



ANNUAL REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2021



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Cover photograph: Increasingly unpredictable rain poses a serious challenge to farmers like Adamu in Borno State, Nigeria. After receiving a Mercy Corps grant and training, he has been able to invest in his farming business and apply improved agricultural and climate-resilient practices. Photo: Mercy Corps Nigeria

Photograph: Handwashing stations, installed by our team in Pakistan outside health facilities, has helped to reduce the spread of COVID-19. Photo: Mercy Corps Pakistan

EXECUTIVE DIRECTOR'S MESSAGE



This past year has been one of the most challenging in Mercy Corps' 42 years of operation. The challenges we have faced have been complex and multi-faceted, set against a backdrop of the COVID-19 pandemic; all 40 countries where we work continue to be impacted. It has been challenging on many levels, with the world experiencing new and ongoing humanitarian disasters often hitting areas that were already struggling.

At the time of publication of this report we have been witnessing deeply distressing events in Afghanistan. It is a country on the verge of a humanitarian catastrophe and more than 3.5 million Afghans have been displaced from their homes. With women and children accounting for 46% of all civilian casualties in the country in the first half of 2021, this leaves us gravely concerned. The international community must stay committed to the future of Afghanistan, as continued diplomatic engagement and international assistance over the near and long-term is absolutely essential to meet the growing needs of the population, now and in the future.

Despite the many barriers to progress and tough moments, I look back on the past 12 months with immense pride having witnessed how our team members have responded, nearly 5,600 of whom are in the countries where we operate across the world. This team has handled complex crises with compassion, innovation and an extraordinary drive. They are all motivated by a shared commitment to supporting those facing and working to overcome the world's most formidable challenges.

This dedication has been on display in each and every one of the 40 countries where we work. In the Democratic Republic of Congo (DRC), where the eruption of an active volcano put hundreds of thousands at risk, our early warning system helped safely prepare families to avoid disaster. In Palestine, as COVID-19 restrictions meant already vulnerable people were unable to work and earn income to feed their families, our team provided emergency cash assistance to help families buy food and essential goods. In Ethiopia, when lockdowns were stopping people from working, we helped to employ newly-unemployed people as cleaners within office blocks, not only helping them get back into work but making spaces safer to reopen for everyone.

It is clear now more than ever that humanitarian aid provides critical lifesaving support for millions. We are seeing first hand that hunger levels are growing, conflict is forcing hundreds of thousands from their homes, and the climate crisis is devastating entire communities. We were deeply disappointed to see cuts to the UK overseas development assistance budget with a reduction from 0.7% to 0.5% of national income. This cut has real impacts - taking food away from families, preventing girls from accessing education, deepening the impacts of the climate emergency and reducing peacebuilding efforts to mitigate conflict and save lives. We will continue to advocate to the UK Government on behalf of the communities we serve around the world and call for this core commitment to be reinstated as soon as possible.

I remain hugely grateful to all of our donors and supporters who have helped us carry on our life-saving programmes, and it is with your support that we have been able to reach over 50 million people this year. These partnerships have been instrumental in helping us make a difference to millions of lives, and to create long-lasting change.

This year, Mercy Corps has also welcomed a new Global Chief Executive, Tjada D'Oyen-McKenna, whose inspiring leadership and extensive experience in humanitarian relief and international development, as well as private sector and government experience, has been invaluable during these challenging months.

Lastly, I would like to once again thank everybody who has partnered with Mercy Corps over the past 12 months. From our team members in 40 countries, to those who have donated and worked alongside us to weather this challenging time. I look forward with hope and optimism to the next year and the opportunities which the future holds.

Thank you and with hope for a brighter future,



Alexandra Angulo
Interim Executive Director, Mercy Corps Europe

CHAIR OF THE BOARD'S MESSAGE



2020 is a year the world will reflect on as one filled with pain points and difficulty made far more complicated with the dense and daunting presence of the Covid 19 pandemic. In these even more challenging times, I am proud to say that Mercy Corps adapted quickly to new operating conditions and continued to provide life-changing humanitarian support in these rapidly-evolving circumstances. At Mercy Corps we follow a value system rooted in the belief of resilience and inclusion and through our vital work this year, we have shown that a better world is possible through collaboration and commitment to the communities we work with.

