods and other risks. We will organise, train and equip village committees and work with schools to increase awareness and planning.

We will also improve food security in **Uganda, Zimbabwe and Indonesia** by developing a suite of financial and farm management products and services for smallholder farmers which will be accessed via mobile-based technologies. This will enable 182,000 smallholder farmers to increase farm productivity and food security by using market information and financial management practices. The first crops targeted will be rice, cassava, and horticultural crops but will be expanded to others including cotton, maize, cacao, and coffee.

Risk Management

Mercy Corps works in fast-changing, insecure and often high-risk environments, delivering its mission in some of the toughest and riskiest places in the world which means we cannot be risk averse.

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 staff and the people we work with, we examine and respond to the risks we face. Risk management is embedded throughout Mercy Corps. This begins with rigorous security and risk management assessments of our field programs and related training programmes for our staff.

As part of the move to an agency wide risk management system, key risks were identified for each of our countries by their relevant teams. Mitigating strategies were subsequently developed and managed throughout the year. Projects deemed complex were subject to additional rigour and there were two detailed risk management assessments undertaken in relation to operations in The Democratic Republic of the Congo and Syria.

During 2014 our Risk Management procedures at Headquarters were strengthened. In support of our field programs, monthly team meetings are now held to encourage staff to discuss the risk factors they feel affect departmental as well as organisational goals. Risks which need escalating are then discussed at monthly Senior Leadership meetings and are escalated to the Corporate Risk Register if they are considered to be strategic. The Corporate Risk Register itself is critically reviewed at monthly meetings and re-assessments of likelihood and impact scores attributed to previously identified risks and a thorough check-in on progress and results of preventive and mitigating measures are undertaken under each risk. The Corporate Risk Register, together with updates on mitigating actions taken, is presented to the Executive Committee at each of their meetings. The systems and processes around Risk Management are subject to an annual review by the Audit and Risk Committee who report their findings to the Board.

The Corporate Risk Register is grouped by Risk Type – Business, Operational, and Financial. Business risks are defined as those which arise as a result of being in the INGO sector. Operational Risks focus on changes in social or political environment, criminal activity and people risk, regulatory risk and processing and systems failure. Lastly, financial risks which are concerned with liquidity, profitability and reserves.

Two key business risks have been identified by Mercy Corps. The first is around the non-delivery of project outcomes. The agency is seeking to mitigate this by continually investing in and strengthening its monitoring and evaluation systems. The second is around avoiding creating unsustainable cost structures whilst ensuring that we are able to respond to those experiencing the impact of global crises. The unprecedented scale of the Syria response is an example of this challenge and risk. As such the agency is carefully monitoring and managing its impact.

An important operational risk for the agency is child and adult safeguarding. During the year and working with a specialist agency we successfully extended our child and vulnerable adult protection policy and established a broader safeguarding policy. The agency is now focused on the need to fully operationalise this and resources have been allocated to ensure this happens.

Lastly the key financial risks identified are around cash flow and a reduction in unrestricted income. The former is becoming an increasing strain for the agency as funding modalities move to payment in arrears or payment by results. To mitigate this, a designated fund has been created that will assist with short term cash flow needs along-side the investigation of bank guarantees and loan products. Unrestricted income contraction is another risk which the agency is attempting to mitigate through a concerted donor acquisition strategy.

Reserves

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 grant and donation funding flows.
- Quick response to emergencies where immediate relief is needed.
- Adequate working capital for our core costs.
- 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 (which exclude Designated Foreign Exchange Surpluses) representing at least 6 months operating expenditure, currently being £1,013,052 (2013: £926,377). Operating expenditure is defined as the total cost of generating funds, direct charitable expenditure, total expenditure on governance, foreign exchange losses and any allocation to Mercy Corps restricted funds. Current unrestricted funds of £1,149,844 (2013: 1,781,276) represents 7 months (2013: 11 months) operating expenditure.

Whilst unrestricted funds do meet the target, the Directors are mindful of current global economic conditions and instability. Consequently, they wish to adopt a prudent approach to reserves. During the year, and as was planned, £151,197 was spent from unrestricted reserves to support areas of critical need in the field.

Financial Review

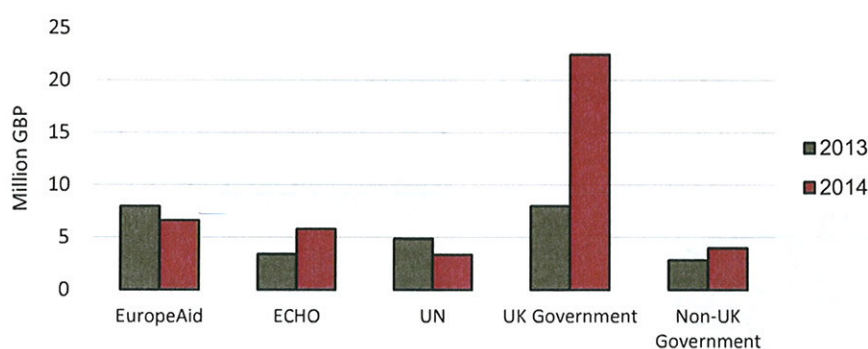
Income

Income (excluding foreign exchange gains) reached £46.7m, its highest ever level and an increase of 52% on the previous year. This increase was driven largely by activity in the Middle East and from the Syria response in particular.

Income from institutional donors remains the main source of Mercy Corps Scotland income. The funds generated and spent from these sources increased £15.61m from £30.23m in 2012-13 to £45.84m in 2013-14. In addition to grants in connection with the Syrian response, significant grants were also won for The Democratic Republic of Congo (£37.9m), Georgia (£4.7m, £3.6m), Myanmar (£2.4m), Nepal (£2.2m) and Central African Republic (£2.0m). The average size of grants is increasing significantly.

The graph below compares institutional donor income over the last two financial years. Income from the UK Government increased significantly with grants for work related to the Syrian refugee crisis.

Income from Institutional Donors 12-13 and 13-14



Institutional funding for the Syria response was £14m in the year (£1.6m in 2012-13). £12.4m of this funding was from DFID alone. Foreign and Commonwealth Office (FCO) funding has also increased significantly from £441k in 2012-13 to £3.5m in 2013-14. This funding has also been in relation to the Middle East. Consequently, Mercy Corps funding from the UK Government has overtaken funding from the European Commission for the first time.

Reflecting the increase in funding in relation to the Syria response, the resources received and deployed against the Disaster Risk Reduction and Emergency Response charitable activity has reached 40% of total charitable activities where previously this accounted for 15%.

Mercy Corps is conscious of the significant funding streams resulting from the Syria response and has recognised the need to ensure that HQ systems and support are at an appropriate level to ensure projects are delivered effectively. At the same time it is ensuring that support systems are scalable and is resisting increasing its fixed costs base.