Throughout the last 12 months, our teams have made a huge difference to the lives of those we work with. When conflict struck in Tigray, Ethiopia, we ran health clinics in Sudan to support the 20,000 refugees who fled to the Um Rakuba camp. In Nepal we were able to provide crucial support for female entrepreneurs to keep their businesses afloat during the pandemic lockdowns. In Timor-Leste, we transformed some of the 125 million plastic bottles used and discarded there annually into handwashing stations, giving communities access to clean water, working to limit the spread of Covid-19. In Lebanon, we responded and supported the rebuilding of 550 **small businesses there**, providing essential assistance in the immediate aftermath of the Port of Beirut explosion.

In March, we marked ten years of the conflict in Syria – where over 6.2 million people are internally displaced, around a third of them children. Mercy Corps has been working with communities since the start of this conflict, providing clean water, food and urgent healthcare supplies where they were not previously available.

Amidst all of these ongoing global crises, Mercy Corps has also undergone substantial change. We were delighted to welcome Tjada D'Oyen McKenna as our new Chief Executive in October 2020. Tjada has brought with her an incredible breadth and depth of experience and has already made a tremendously positive impact on our work; leading our teams with passion, courage and ambition. I and the Mercy Corps Europe board look forward to continued close collaboration with Tjada over the coming 12 months. With Tjada's leadership and our team of 5,600 people globally, I am confident that together we can continue to tackle some of the world's toughest challenges.

There has been significant political flux in the UK during FY20/21. We've continued to adapt to the effects of Brexit, further establishing our Mercy Corps Netherlands office as we work to maintain strong relationships with our EU donors. In the UK, we saw the creation of the new Foreign and Commonwealth Development Office (FCDO), who we partner closely with on a large number of our global programmes. We have also seen the UK foreign aid budget decrease, from 0.7% to 0.5%. As we fight the triple threat of COVID-19, conflict and the climate crisis, humanitarian support has never been more needed and we sincerely hope there is a return to 0.7% as soon as possible.

As we look forward to the next year and beyond, we recognise that the confluence between conflict and climate will pose an increased threat to the places where we work. As we finalise and operationalise our strategic framework, our planning and programmes will increasingly focus on these ongoing threats.

Finally, I'd like to extend a big thank you to everyone who has supported Mercy Corps over the past year, from our team members to our generous donors. Without your work, none of what you read in this report would be possible. We look forward to the next year and beyond, as we continue with confidence in our mission to help create a fairer, more equal world for all.

With best wishes,



Iman Dakhil
Board Chair, Mercy Corps Europe

WHO WE ARE

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

Our more than 5,600 team members work with people in the world's most vulnerable communities across over 40 countries. 85% of our team are from the countries where they work.

We believe we must go beyond emergency aid to create more resilient communities, and we believe communities are the best agents of their own change. This year as a global organisation, our work touched the lives of nearly 50 million people.

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

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

WHAT WE DO

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

Over the last 40 years, we have been tackling the world's toughest challenges in partnership with communities, governments and business, finding flexible and innovative solutions.

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

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

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

OUR PEOPLE

European Senior Leadership Team (ESLT)

Alexandra Angulo - Interim Executive Director

Abdul-Jalil Ali - Director of Finance
Cameron Hall - Director of Human Resources
Alexandra Lopoukhine - Director, Partnerships and Influence

Joanne Glover - Interim Director Compliance, Governance and Risk
Michael McKean - Senior Director of Programmes, Funding and Operations
Anissa Toscano - Vice President Humanitarian Leadership & Response
Selena Victor - Senior Director of Policy & Advocacy

Jess Zyw - Senior Advisor, Executive Office
Rachel Wade - Senior Advisor, Executive Office (Maternity Cover from May 2021)

Julia Karlysheva - Head of Media and Communications (from December 2020 - May 2021)

MERCY CORPS EUROPE BOARD OF DIRECTORS:

Iman Dakhil - Chair
Scott Brown (Term ended 30 June 2021)
Nicola Cobbold
Tjada D'Oyen McKenna - Global CEO (Appointed October 2020)
Beth deHamel (Interim CEO - until October 2020)
Gisel Kordestani
Alexandra Mousavizadeh (Appointed November 2020)
Tom Murray (Term ended 30 June 2021)
Debu Purkayastha (Term ended 30 June 2021)

MERCY CORPS EUROPE AUDIT AND RISK COMMITTEE (MCE ARC)

The MCE ARC provides assistance to management and the Board of MCE in ensuring effective internal and external audit coverage, examining and reviewing financial systems and methods of control within MCE, and overseeing the risk management function for MCE.

Tom Murray - Committee Chair - Board Director (Committee term ended 30 June 2021)
Bob Cowan
Richard Martin (Resigned 30 June 2021)
Alison Warden
Alan Hartley (Appointed February 2021)

MERCY CORPS JOINT BOARD EXECUTIVE COMMITTEE (JBEC)

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

Scott Brown - MCG (Committee term ended 30 June 2021)
Nicola Cobbold - MCE
Iman Dakhil - MCE
Mark Gordon - MCG (Committee term ended 30 June 2021)
Lucy Helm - MCG
Gisel Kordestani - MCG
David Mahoney - MCG (Committee term 30 ended June 2021)
Tom Murray - MCE (Committee term 30 ended June 2021)
Tjada D'Oyen McKenna - Global CEO (Appointed October 2020)
Beth deHamel (Interim CEO until October 2020)

JOINT AUDIT AND RISK COMMITTEE (JARC)

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

David Mahoney - Chair - MCG (Committee term ended 30 June 2021)
Lucy Helm - Co-Chair - MCG (Appointed June 2021)
Vijaya Gadde - MCG
Mark Gordon - MCG (Committee term ended 30 June 2021)
Tom Murray - MCE (Committee term ended 30 June 2021)
Alison Warden - MCE
Carin Beumer - MCNL (Appointed April 2021)

JOINT FINANCE COMMITTEE (JFC)

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

Scott Brown - Chair - MCG (Resigned as Chair 30 April 2021)
Allen Grossman - MCG (Committee term ended 30 June 2021)
Debu Purkayastha - MCE (Committee term ended 30 June 2021)
Kevin Ryan - MCG (Appointed as Chair April 2021)
Carin Beumer - MCNL (Appointed April 2021)
Nicola Cobbold - MCE (Resigned from Committee March 2021)
Alexandra Mousavizadeh - MCE (Appointed March 2021)

JOINT NOMINATION AND GOVERNANCE COMMITTEE (JNGC)

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

Nicola Cobbold - MCE (Co-Chair)
Mark Gordon - MCG (Co-Chair) (Committee term ended 30 June 2021)
Allen Grossman - MCG (Committee term ended 30 June 2021)
Linda Mason - MCG (Committee term ended 30 June 2021)
Tom Murray - MCE (Committee term ended 30 June 2021)
Debu Purkayastha - MCE (Committee term ended 30 June 2021)
Kito De Boer - MCNL (Appointed April 2021)

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021



URGENT NEEDS

In a year defined by the continuing COVID-19 pandemic, greater levels of conflict and the ever-intensifying climate crisis, millions of people required humanitarian assistance, from access to food to rebuilding their homes after flooding and landslides. With over 40 years' experience in the most challenging contexts in the world, we know that when disaster strikes, the effects can be devastating. We are well-positioned to provide urgent lifesaving relief and meet people's basic needs - working towards integrated, long-term solutions.

REBUILDING SMALL BUSINESSES AFTER THE BEIRUT EXPLOSION

The tragic explosion at the Port of Beirut in August 2020 shocked the world, resulting in damage and loss on a devastating scale. More than 200 people died, thousands were injured, and 300,000 people were left homeless. The blast caused an estimated \$15 billion in property damage, during a time marred by economic collapse, political unrest, and the continued spread of COVID-19.

In Lebanon, where 95% of businesses are small and medium-sized, Mercy Corps helped to secure more than £1.1 million to fund a rapid response to support these businesses, with the support of Agence Française de Développement (AFD) and other organisations. We provided substantial and unconditional cash assistance of up to £3,250 for each of 300 businesses in the city and supported enterprises outside the town that were also affected. Business owners were given this funding in the aftermath of the devastating crisis to build as secure a future as possible, based on their own priorities and needs, and accelerate the much needed recovery of Beirut's economy.

EMERGENCY CASH SUPPORT IN GAZA

In Gaza, high unemployment rates, restricted movement, shortages of electricity and deep poverty are a bleak combination. Just 10.5% of Gazans have access to safe drinking water through the public water network. A severe lack of electricity since 2017 has made life difficult, particularly as it affects health, water, and sanitation services, undermining the economy and living conditions further.

This was exacerbated further by COVID-19 as businesses closed and income and jobs disappeared rapidly, with goods unable to be transported to or from Israel.

Mercy Corps provided emergency support to Gazan families during this time, as part of the Gaza Protection Consortium (GPC). In FY21, we provided cash assistance to 1,499 vulnerable households, to help them meet their most basic needs in a manner that gave them control over their spending and supported local markets. Doing so boosted the role of women in decision-making processes within families and helped prevent families from falling deeper into the debt spiral that brings with it further poverty.