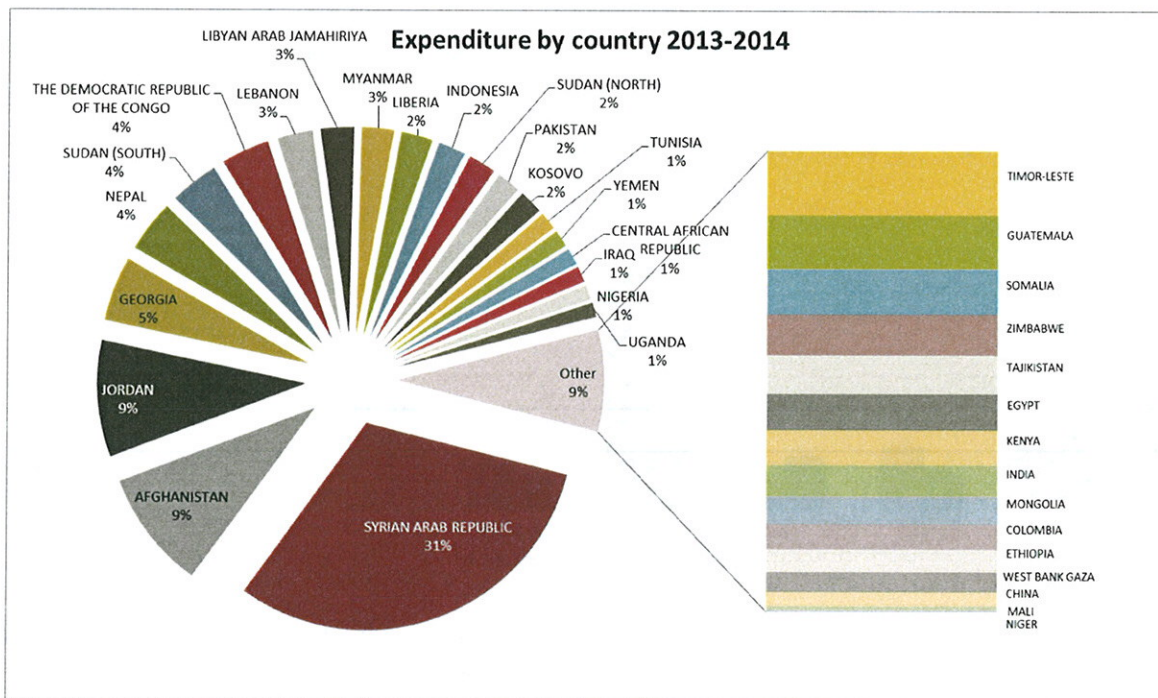
Approaching donors for restricted donations as co-finance for major projects yielded £1.03m (£2.3m in 2012-13). Due to the conditions attached to some donations £708k has been treated as deferred income and will be released to the income and expenditure account in future years as projects spend out. A focus on generating unrestricted voluntary income led to funds of £506k (gross) being generated compared to £198k in 2012-13.

Interest rate levels meant that investment income continued to yield low returns at £26k. As reported last year following a thorough examination of treasury options in 2012, and subsequent Board approval, a move to HSBC took place in 2013. However, following the migration process, Mercy Corps experienced serious operational issues with HSBC's offering and with full Board support made the decision to move back to NatWest Bank. The migration back to NatWest is complete and Mercy Corps is fully satisfied with the level of service and offering.

Exchange issues again had a significant effect on the results. A £306k gain arose from realised and unrealised foreign exchange, resulting in a final position on the foreign exchange designated fund of £1.755m (2013: £1.449m). £316k of this movement related to realised losses following project liquidations. £549k related to unrealised gains arising from liabilities held in soft currencies devaluing against the pound. Trading euros to dollars to send to field operations generated exchange gains of £73k.

Expenditure

As in previous years, programme expenditure was analysed and the amount of expenditure allocated against the appropriate charitable activity. The chart below shows where funds were deployed by country. Mercy Corps Scotland was active in 36 countries with Syria being the main recipient of income. Activities started in Iraq and Mali.



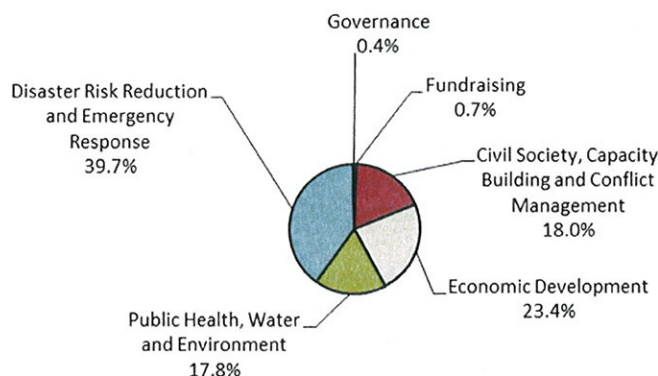
Consistent with the full cost recovery methodology, costs incurred at headquarters have been attributed as far as possible to the charitable activities which they support. Costs relating to governance activities have been removed and separately disclosed as required by the Statement of Recommended Practice (SoRP). Fundraising costs have been split three ways: those attributable to restricted fundraising appeals, general fundraising for unrestricted funds and those supporting co-financing for grants.

Total headquarter support costs have increased by £318k (18%) on 2012-13. Executive costs increased by £66k as the function took on a global role and Fundraising by £196k as unfilled positions in the previous year were filled and £167K spent on direct mailing activities. The costs of the London Office showed an increase as a full year's costs were included for the first time.

Despite this increase in headquarter support costs and as can be seen from the chart below, 98% of spend can be attributed to charitable activities with projects contributing to our areas of strategic focus.

Governance costs are associated with the general costs of running the charity and include audit, indemnity insurance and the reimbursed travel expenses of attendees. These costs are in line with the previous year.

Charitable Expenditure 2013-14



The potential co-financing gap on projects decreased by £156k during the year to £182k. This decrease was however a net effect with new grants being won attracting a co-financing obligation and old grants with co-financing gaps being removed as funding was found or underwritten by general funds. As in last year's accounts a temporary transfer has been made from general funds to restricted projects to illustrate this potential liability. However, should a funding shortfall crystallise at the end of project it would be met by Mercy Corps (US).

As committed in last year's report the Board approved £151k be spent from unrestricted reserves to fund projects in the field which were not covered by current grants.

Balance Sheet

Fixed assets net book value decreased as there were no capital items purchased in the year and there are still assets which are being depreciated.

Many donors withhold final payments on grants pending satisfactory evidence of financial and programmatic delivery. As Mercy Corps Scotland growth continues the cash flow impact of these increases. There were a number of large cash receipts just before year end which deflated the amount owing from donors at the end of the financial year to £3.5m (£4.1m 2012-13). The general backdrop remains - a growth in the number of grants being won but also the growing trend by European donors towards payment in arrears and applying a final withholding payment. In light of these constraints, Mercy Corps is investigating options with its bankers to ease the cash flow pressures.

The cash position at year end showed an increase of £2.6m on the previous year. This was due mainly to the timing of up front instalments of programme monies however payments to the field are settled one month in arrears. These payment terms impact on the Mercy Corps intercompany balance (see note 10) which was £3.7m at the end of 2013-14. Deferred income (note 10) reflects the extent of payments received up front - £9.2m. The bulk of the cash funds continue to be restricted and no investment activity other than bank deposits is permitted for these funds. In most cases, the interest earned on these funds must be attributed to the relevant programme so opportunities to invest surplus cash are limited at present.

Before the designation of funds, the unrestricted general reserves position (detailed in note 12), had increased during the year. This was partly down to the significant rise in unrestricted donations and the exchange rate gain. However it is also because of our very low cost base. However, as we have grown the support we receive from the global agency, predominately from the US Headquarters, has also increased substantially. We are aware that this support needs to be valued and recognised in our financial statements and we are working with other members of the global agency to evolve a method of quantifying this in future.

The dilapidations reserve continues to be augmented at the rate of £12k per year. The foreign exchange reserves have increased to £1.8m - of this £1.4m relates to unrealised gains and £0.4m to realised. It should be noted that the impact of unrealised losses is outwith the control of Mercy Corps Scotland and arises from the exchange rate valuation of the balance sheet at the year end. Moving monies from donor currency into functional currency would lead to realised exchange exposure so current Mercy Corps Scotland policy is to naturally hedge by keeping funds in donor currency until the last possible moment.