Mother of three Nour Al-Bahloul lives in North Gaza and is solely responsible for her children after her husband left the family. They live in a one-bedroom rented house built on government land and are at risk of being expelled at any time. Nada, Nour's nine-year-old, suffers from malnutrition, and Eileen, who is four, has burns on her leg.

Nour said, "I had no income; I was unable to buy medicine or take my kids to see a doctor. If I saw a fruit seller while walking in the streets with my children, I used to intentionally distract them. I didn't want them to see the fruits while I was unable to buy them. I had no income and kept accumulating debt from the shop and the landlord."



Nour received cash support from Mercy Corps. She said, "It's a good feeling going to sleep when you and your kids are not hungry and feel warm and safe."

Photograph: In response to the increased risk of COVID-19 transmission in rural Guatemala after Hurricane Eta hit in November 2020, our team distributed hygiene kits as well as food. Photo: Denilson Pa

PREPARING FOR EMERGENCIES IN THE DRC

Communities in Goma, Democratic Republic of Congo are frequently caught up in violent clashes between armed groups, which can leave them suddenly homeless or without basic necessities, such as clean water. At the same time, the threat of floods and other environmental disasters looms large over the region. When the active volcano Mount Nyiragongo erupted in May 2021, more than 400,000 people were displaced from their homes.

Mercy Corps leads other organisations as part of the SAFER Consortium, a life-changing group supporting the most vulnerable communities in Goma.

Since November 2020, Mercy Corps has provided assistance to over 370,000 people in Goma, including access to safe drinking water and emergency cash and vouchers to help families in Goma purchase essentials like food and medicine. In FY21, our specialist early warning system alerted over 76,000 households about impending humanitarian crises, including the eruption of Mount Nyiragongo, allowing families to prepare in advance.



Neema, a mother of 7 from Uvira, remembers the sudden flooding of Lake Tanganyika and its shocking consequences. "We woke in the night and the house was flooded. The neighbours were shouting, 'Get out, get out.' There were already people washed away."

The spread of water-borne diseases including cholera, diarrhea and typhoid that followed put the community at great risk. Mercy Corps helped provide hospitals and health centres with water tanks, built latrines and showers, and treated water with chlorine to kill parasites, bacteria, and viruses.

KEEPING ETHIOPIA WORKING DURING COVID-19

Lockdown restrictions hit hard in Addis Ababa, Ethiopia, where those already on low incomes suddenly found themselves unable to work. Hotels, restaurants, education providers and transport services all saw demand decline drastically due to limits on public gatherings and the movement of people. Seemingly overnight, many in Ethiopia lost their jobs, particularly large numbers of women and young people working in the gig economy.

Mercy Corps worked with TaskMoby, an innovative Ethiopian digital platform for the gig economy, to confront this problem head-on. We provided professional disinfection and cleaning services, enabling the jobless to keep earning and help businesses in Addis Ababa to keep running safely, with reduced risk of COVID-19. The cleaning enabled 450,000m² of public spaces to be disinfected.

Our team was able to place 1,097 people, including 884 women, into disinfection jobs, allowing them to work during the pandemic and provide much-needed income for their families.

Amsale Hailu, a 29-year-old hotel worker, lost her waitressing job as a result of the pandemic. She was given work with the disinfection team.



Amsale says: "The payment I received was so helpful to be able to cope in my situation. The work has been important especially in big business areas as they need disinfection and cleaning services to open their businesses safely, and has helped me regain an income to support myself."

TACKLING PLASTIC WASTE POLLUTION IN TIMOR-LESTE

The scale of the plastic problem in Timor-Leste is enormous. One billion plastic bags and 125 million plastic bottles are used and discarded every year in the island nation, roughly 12.5 million kilograms of plastic waste annually¹. Communities struggle to deal with waste burned throughout the city and thrown onto roadsides and beaches. As well as risks to their own health, the plastics are harming marine life and biodiversity by threatening the country's natural resources.

At the same time, the nation is also contending with the threat of the COVID-19 spread. With an already weak healthcare infrastructure, 72% of the nation does not have access to hand washing facilities with water and soap.

Mercy Corps worked with local businesses, using an innovative recycling technique to turn plastic waste into a tool to fight against COVID-19. We recycled over 100,000 plastic bottles, transforming them into community handwashing stations. This provided access to clean water and soap, crucial in protecting against the spread of COVID-19.