Restricted reserves have reduced again this year for two reasons. Firstly we are targeting spend on these funds as soon as possible and secondly we are increasingly receiving large donations with specific outputs so for accounting purposes they are being taken to the balance sheet as deferred income and released as income as they spend out.

The strengthened unrestricted reserves position, referred to previously, covers operating costs for 7 months – as is required by our reserves policy. The Board has approved the creation of the following designated funds: £415k for the expansion of the European platform; £150k to support projects where there is a co-financing gap and £1.5m to provide a working capital fund to enable the agency to take on new funding modalities such as payment by results and payment in arrears.

Mercy Corps Scotland is able to operate with extremely lean operational costs because of the extraordinary commitment and willingness of staff, both in Edinburgh and the agency globally, to work long hours and to manage the stresses and pressures associated with this. We are very grateful to all our supporters and volunteers for their continued efforts, without which we would be unable to carry out our work. We pride ourselves that, after all expenditure directed by the SoRP for inclusion under programme operations, over 98% of our costs are programme related.

This Report was approved by the Board of Directors on 20 November 2014 and signed on their behalf by:



Viscount Encombe
Director [*Chairman*]

Independent Auditors' Report to the Trustees of Mercy Corps Scotland

We have audited the financial statements of Mercy Corps Scotland for the year ended 30 June 2014 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the trustees' responsibilities statement (set out on page 12), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 30 June 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you, if in our opinion:

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



Janet Stevenson (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, 20 November 2014

Mercy Corps Scotland - Registered Company SC208829

Financial Statements

Statement of Financial Activities and Income and Expenditure Account for the year ending 30 June 2014.

| | Note | Unrestricted Funds £ | Restricted Grants £ | Restricted Donations £ | Total 2014 £ | Total 2013 £ |
|--|------|----------------------------|---------------------------|------------------------------|--------------------|--------------------|
| INCOMING RESOURCES | | | | | | |
| Incoming resources from generated funds | | | | | | |
| Voluntary Income | 2 | 505,643 | - | 323,120 | 828,763 | 431,016 |
| Investment Income | | 26,466 | - | - | 26,466 | 38,219 |
| Other Income | | - | 11,819 | - | 11,819 | 26,234 |
| Incoming resources from charitable activities | | | | | | |
| Civil Society, Education and Conflict Management | 2 | 558,099 | 7,822,318 | - | 8,380,417 | 7,796,737 |
| Economic Development | 2 | 651,890 | 10,033,843 | - | 10,685,733 | 11,022,982 |
| Public Health, Water and Environment | 2 | 543,914 | 7,803,260 | - | 8,347,174 | 7,048,640 |
| Disaster Risk Reduction and Emergency Response | 2 | 1,220,659 | 17,208,480 | - | 18,429,139 | 4,363,449 |
| Gains on Exchange | | 306,361 | - | - | 306,361 | 648,847 |
| Total incoming resources | | 3,813,032 | 42,879,720 | 323,120 | 47,015,872 | 31,376,124 |
| RESOURCES EXPENDED | | | | | | |
| Costs of generating voluntary income | 4 | 284,783 | - | 19,670 | 304,453 | 208,549 |
| Resources expended on charitable activities | | | | | | |
| Civil Society, Education and Conflict Management | 4 | 290,230 | 7,909,572 | - | 8,199,802 | 7,772,380 |
| Economic Development | 4 | 373,975 | 10,191,851 | - | 10,565,826 | 11,097,147 |
| Public Health, Water and Environment | 4 | 285,429 | 7,778,716 | - | 8,064,145 | 7,111,772 |
| Disaster Risk Reduction and Emergency Response | 4 | 635,390 | 17,316,125 | - | 17,951,515 | 4,352,712 |
| Governance | 5 | 161,512 | - | - | 161,512 | 141,611 |
| Other outgoing resources | | | | | | |
| Loss on exchange | | - | - | 1,994 | 1,994 | - |
| Total resources expended | | 2,031,319 | 43,196,264 | 21,664 | 45,249,247 | 30,684,171 |
| Net incoming/(outgoing) resources before transfers | | 1,781,713 | (316,544) | 301,456 | 1,766,625 | 691,953 |
| Unrestricted Funds to Restricted Grants | 13 | 5,216 | (5,216) | - | - | - |
| Restricted Donations to Restricted Grants | 13 | - | 321,760 | (321,760) | - | - |
| Total incoming/(outgoing) resources after transfers | | 1,786,929 | - | (20,304) | 1,766,625 | 691,953 |
| Balances brought forward at 1 July 2013 | | 3,284,272 | - | 216,057 | 3,500,329 | 2,808,376 |
| Balances carried forward at 30 June 2014 | | 5,071,201 | - | 195,753 | 5,266,954 | 3,500,329 |

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 34 to 50 form part of these financial statements. We have reverted back to the charitable classifications used previously on the grounds of feedback received and transparency.

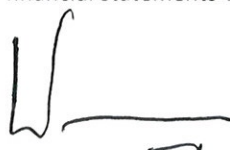
Mercy Corps Scotland - Registered Company SC208829

Balance Sheet as at 30 June 2014

| | Note | 2014 £ | 2013 £ |
|---|------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 20,080 | 30,705 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 3,713,246 | 4,264,717 |
| Cash at bank and in hand | 9 | 15,331,442 | 12,762,174 |
| | | <u>19,044,688</u> | <u>17,026,891</u> |
| CREDITORS: amounts falling due within one year | 10 | <u>(13,797,814)</u> | <u>(13,557,267)</u> |
| NET CURRENT ASSETS | | 5,246,874 | 3,469,624 |
| NET ASSETS | | <u>5,266,954</u> | <u>3,500,329</u> |
| FUNDS | | | |
| Restricted | 13 | 195,753 | 216,057 |
| Designated | 12 | 3,921,357 | 1,502,996 |
| Unrestricted | 12 | 1,149,844 | 1,781,276 |
| | | <u>5,266,954</u> | <u>3,500,329</u> |

The notes on pages 34 to 50 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2014 and signed on their behalf by:



Viscount Encombe
Director [*Chairman*]

Mercy Corps Scotland - Registered Company SC208829

Cash Flow Statement for the year ended 30 June 2014

| | Note | 2014 £ | 2013 £ |
|--|------|------------------|------------------|
| Net Cash Inflow from Operating Activities | 19 | 2,542,802 | 2,902,181 |
| Returns on Investments and Servicing of Finance | | | |
| Interest (paid) / received | | 26,466 | 38,219 |
| Net cash inflow from returns on investments and servicing of finance | | 2,569,268 | 2,940,400 |
| Capital Expenditure and Financial Investment | | | |
| Payments to acquire tangible fixed assets | | - | (31,877) |
| Net cash outflow from capital expenditure | | - | (31,877) |
| Increase in Cash | 20 | <u>2,569,268</u> | <u>2,908,523</u> |

The notes on pages 34 to 50 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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 and the Statement of Recommended Practice – Accounting and Reporting by Charities 2005 (SoRP).

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.

Incoming resources

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

Restricted income

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

Revenue donations

The charity receives donations in cash, which are recognised in the statement of financial activities and income and expenditure account. Donations in kind are recognised at valuation, as agreed between the donors and the directors of Mercy Corps Scotland.

Incoming resources from charitable activities

This comprises grants and contracts. 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 the Memorandum of Understanding with Mercy Corps US 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 cost of generating voluntary income, governance 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 operated two defined contribution pension schemes during the year, one of which has been closed to new entrants.