¹ Asian Development Bank, 2015

REBUILDING FLOOD-STRICKEN VILLAGES IN PAKISTAN

When the Naj Gaj dam burst its banks in September 2020, entire villages in Pakistan were destroyed. The flooding left communities without shelter, water, and food. More than 36,000 homes were damaged or destroyed, and livestock lost, with most villages largely inaccessible due to roads being underwater. Mercy Corps reached local communities in the Sindh province initially by boat, supplying families with clean water and later helping to rebuild their houses. We provided emergency cash support to nearly 9,000 households, enabling 60,000 individuals to buy food and key supplies in the local markets that were still functioning.

HELPING CARDAMOM FARMERS RECOVER FROM CLIMATE SHOCKS IN RURAL GUATEMALA

Already dealing with COVID-19, a series of hurricanes and landslides came at the worst time possible for cardamom producers in Alta Verapaz, Guatemala. The storms caused around 1.7 million people to suffer major damages to their housing, roads and land. On top of this, many saw their crops completely destroyed by the storms, meaning that they were unable to even make a living.

Mercy Corps worked closely with farmers in Guatemala to rebuild and reduce the spread of COVID-19. Mercy Corps, with the help of Twinings, worked with cardamom producers, distributing personal protection equipment, installing handwashing stations for more than 2,000 farmers, and disseminating information about COVID-19 prevention measures.

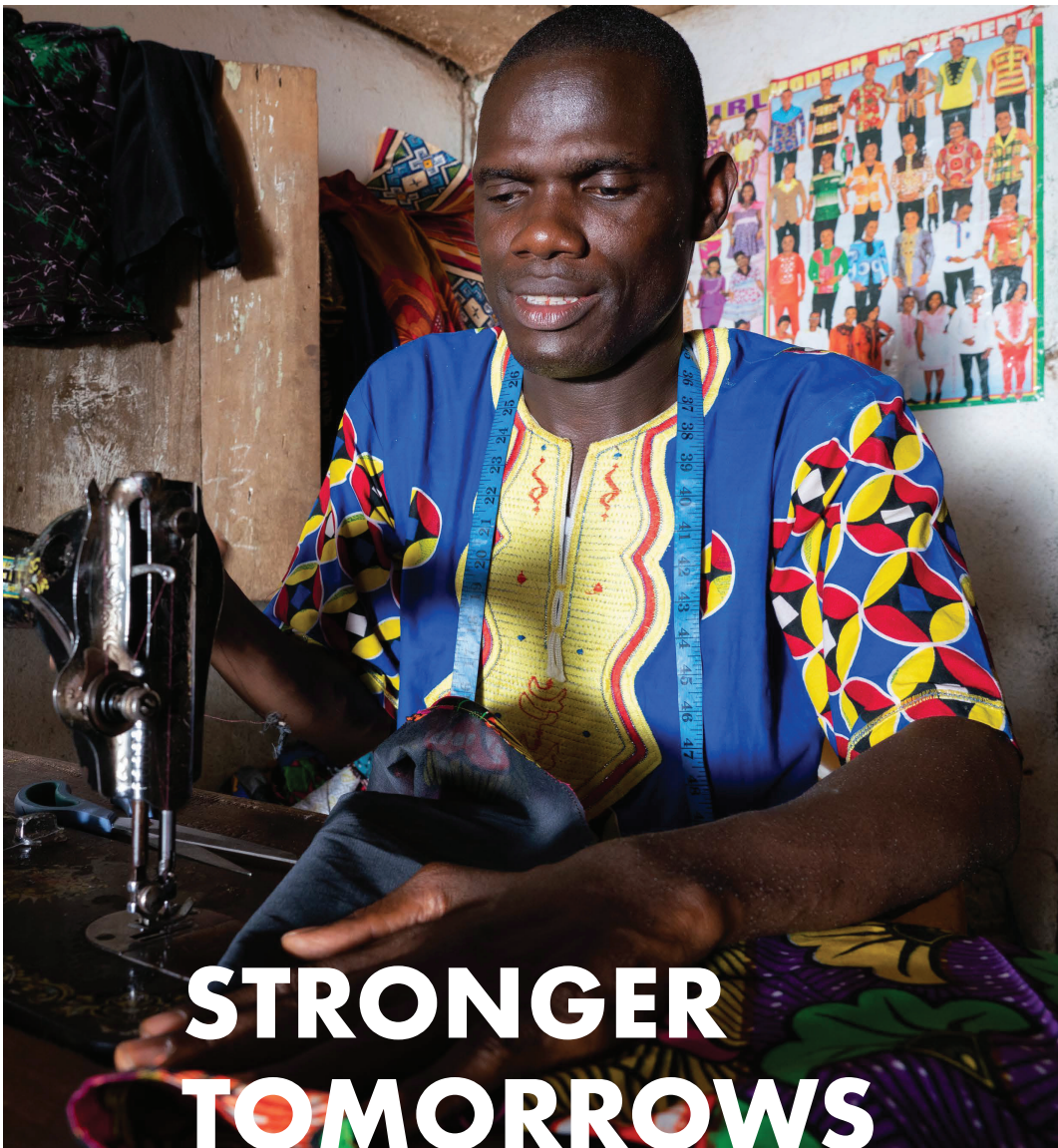
At the beginning of 2021, we were able to resume our planned project to help cardamom producers improve their livelihoods. We trained producers to be able to obtain organic certification, we supported producers to establish an agroforest nursery growing cardamom, black pepper, cloves, cinnamon, citrus, and we installed a new community gas dryer prototype to avoid the health problems common with the traditional method of drying with firewood. All of these are helping farmers grow more profitable yields, all while reducing the spread of COVID-19.



Farmer Hector Chub Choc says: "At first we didn't have much information about coronavirus in Guatemala, and we didn't understand that it was very contagious. Thank God my family and I are fine. Mercy Corps has helped us a lot to get information. They tell us what the ways are of spreading the virus and how we can prevent it. They have given us some posters to put up in a visible place in the community."

Photograph: Mercy Corps' Indonesian Response Team provided urgent assistance to people affected by the devastating Seroja Tropical Cyclone in April 2021. Photo: Mercy Corps Indonesia





STRONGER TOMORROWS

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



SUPPORTING VEGETABLE FARMERS IN CONFLICT-HIT SYRIA

Small-scale farming plays a vital role in the lives of vulnerable families in rural Syria, where the knock-on effects of a decade of conflict have severely reduced their access to food, veterinary services for their livestock and farming supplies. In partnership with the Humanitarian Relief Association, Mercy Corps is boosting the income of vulnerable conflict-affected people in two districts of Aleppo governorate, one of the areas most damaged by the war in Syria.

In rural Ar Raqqa, where vegetable production brings in nearly half of all household income, we have subsidised farmers with vital equipment to ensure earlier production and greater yields of tomatoes, carrots and courgettes. This significantly increases profits for the growers, and allows them to sell their vegetables at local markets and makes sure food is in high supply for the community. We are also providing animal health care and agricultural information to ensure the long-term health of farmers' land.

To date, around 22,000 individuals have been supported in this agricultural programme, with 100% reporting increased sales or economic opportunities.

Faten, 35 years old, is a mother of 12, in the countryside of Aleppo. Like many families in the area, she and her husband are owners of two cows, the primary source of income for the family.

She attended Mercy Corps training sessions about fodder production. Her cows received vitamins, reproductive treatment, fodder, and veterinary services.



Faten says: "Cow breeding has many difficulties nowadays because of the limited natural pasture, veterinary services and high fodder prices. We faced a huge challenge because of the other expenses we have. With Mercy Corps' help, the increased milk production from our healthier cows will support our family's income."

Photograph: Edwin's tailoring business in Liberia suffered as a result of the COVID-19 pandemic. Fortunately, the money management skills he learned in a Mercy Corps programme meant that he was able to save for difficult times. Photo: Carielle Doe

COMMUNITY PEACEBUILDING IN JORDAN

Jordan's unemployment rate rose sharply as a result of the economic shock from the pandemic, reaching 24.7% by the end of 2020. Female unemployment which had been in decline reached 32.8%.² With many businesses facing downsizing and closure, more young people found themselves with scarce employment opportunities.

With this, community-based conflict and instability also grew, including between Jordanian host communities and Syrian refugees, as the country saw widespread protests and deepening poverty.

We worked closely with community groups to help bridge the divide between citizens and government. We have trained 425 community leaders in basic conflict management skills and in community-based activities to promote cohesion, including young people in decision-making processes. We have also worked with employers, providing 25 small businesses with grants that would help them keep running, and a programme to provide apprenticeships to young people.



Omaila, an employee at a tourist restaurant, lost her job during COVID-19 when border shutdowns, lockdowns, curfews, and restrictions on movement came into being. She has been re-employed thanks to Mercy Corps.