The open scheme was withdrawn from on 25 June 2014 (see note 17) and the company is currently in the process of setting up new arrangements for staff which will comply with the requirements of the auto enrolment regime.

The assets of both 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 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 as incurred.

Fixed assets

Fixed assets purchased directly by Mercy Corps Scotland with a cost exceeding £2,500 are included at cost. Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned.

All assets financed by donor funding for specific projects are written off at the time of purchase through the statement of financial activities because in the majority of cases the projects are of limited duration and at the end of which the assets can be donated to the ongoing project. Therefore, such assets have not been incorporated in the balance sheet.

Depreciation

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

| | |
|-----------|-------------------|
| 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 2014, 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.

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.

2. Voluntary income

| | Unrestricted | | Restricted | | Totals | |
|-------------------|--------------|-----------|------------|-----------|-----------|-----------|
| | 2014 £ | 2013 £ | 2014 £ | 2013 £ | 2014 £ | 2013 £ |
| Donations in cash | 505,643 | 198,786 | 323,120 | 232,230 | 828,763 | 431,016 |

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.

Incoming resources from charitable activities

| By charitable activity | 2014 £ | 2013 £ |
|--|-------------------|-------------------|
| Civil Society, Education and Conflict Management | 8,380,417 | 7,796,737 |
| Economic Development | 10,685,733 | 11,022,982 |
| Public Health, Water and Environment | 8,347,174 | 7,048,640 |
| Disaster Risk Reduction and Emergency Response | 18,429,139 | 4,363,449 |
| Total | 45,842,463 | 30,231,808 |

Incoming resources from charitable activities

Note – definitions of acronyms reported in the following section are explained in full on page 51

| | | 2014 £ | 2013 £ |
|---------------------|---|-------------------|-------------------|
| European Commission | European Commission | 6,629,519 | 7,970,512 |
| | ECHO | 5,797,282 | 3,385,157 |
| | | <u>12,426,801</u> | <u>11,355,669</u> |
| United Nations | CHF | 72,422 | (6,904) |
| | UNDP | 2,176,818 | 2,997,958 |
| | UNHCR | - | 4,359 |
| | UNICEF | 10,497 | 85,535 |
| | UNOPS | 1,086,309 | 1,767,882 |
| | | <u>3,346,046</u> | <u>4,848,830</u> |
| UK Government | British Council | 395,248 | 298,635 |
| | DFID | 18,438,605 | 7,114,741 |
| | FCO | 3,472,024 | 441,006 |
| | Scottish Government | 124,048 | 144,863 |
| | | <u>22,429,925</u> | <u>7,999,245</u> |
| Non-UK Government | Faroe Islands, Ministry of Foreign Affairs | 13,261 | 7,383 |
| | French Government (AFD) | 341,616 | 64,145 |
| | German Government (GIZ) | 256,838 | 166,578 |
| | Irish Aid (DCI) | - | 2,306 |
| | Japanese Government | 655 | 59,624 |
| | Jersey Government (JOAC) | 28,862 | - |
| | Kosovo Ministry of Communities and Returns (MCR) | 4,871 | - |
| | New Zealand Agency for International Development | - | 37,618 |
| | Norwegian Agency for Development (NORAD) | 129,864 | - |
| | Oceania – Governments for Sustainability (ICLEI) | 794 | 6,036 |
| | Royal Netherlands Embassy | 18,282 | 73,498 |
| | Swedish International Development Agency (SIDA) | 994,198 | 121,064 |
| | Swiss Agency for Development and Co-operation (SDC) | 2,183,530 | 2,308,780 |
| | | <u>3,972,771</u> | <u>2,847,032</u> |
| Other | Aga Khan Foundation | 1,499,624 | 627,799 |
| | Artemis | 9,430 | - |
| | Adam Smith International | 251,583 | 85,418 |
| | Bavaria | 2,860 | - |
| | Beneficiaries | - | 21,135 |
| | CARE | 22,546 | - |
| | Cherie Blair Foundation | 100,164 | 24,672 |
| | Cofra | 233,813 | 437,223 |
| | The Economist Trust | 8,130 | - |
| | Farm Africa | 55,712 | - |
| | Futures Group Europe Limited (GRM) | 43,941 | - |
| | GOAL | - | 30,247 |
| | Integrity | 16,420 | 29,623 |
| | International Relief and Development (IRD) | 34,827 | - |
| | KMT | 162,561 | 23,864 |
| | NIRAS | 127,073 | 117,726 |
| | Porticus | - | 543,280 |
| | Practical Action | 291,488 | 88,012 |
| | Private | 36,261 | 4,476 |
| | Radio France Internationale | - | 4,720 |
| | REEEP | 90,974 | 26,190 |
| | RIJ | - | 15,660 |
| | ROTA | 132,284 | 264,373 |
| | Save the Children | - | 130,077 |
| | Salama Foundation | 2,635 | - |
| | Shell | 45,519 | 63,773 |
| | Silatech | 9,916 | - |
| | Swedish University of Agriculture (SLU) | 6,330 | 8,045 |
| | Swisscontact | 2,297 | - |
| | Twinnings | 36,181 | 67,977 |
| Anonymous Donor | 233,579 | 152,883 | |
| Welt Hunger Hilfe | 210,772 | 393,337 | |
| Wisions | - | 20,522 | |
| | | <u>3,666,920</u> | <u>3,181,032</u> |
| Total | | 45,842,463 | 30,231,808 |

Incoming resources from charitable activities – 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 | 2014 | 2013 |
|------------------------------|--|------------------|------------------|
| | | £ | £ |
| Afghanistan | Aga Khan Foundation | 1,499,624 | 627,799 |
| | British Council | 16,478 | - |
| | DFID | 1,763,689 | 3,142,344 |
| | EuropeAid | 954,324 | 1,312,228 |
| | | 4,234,115 | 5,082,371 |
| Central African Republic | DFID | 252,017 | 290,101 |
| | The Economist Trust | 8,130 | - |
| | EuropeAid | 337,116 | 644,346 |
| | RFI | - | 4,720 |
| | Private | - | (1,844) |
| | | 597,263 | 937,323 |
| China | EuropeAid | 107,360 | 388,501 |
| | | 107,360 | 388,501 |
| Colombia | Bavaria | 2,860 | - |
| | EuropeAid | 70,980 | 126,139 |
| | ECHO | 288,389 | 2,996 |
| | DCI | - | 710 |
| | | 362,229 | 129,845 |
| Democratic Republic of Congo | DFID | 1,156,819 | 744,908 |
| | EuropeAid | 478,113 | 401,949 |
| | Private | - | 44,652 |
| | SDC | - | 32,353 |
| | Anonymous Donor | 76,083 | - |
| | | 1,711,015 | 1,223,862 |
| Egypt | Care | 22,546 | - |
| | DFID | 266,037 | 192,034 |
| | | 288,583 | 192,034 |
| Ethiopia | DFID | 101,398 | 323,879 |
| | Farm Africa | 55,712 | - |
| | FCO | - | 7,091 |
| | Royal Netherlands Embassy | 18,282 | 70,176 |
| | Save the Children | - | 130,077 |
| | | 175,392 | 531,223 |
| Timor Leste | EuropeAid | 317,190 | 537,714 |
| | Faroe Islands, Ministry of Foreign Affairs | 13,261 | 7,383 |
| | Norwegian Agency for Development (NORAD) | 129,864 | - |
| | Shell | 45,519 | 63,773 |
| | Wisions | - | 20,522 |
| | | 505,834 | 629,392 |

| | | | |
|-----------|--|------------------|------------------|
| Georgia | EuropeAid | 616,358 | 183,863 |
| | NIRAS | 127,073 | 117,726 |
| | Swiss Agency for Development and Cooperation | 1,553,329 | 1,279,597 |
| | | 2,296,760 | 1,581,186 |
| Guatemala | EuropeAid | 272,446 | 36,120 |
| | ECHO | 154,704 | 272,284 |
| | Irish Aid | - | 1,596 |
| | | 427,150 | 310,000 |
| Indonesia | Cherie Blair Foundation | 100,164 | 24,672 |
| | Cofra | 221,220 | 42,355 |
| | EuropeAid | 395,295 | 246,015 |
| | Oceania – Governments for Sustainability | 794 | 6,036 |
| | REEEP | 90,974 | 26,190 |
| | Swiss Agency for Development and Cooperation | 177,063 | 83,576 |
| | | 985,510 | 428,844 |
| India | ECHO | 207,822 | 34,037 |
| | FCO | - | 30,710 |
| | Scottish Government | 2,003 | 137,016 |
| | Twinings | 36,181 | 67,977 |
| | Private | 937 | 11,625 |
| | | 246,943 | 281,365 |
| Iraq | DFID | 102,167 | - |
| | ECHO | 5,518 | - |
| | FCO | 454,237 | - |
| | | 561,922 | - |
| Jordan | ECHO | 2,429,121 | - |
| | EuropeAid | - | 970,064 |
| | Dutch Embassy | - | 3,322 |
| | FCO | 1,731,519 | 91,917 |
| | RIJ | - | 15,660 |
| | Swedish University of Agriculture | 6,330 | 8,045 |
| | | 4,166,970 | 1,089,008 |
| Kenya | DFID | 112,060 | - |
| | KMT | 162,561 | 23,864 |
| | | 274,621 | 23,864 |
| Kosovo | EuropeAid | 821,896 | 1,045,188 |
| | Jersey Government | 28,862 | - |
| | Kosovo Ministry of Communities and Returns | 4,871 | - |
| | | 855,629 | 1,045,188 |
| Lebanon | Artemis | 9,430 | - |
| | DFID | 355,213 | - |
| | EuropeAid | 156,949 | 17,035 |
| | ECHO | 353,048 | 6,579 |
| | FCO | 408,803 | - |
| | | 1,283,443 | 23,614 |

| | | | |
|----------------|------------------------------------|------------------|----------------|
| Liberia | Adam Smith International | 139,022 | 1,130 |
| | ECHO | - | 106,601 |
| | SIDA | 994,198 | 122,545 |
| | | 1,133,220 | 230,276 |
| Libya | DFID | 311,754 | 91,037 |
| | EuropeAid | 888,367 | 865,627 |
| | FCO | - | 4,436 |
| | | 1,200,121 | 961,100 |
| Mali | IRD | 34,827 | - |
| | | 34,827 | - |
| Mongolia | Swiss Development Corporation | 216,672 | 403,698 |
| | | 216,672 | 403,698 |
| Myanmar | EuropeAid | 60,361 | 105,882 |
| | UNOPS | 1,086,309 | 1,767,882 |
| | Swisscontact | 2,297 | - |
| | Anonymous Donor | 12,776 | - |
| | 1,161,743 | 1,873,764 | |
| Nepal | Adam Smith International | 112,561 | 80,887 |
| | DFID | 953,151 | 141,820 |
| | EuropeAid | 348,692 | 330,343 |
| | Practical Action | 291,488 | 88,012 |
| | ROTA | 132,284 | 264,373 |
| | | 1,838,176 | 905,435 |
| Niger | Cofra | 12,593 | 394,868 |
| | Anonymous Donor | 352 | 61,610 |
| | | 12,945 | 456,478 |
| Nigeria | DFID | 541,884 | 449,641 |
| | | 541,884 | 449,641 |
| West Bank Gaza | EuropeAid | 111,101 | 243,389 |
| | Anonymous Donor | 49,650 | 47,689 |
| | | 160,751 | 291,078 |
| Pakistan | British Council | 378,770 | 298,635 |
| | Anonymous Donor | - | (1,068) |
| | EuropeAid | 153,933 | 434,758 |
| | FCO | 157,520 | 119,378 |
| | Futures Group Europe Limited (GRM) | 43,941 | - |
| | Scottish Government | 122,045 | 7,847 |
| | 856,209 | 859,550 | |
| Somalia | DFID | - | 237,735 |
| | FCO | 122,391 | - |
| | Porticus | - | 543,280 |
| | UNCHF | 72,422 | - |
| | UNDP | 158,586 | 805,206 |
| | 353,399 | 1,586,221 | |

| | | | |
|-------------|-------------------------------|-------------------|------------------|
| South Sudan | ECHO | 559,956 | 436,745 |
| | EuropeAid | - | 11,840 |
| | Private | 35,324 | - |
| | UNDP | 1,127,068 | 1,131,723 |
| | UNHCR | - | 4,359 |
| | | 1,722,348 | 1,584,667 |
| Sudan | Christian Aid | - | (5,305) |
| | EuropeAid | 94,285 | 158,185 |
| | UNDP | 891,164 | 1,061,029 |
| | UNCHF | - | (6,904) |
| | | 985,449 | 1,207,005 |
| Sweden | Adam Smith | - | 3,401 |
| | | - | 3,401 |
| Syria | DFID | 12,468,103 | 1,501,242 |
| | ECHO | 1,660,867 | 49,208 |
| | GOAL | - | 30,247 |
| | Integrity | 16,420 | 29,623 |
| | | 14,145,390 | 1,610,320 |
| Tajikistan | ECHO | - | 548,518 |
| | German Government | 256,838 | 166,578 |
| | SIDA | - | (1,481) |
| | Welt Hunger Hilfe | 46,323 | 162,742 |
| | | 303,161 | 876,357 |
| Tunisia | AFD | 341,616 | 64,145 |
| | FCO | 294,782 | 187,474 |
| | Silatech | 9,916 | - |
| | | 646,314 | 251,619 |
| Uganda | DFID | 54,313 | - |
| | EuropeAid | 280,035 | 653,465 |
| | Swiss Development Corporation | 87,865 | 93,970 |
| | Anonymous Donor | 94,718 | - |
| | | 516,931 | 747,435 |
| Yemen | ECHO | 137,857 | - |
| | EuropeAid | 164,718 | 932,305 |
| | FCO | 302,772 | - |
| | Salama Foundation | 2,635 | - |
| | SDC | 1,787 | 177,373 |
| | | 609,769 | 1,109,678 |
| Zimbabwe | Beneficiaries | - | 21,135 |
| | ECHO | - | 25,820 |
| | EuropeAid | - | 227,925 |
| | Japanese Embassy | 655 | 59,624 |
| | New Zealand Aid | - | 37,618 |
| | Swiss Agency for Development | 146,814 | 238,213 |
| | UNICEF | 10,497 | 85,535 |
| | Wealth Hunger Life | 164,449 | 230,595 |
| | | 322,415 | 926,465 |

| | | |
|--|-------------------|-------------------|
| Total | <u>45,842,463</u> | <u>30,231,808</u> |
| 3. Employee staff numbers and costs | | |
| | 2014 | 2013 |
| The average monthly number of staff employed by the charity was: | 63 | 57 |
| The above figures do not include staff seconded to the charity from Mercy Corps. | | |
| | 2014 | 2013 |
| | £ | £ |
| Wages and salaries: | | |
| Employed by the charity | 2,528,876 | 2,183,762 |
| (Less seconded to Mercy Corps) | (845,577) | (813,891) |
| Field staff seconded from Mercy Corps | <u>7,575,910</u> | <u>6,390,422</u> |
| | <u>9,259,209</u> | <u>7,760,293</u> |
| Social security | | |
| Employed by the charity | 149,472 | 145,329 |
| (Less seconded to Mercy Corps) | (23,046) | (29,484) |
| Field staff seconded from Mercy Corps | <u>2,816,564</u> | <u>2,350,980</u> |
| | <u>2,942,990</u> | <u>2,466,825</u> |
| Pension costs | | |
| Employed by the charity | 103,047 | 104,779 |
| (Less seconded to Mercy Corps) | (37,692) | (38,584) |
| Field staff seconded from Mercy Corps | <u>-</u> | <u>-</u> |
| | <u>65,355</u> | <u>66,195</u> |
| | 12,267,554 | 10,293,313 |

Nine employees (2013: six) received remuneration in excess of £60,000, two (2013: one) in the band between £60,000 and £70,000, five (2013: four) in the band £70,000 to £80,000 and two (2013: one) in the band £80,000 to £90,000. Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £29,620 (2013: £30,325).