“I never imagined that I’d stop working at this restaurant, but COVID 19 overwhelmed me and I lost my job. I stayed for seven months at home, and lost hope that I’d find an opportunity in this chaos. It was an unbelievable moment when the restaurant owner called me and told me about the grant from Mercy Corps. She asked me to come back to work and I am super grateful for this opportunity.”

² World Bank, 2021

KEEPING GIRLS IN SCHOOL IN NEPAL

In Kailali District, Far Western Nepal, 36% of girls ages 10 -14 do not transition from primary to secondary school, resulting in more than 50% of girls ages 15-19 not enrolled in school, compared to only 23% of boys the same age. The societal pressure for girls to drop out from school and support their families with domestic labour to boost household income is huge. This lack of education has the knock-on effect of stigmatising girls, often leading to earlier marriages and limited career prospects.

Mercy Corps introduced a programme in the district of Kailali to work with girls in local schools, increasing numeracy and literacy levels. This focus on quality education not only kept girls in schools for longer, improving their grades, but reduced the dropout rate in some schools to just 2%.

We supported 459 young women in Kailali after they had finished education to set up their own businesses. The impact of this work led to a total of 1,820 young women in their villages gaining new skills and a stable income, in work as varied as supplying hardware, bicycle repair, and running clothes shops. The local government has pledged to continue with our work, thereby creating long-term societal change.



Sajjan, 24, dropped out of school and married when she was in grade 10. She says, “I wanted to study, but I failed and then I was married. I felt sad.” She wants her daughter, Aarohi, to have opportunities she didn’t have. Mercy Corps provided Sajjan with life skills education, financial literacy classes and access to a loan. She has expanded the shop she runs, boosted her income and is able to send her daughter to a better school.

SPACE TECHNOLOGY FOR FARMERS IN KYRGYZSTAN

Agricultural pasture covers half of Kyrgyzstan’s territory, and a quarter of its people are employed in agriculture. However, most of the land has degraded and is less productive, causing large-scale hunger and poverty levels in local communities. A lack of basic pasture and mapping information compounds the problem as these would help improve both the management of grazing and regulations to improve soil quality.

Working with the UK Space Agency, Mercy Corps’ SIBELIUS project is using satellite imagery and data to help farmers better manage their land. Through the satellite data, it is possible to record details about conditions of the pasture, from snow cover and drought to the level of greenness. This data can be compared to historical data, informing local farmers and national decision makers who then consider what shifts are needed to pasture and livestock management.

Obtaining this data from the satellite, not through laborious physical measurements, saves huge amounts of time and resources. This information increases the productivity of pastures and protects farmers against future climate shocks.



SECTION 172 STATEMENT

The Board of Directors of Mercy Corps Europe continue to be mindful, both individually and collectively, of their responsibility to promote the long-term success of the organisation. As a Board we consider our decision-making process to be in the best interests of our stakeholders and charitable reputation.

- As a Board our aim is to continually support the organisation to ensure that we deliver our mission which is to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. In doing so, we are an organisation that aims to ensure effective stewardship and management of resources, raises income, builds influence and demonstrates impact.
- The team members across Mercy Corps are fundamental to the execution of our vision. Communications on all organisation operations and performance are regularly shared through our team meetings, email communication and internal information sessions. The integration of new team members, through our formal induction process, is of paramount importance to the Board as a method of instilling the organisation's vision. Team members' wellbeing was at the forefront of the Board's decision-making process in the year ending 2021 and continues to be into 2022, especially during the COVID-19 pandemic.
- As a Board, our continued commitment to the environment is at the forefront. The organisation is now promoting the economic impact of our office operations and individual responsibility of recycling and environmental awareness.
- We, as a Board of Directors, consider our intention to operate and behave with the utmost professionalism, to lead by example and ensure our management teams also act with the same integrity. This will be pivotal in our mission of delivering a high level of service to our stakeholders and delivery of programmes, correlating with the long-term success of our organisation.

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

Photograph: Susan was forced to drop out of her school in Kenya when she got married. Through Mercy Corps training she learned basic literacy and business skills, which she uses to provide for her family. Photo: Patrick Meinhardt

DIRECTOR'S REPORT

Our Structure

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

- Mercy Corps Global (MCG), a US entity registered in Washington State and its field operations, including branches and local organisations located in approximately 40 countries;
- Mercy Corps Europe (MCE), a UK entity registered in Scotland with offices in Edinburgh and London;
- Mercy Corps Netherlands (MCNL) a Dutch entity registered in the Netherlands with offices in The Hague and Geneva. The results of MCNL are reported within these MCE consolidated financial statements;
- Other affiliated entities of the global organisation.*³

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

Governance and Management

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

MCE is a member organisation, made up of nine Members who also sit on the Joint Board Executive Committee (JBEC). MCE, MCNL and MCG are all Membership entities and all three have members in common. The current Members are listed on page 8.