All pension costs relate to the two pension schemes operated during the year, one of which is a defined contribution scheme and is closed to new members, the other of which was a defined contribution scheme withdrawn from during the year (see notes 16 and 17 for further disclosure). June 2014 contributions of £15,025 (2013: £11,685) were outstanding at the year end.

None of the Board of Directors received any remuneration, though two were remunerated by Mercy Corps Ltd, a US charity and related party (see note 15). Expenditure of £9,350 (2013: £8,338) relating to 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 £2M (2013: £1.7M) 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.

Note: Figures in bold are disclosed separately on the face of the Statement of Financial Activities and Income and Expenditure account.

- Allocate IT, Office Administration and Human Resources to Executive, Finance, programmes and Fundraising on the basis of staff numbers
- Allocate an element of remaining Fundraising costs to Cost of Generating Voluntary Income
- Allocate an element of Fundraising, Executive, Finance and Programmes expenditure to Governance on the basis of time spent by departmental managers on governance matters – giving final governance figure for Statement of Financial Activities and Income and Expenditure account

| Stage 1 | 2012/13 Costs | 2013/14 Costs | Allocate Office Admin | Allocate IT | Allocate HR | Allocate to Governance | Remove costs of generating voluntary income and governance | To be allocated In stage 2 |
|--------------------------|------------------|------------------|-----------------------------|----------------|----------------|---------------------------|---|----------------------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Executive | 172,857 | 239,165 | 11,075 | 3,040 | 10,811 | (17,374) | - | 246,717 |
| Finance | 425,738 | 436,115 | 55,376 | 15,202 | 54,054 | (36,891) | - | 523,856 |
| Programmes | 461,013 | 482,448 | 55,376 | 15,202 | 54,054 | (39,940) | - | 567,140 |
| Fundraising | 274,341 | 469,861 | 44,300 | 12,162 | 43,243 | (37,472) | (284,783) | 247,311 |
| Human Resources | 153,394 | 148,047 | 11,075 | 3,040 | (162,162) | - | - | - |
| Governance | 30,918 | 29,835 | - | - | - | 131,677 | (161,512) | - |
| Office Administration | 144,530 | 177,202 | (177,202) | - | - | - | - | - |
| IT | 50,671 | 48,646 | - | (48,646) | - | - | - | - |
| Totals | 1,713,462 | 2,031,319 | - | - | - | - | (446,295) | 1,585,024 |

- Finally, the remaining unallocated Executive, Finance, Programmes and Fundraising costs are allocated to 'Resources expended on charitable activities' in proportion to direct spend in those areas.

| Stage 2 | Executive £ | Finance £ | Programmes £ | Fundraising £ | 2014 £ | 2013 £ |
|---|----------------|----------------|-----------------|------------------|------------------|------------------|
| Civil Society, Education and Conflict Management | 45,176 | 95,923 | 103,847 | 45,284 | 290,230 | 355,867 |
| Economic Development | 58,211 | 123,600 | 133,813 | 58,351 | 373,975 | 507,420 |
| Public Health, Water and Environment | 44,428 | 94,335 | 102,130 | 44,536 | 285,429 | 325,620 |
| Disaster Risk Reduction and Emergency Response | 98,902 | 209,998 | 227,350 | 99,140 | 635,390 | 199,294 |
| | 246,717 | 523,856 | 567,140 | 247,311 | 1,585,024 | 1,388,201 |

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

| | 2014 | 2013 |
|---|----------------|----------------|
| | £ | £ |
| External Audit | 15,912 | 15,600 |
| Trustees' indemnity insurance | 1,696 | 1,835 |
| Trustees' expenses | 9,350 | 8,338 |
| Board costs | 2,877 | 5,145 |
| Apportionment of senior staff costs (based on time spent) | 131,677 | 110,693 |
| | <u>161,512</u> | <u>141,611</u> |

6. Net incoming / (outgoing) resources for the year is stated after charging

| | 2014 | 2013 |
|--|--------|--------|
| | £ | £ |
| Depreciation | 10,625 | 16,619 |
| Operating lease rentals – land and buildings | 94,227 | 74,400 |
| Operating lease rentals – other | 3,197 | 3,138 |
| Auditors' remuneration – in respect of the audit | 15,912 | 15,600 |
| – in respect of programme audits | 1,800 | 3,600 |

7. Tangible Fixed Assets

| | Computers | Equipment | Total |
|---------------------------------------|----------------|--------------|----------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 July 2013 | 167,833 | 9,287 | 177,120 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 30 June 2014 | <u>167,833</u> | <u>9,287</u> | <u>177,120</u> |
| Depreciation | | | |
| At 1 July 2013 | 137,128 | 9,287 | 146,415 |
| Charge | 10,625 | - | 10,625 |
| Disposals | - | - | - |
| At 30 June 2014 | <u>147,753</u> | <u>9,287</u> | <u>157,040</u> |
| Net Book Value at 30 June 2014 | <u>20,080</u> | <u>-</u> | <u>20,080</u> |
| Net Book Value at 30 June 2013 | <u>30,705</u> | <u>-</u> | <u>30,705</u> |

8. Debtors

| | 2014 | 2013 |
|------------------------|------------------|------------------|
| | £ | £ |
| Income tax recoverable | 1,476 | 5,614 |
| Other debtors | 157,313 | 90,291 |
| Prepayments | 35,447 | 37,145 |
| Accrued project income | 3,519,010 | 4,131,667 |
| | <u>3,713,246</u> | <u>4,264,717</u> |

Accrued project income relates to funds due from donors for projects in which expenses have already been paid by Mercy Corps Scotland as at 30 June 2014.

9. Cash at Bank and in Hand

| | 2014 | 2013 |
|---------------|-------------------|-------------------|
| | £ | £ |
| Bank accounts | 15,330,872 | 12,761,016 |
| Cash in hand | 570 | 1,158 |
| | <u>15,331,442</u> | <u>12,762,174</u> |

10. Creditors: amounts falling due within one year

| | 2014 | 2013 |
|----------------------------------|-------------------|-------------------|
| | £ | £ |
| Deferred income | 9,243,242 | 8,836,342 |
| Mercy Corps Intercompany balance | 3,732,146 | 4,434,466 |
| Accruals | 18,099 | 20,799 |
| Taxation and social security | 45,627 | 45,347 |
| Other creditors | 758,700 | 220,313 |
| | <u>13,797,814</u> | <u>13,557,267</u> |

Deferred income above relates to project income received in advance, or the balance of income held for projects, which are still to be completed.

| | £ |
|--------------------------------------|------------------|
| At 1 July 2013 | 8,836,342 |
| Transfer from accrued project income | (4,131,667) |
| Currency | (437,527) |
| Grant funds received in year | 47,119,357 |
| Grant funds spent during year | (45,662,273) |
| Transfer to accrued project income | 3,519,010 |
| At 30 June 2014 | <u>9,243,242</u> |

11. Operating lease commitments

The company has annual commitments under non-cancellable operating leases expiring as follows:

| | Land and Buildings £ | Other £ | 2014 £ | 2013 £ |
|-----------------------|----------------------------|------------|---------------|---------------|
| Between 1 and 2 years | - | - | - | 1,472 |
| Between 2 and 5 years | 75,300 | 792 | 76,092 | 75,400 |
| Over 5 years | - | - | - | - |
| | <u>75,300</u> | <u>792</u> | <u>76,092</u> | <u>76,872</u> |

12. Unrestricted funds

| | Balance at 1 July 2013 £ | Incoming resources £ | Resources expended £ | Transfers (Out) / In £ | Balance at 30 June 2014 £ |
|-----------------------------|--------------------------------|----------------------------|----------------------------|------------------------------|---------------------------------|
| General Funds | | | | | |
| Unrestricted Reserve | <u>1,781,276</u> | <u>3,506,671</u> | <u>(2,031,319)</u> | <u>(2,106,784)</u> | <u>1,149,844</u> |
| Designated Funds | | | | | |
| Dilapidations | 54,000 | - | - | 12,000 | 66,000 |
| Foreign Exchange | 1,448,996 | 306,361 | - | - | 1,755,357 |
| European Platform | - | - | - | 450,000 | 450,000 |
| Co-financing | - | - | - | 150,000 | 150,000 |
| New Modalities | - | - | - | 1,500,000 | 1,500,000 |
| | <u>1,502,996</u> | <u>306,361</u> | <u>-</u> | <u>2,112,000</u> | <u>3,921,357</u> |
| | <u>3,284,272</u> | <u>3,813,032</u> | <u>(2,031,319)</u> | <u>5,216</u> | <u>5,071,201</u> |

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.

Transfer out of general funds of £2,106,784 comprises programme expenditure previously covered temporarily from general funds in lieu of co-financing of (£156,413) now refunded, spend of unrestricted funds on programmatic items £151,197, an increase in dilapidations fund of £12,000, the creation of a European Platform fund of £450k, the creation of a Co-financing fund of £150k and the creation of a New Modalities fund of £1,500,000.

13. Restricted Funds

| | Balance at 1 July 2013 £ | Incoming resources £ | Resources expended £ | Transfers In / (out) £ | Balance at 30 June 2014 £ |
|-----------|--------------------------------|----------------------------|----------------------------|------------------------------|---------------------------------|
| Grants | - | 42,879,720 | (43,196,264) | 316,544 | - |
| Donations | 216,057 | 323,120 | (21,664) | (321,760) | 195,753 |
| | <u>216,057</u> | <u>43,202,840</u> | <u>(43,217,928)</u> | <u>(5,216)</u> | <u>195,753</u> |

Transfer in to Restricted Grants of £316,544 comprises restricted donations used to cover programmatic expenditure of £321,760, programme expenditure covered temporarily from unrestricted reserves in lieu of co-financing of (£156,413) and spend on programmatic items from unrestricted funds £151,197.

The net transfer out of Restricted Donations of £321,760 comprises restricted donations used to cover programmatic expenditure.

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 2014 £ |
|---------------------------|-----------------------------|---------------------------------|
| By country | India | 13,872 |
| | Syrian Arab Republic | 23,348 |
| To fund specific projects | India | 30,919 |
| To Co-finance EC projects | Central African Republic | 12,677 |
| | Uganda | 30,258 |
| | Mongolia | 12,048 |
| | South Sudan | 22,500 |
| Other | Simon Scott Memorial Fund | 22,927 |
| | Other funds (under £10,000) | 27,204 |
| | | <u>195,753</u> |

14. Analysis of Net Assets between Restricted and Unrestricted Funds

| | Unrestricted Funds £ | Restricted Funds £ | Total 2014 £ | Total 2013 £ |
|-----------------------|----------------------------|--------------------------|--------------------|--------------------|
| Tangible fixed assets | 20,080 | - | 20,080 | 30,705 |
| Other net assets | 5,051,121 | 195,753 | 5,246,874 | 3,469,624 |
| | <u>5,071,121</u> | <u>195,753</u> | <u>5,266,954</u> | <u>3,500,329</u> |

15. Related party transactions

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

The following directors of Mercy Corps Scotland were also directors of Mercy Corps during the year.

| | |
|-----------------|--|
| Jock Encombe | Chairman of Mercy Corps Scotland |
| Neal Keny-Guyer | Chief Executive Officer of Mercy Corps |

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

Mercy Corps Scotland and Mercy Corps 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 Scotland and Mercy Corps. During the year the following transactions arose:

Grant from Mercy Corps to Mercy Corps Scotland: £Nil; (2013: £1,740)

Grant from Mercy Corps Scotland to Mercy Corps: £Nil; (2013: £40,130)

Grant figures include pass-through donations raised by one party and granted to the other.

Expenditure on behalf of Mercy Corps by Mercy Corps Scotland: £1,012,793; (2013: £1,073,284)

Expenditure on behalf of Mercy Corps Scotland by Mercy Corps: £315,866; (2013: £18,224)

At the year-end the related party creditors were £3,732,146; (2013: £4,434,466)

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

16. Pensions

The company operated two pension schemes on behalf of its staff. Both funds are held separately from the company, with one being closed to new members. The open scheme was withdrawn from on 25 June 2014 (see note 17) and the company is currently in the process of setting up new arrangements for staff which will comply with the requirements of the auto enrolment regime.

17. Contingencies

Mercy Corps Scotland participated in The Pension Trust's Growth Plan (the Plan) – which is a multi-employer scheme.

Mercy Corps Scotland had been notified by The Pensions Trust that the estimated employer debt on withdrawal from the Plan as at 30 September 2012 (the date of the most recent completed valuation) was £169,260 (2012: £126,741) if series 3 liabilities are included in the calculation and £nil if they are excluded. It became clear during the year that as long as withdrawal from the scheme was before July 2014 then there would be no employer debt due. Withdrawal was successfully concluded on 25 June 2014 and The Pension Trust have confirmed that the section 75 debt due is £nil.

18. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2014.

19. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

| | 2014 | 2013 |
|---|------------------|------------------|
| | £ | £ |
| Operating surplus | 1,766,625 | 691,953 |
| Income from investments | (26,466) | (38,219) |
| Depreciation | 10,625 | 16,619 |
| Increase / (Decrease) in Debtors | 551,471 | (17,614) |
| Increase in Creditors | 240,547 | 2,249,442 |
| Net cash inflow from operating activities | <u>2,542,802</u> | <u>2,902,181</u> |

20. Reconciliation of net cash flow movement to movement in Net Funds

| | 2014 | 2013 |
|-------------------------------------|-------------------|-------------------|
| | £ | £ |
| Increase in cash held in the period | 2,569,268 | 2,908,523 |
| Net funds at 1 July | 12,762,174 | 9,853,651 |
| Net funds at 30 June | <u>15,331,442</u> | <u>12,762,174</u> |

21. UNHCR – Schedule to Financial Statements

| Country | Cost Centre | Sub-project number | Instalments Received £ | Direct Project Expenditure £ | Recoverable Overhead charges £ | Unspent balance due (from) / to UNHCR £ |
|---------|-------------|-----------------------|---------------------------|---------------------------------|-----------------------------------|--|
| S Sudan | 90900 | 12/SUDJU/HCR/PROG/003 | 3,915 | - | - | - |

22. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2013 to 30 June 2014. We certify that each of the DFID grants below were expended in accordance with the terms agreed with DFID.

| Country | Cost Centre | Reference | Instalments received £ | Expended during the financial year £ |
|--------------|-------------|--------------|---------------------------|---|
| Ethiopia | 90815 | 201840-101 | 78,134 | 101,398 |
| Afghanistan | 90817 | 201023-101 | (248,255) | - |
| Afghanistan | 90850 | 201023-111 | 1,306,199 | 1,334,787 |
| Nepal | 90901 | 6616 | 80,615 | 71,035 |
| DRC | 90907 | GPAF-IMP-007 | 322,040 | 446,397 |
| CAR | 90908 | GPAF-IMP-018 | 126,032 | 234,798 |
| Egypt | 90948 | 203236-102 | 204,414 | 266,037 |
| Afghanistan | 90949 | 203474-102 | 530,687 | 438,267 |
| Nigeria | 90958 | 201625-108 | 782,096 | 533,436 |
| Libya | 90964 | 203236-112 | 265,237 | 312,363 |
| Syria | 90997/90998 | 203216-137 | 12,847,229 | 12,468,137 |
| Nepal | 91000 | 40076514 | 549,114 | 645,017 |
| Nepal | 91001 | 6616 | 306,252 | 237,099 |
| DRC | 91006 | 203445-109 | 1,512,629 | 710,422 |
| Kenya/Uganda | 91026/91027 | 202921-106 | 268,933 | 166,373 |
| Lebanon/Iraq | 91040/91041 | 203216-106 | 500,000 | 457,379 |
| CAR | 91043 | 40081743 | 386,543 | 17,220 |
| Nigeria | 91045 | 202584-103 | - | 8,450 |

23. Foreign and Commonwealth Office (FCO) – Schedule to Financial Statements

Projects implemented on behalf of FCO during period from 1 July 2013 to 30 June 2014. We certify that each of the FCO grants below were expended in accordance with the terms agreed with FCO.

| Country | Cost Centre | Reference | Instalments received £ | Expended during the financial year £ |
|----------|-------------|-------------|---------------------------|---|
| Tunisia | 90944 | 203236-105 | 280,120 | 294,782 |
| Pakistan | 90967 | 202080-126 | 3,411 | 1,700 |
| Jordan | 90974 | PO120214693 | 1,279,097 | 1,731,518 |
| Iraq | 90996 | PO120216713 | 357,187 | 454,237 |
| Lebanon | 91002 | PO120218252 | 398,974 | 400,914 |
| Yemen | 91004 | PO120216889 | 205,881 | 302,772 |
| Pakistan | 91011 | PO120222809 | 133,118 | 155,819 |
| Somalia | 91025 | PO120227888 | 135,000 | 122,391 |
| Lebanon | 91054 | PO120236363 | - | 7,889 |

24. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2013 to 30 June 2014. We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

| Country | Cost Centre | Reference | Instalments received £ | Expended during the financial year £ |
|----------|-------------|-----------|---------------------------|---|
| Pakistan | 90919 | - | - | 109,437 |
| Pakistan | 90993 | - | 46,714 | 150,464 |
| Pakistan | 91021 | - | 185,954 | 118,868 |

25. Adam Smith International Limited – Schedule to Financial Statements

Projects implemented on behalf of Adam Smith International Limited during the period from 1 July 2013 to 30 June 2014. We certify that each of the Adam Smith International Limited grants below were expended in accordance with the terms agreed with Adam Smith International Limited.

| Country | Cost Centre | Reference | Instalments received £ | Expended during the financial year £ |
|---------|-------------|-----------|---------------------------|---|
| Nepal | 90959 | - | 148,345 | 112,561 |

26. 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.

Our Supporters

The work of Mercy Corps would not be possible without the support of our 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 and those that supported them. Thank you also to our donors who wish to remain anonymous.

Corporate

AKA Food Enterprises Ltd
Alliance Trust Plc
AXA Investment Managers
Britannia Operator Limited
Ernst and Young
Farmhouse Nursery
Gillespie MacAndrew
Kelvin Top-Set Ltd
Martin Currie Investment Management Ltd
Puma SE
Shell Development (Australia)
Taylor Wimpey UK Limited
Twinings
The Wood Group PSN
Warner Bros. Entertainment UK

Grants and Funders

Agence Francaise de Development (AFD)
British Council
Department for International Development (DFID)
Die Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
European Commission (EC)
European Community Humanitarian Organization (ECHO)
Foreign & Commonwealth Office (FCO)
Irish Aid
Jersey Overseas Aid Commission (JOAC)
Kenya Markets Trust (KMT)
Livelihoods and Food Security Trust Fund
Ministry for Communities and Return (MCR) Kosovo
Oceania – Local Governments for Sustainability
Reach out to Asia (ROTA)
Research and Advocacy Fund
Scottish Government
Silatech
Swedish International Development Agency
Swedish University of Agriculture Sciences
Swiss Agency for Development and Co-operation (SDC)
Swisscontact
United Nations (UN)
United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA)
United Nations Children's Fund (UNICEF)

Organisations

Blackhall Primary School
Broughton High School
Canongate Parish Church
City of Edinburgh District Council
Corstorphine Primary School
Cramond Primary School
Dalmeny Primary School

Edinburgh Central Library
Edinburgh College
Edinburgh Royal Infirmary
Inner Wheel Club of Kettering
Juniper Green Primary School
Our Lady Queen Of Apostles Catholic Church
Parish of Kelso North and Ednam
Peebles Cub Group
Pitlochry Station Charity Bookshop
Redhall School
Rotary Club of Dunfermline Carnegie
Sandon Parochial Church Council
Save Water
Scottish Law Commission
Sighthill Primary School
South Bridge Resource Centre
St Ebbas Episcopalian Church
St. Ninian's One World Group
The Fruitmarket Gallery
The Nomads Tent
The St Mary's Charity
Third World Foundation for Social and Economic Studies

Trusts and Foundations

Artemis Charitable Foundation
Bank of Scotland Foundation
Barcapel Foundation
Barrow Trust
Cofra
Diageo Foundation
HCD Memorial Fund
Kasner Charitable Trust
Robson Charitable Trust
Salama Foundation
The Brillig Charitable Trust
The Bryan Guinness Charitable Trust
The Charitable Assets Trust
The Lizandy Charitable trust
The Nigel Bruce Trust
The Souter Charitable Trust
The Stephen Clark 1957 Charitable Trust
Ulster Workhouse and Famine Trust Lisnaskea
Vitol Foundation
West Hall Charitable Fund

Our Advisors

Auditors

Henderson Loggie
34 Melville Street
Edinburgh
EH3 7HA

Bankers

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

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

HSBC
East of Scotland Commercial Centre
Hobart House
80 Hanover Street
Edinburgh EH2 1EL

Lawyers

Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Morton Fraser
Quartermile Estates Ltd
2 Lister Square
Edinburgh
EH3 9GL

Pension Advisors

Spence & Co
4 West Regent Street
Glasgow
G2 1RW

Mercy Corps Scotland
Registered Office
40 Sciennes
Edinburgh
EH9 1NJ

Tel: +44 (0)131 662 5160
Fax: +44 (0)131 662 6648

Email: info@uk.mercycorps.org
Website: www.mercycorps.org.uk

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Company registered in Scotland no: SC208829