The Directors of MCE are the statutory Charity trustees, collectively known as the Board of Directors. The Board comprises a minimum of six and a maximum of twenty Directors. In November 2020, the Board voted to enact term limits of two, three-year terms, with a possible extension for a third term of three years in exceptional circumstances, for a maximum of nine years. This required a change to the Articles of Association which was completed on 29th June 2021. The current Directors are listed on page 7.

The Board of Directors meets regularly to govern the charity and in any case at least four meetings per year. There are six standing Board committees made up of Board Directors of MCE, MCNL and MCG and other independent individuals with relevant experience, under specific terms of reference from the Board. These committees are:

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

³ Consolidated affiliates include: Mercy Corps Corporate Fund (MCCF), Kompanion Development Institution, Kompanion Bank, Kompanion Invest, MC Nigeria LTD/GTE (Nigeria), Mercy Corps China Holdings (dissolved February 2020), LLC, Mercy Corps Development Holdings, LLC, Mercy Corps India, and CIT Services, LLC.

The MCE ARC reports to the MCE Board, and each of the Joint committees reports to the MCE, MCNL and the MCG Boards at each Board meeting.

MCE operates under a global CEO, who is also the global CEO of Mercy Corps. MCE also has an Executive Director who is appointed by the MCE Board, subject to the approval of the global Mercy Corps CEO. The MCE Executive Director is the principal manager of MCE and reports jointly to the MCE Board and the global Mercy Corps CEO. This position is currently being held on an interim basis. The roles and responsibilities of the MCE Board and the Committees are described in the **MCE Governance Handbook 2021** which is published on our website.

The balance and diversity of Board Directors is closely reviewed by the Boards and the JNGC, with an emphasis on ensuring that Board Directors provide the specific mix of skills that have been identified as important to the charity's objectives and activities. All new Board Directors receive a full induction programme to ensure they understand their role and responsibilities, including with respect to safeguarding (which is also provided on an annual basis thereafter).

Mercy Corps launched in May 2020 a comprehensive external review of its global governance practices, entity structuring, and joint global operating model. The purpose of this review was to ensure that the Mercy Corps' Boards of Directors are able to make key decisions regarding whether Mercy Corps' existing entities (including MCE), governance, operational and financial structures are fit for purpose, or whether changes could better achieve Mercy Corps' mission. A report, including recommendations, was presented to the Board in November 2020. Many of the recommendations included in the report have been taken forward, and others will be further discussed and decided on, once the agency-wide Strategic review is finalised later into FY 22.

Governance and oversight of MCG country office operations

The MCE Board of Directors fulfils its governance and oversight responsibilities of MC country office operations through controls, governance and reporting arrangements. The responsibility for Mercy Corps country offices, which implement the grants and contracts signed by MCE, is transferred to MCG through MOU arrangements. The financial and management systems under which MC programmes operate are subject to external review by auditors acting on behalf of funding partners/donors, and internal reviews and audits by the MC Internal Audit team. All internal and external audit reports are shared with MCE, as well as all reports produced by the global Ethics and Compliance Department impacting on European donors and on MCE. The Mercy Corps Internal Audit and the Ethics and Compliance departments report to both the MCE Audit and Risk Committee and the Joint Audit and Risk Committee three times per year (this is increased to four times per year from July 2021). MCE and MCG finance teams conduct regular checks to ensure that the MCE accounting system is fully up-to-date and reconciled.

OUR REMUNERATION POLICY

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

MCE's benefit package includes family friendly and flexible working approaches that assist team members in finding meaningful work-life balance, team member care support, pension scheme and a complementary healthcare programme. To help our team face some of the disruptions and impact of the ongoing pandemic, we enhanced our benefit structures, most significant of which was the emphasis on flexible working and the addition of Carer's Leave for all MCE team members. We also made sure that appropriate work from home resources were available to everyone.

TRUSTEES' RESPONSIBILITIES STATEMENT

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

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

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- report on the charity's public benefit;
- assess the Group and Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Charitable Company or to cease operations, or have no realistic alternative but to do so.
- take reasonable steps for the prevention and detection of fraud and other irregularities to ensure compliance with the Companies Act 2006.

The trustees are also responsible for:

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

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

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

Modern Slavery Statement

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

Safeguarding Statement

As a global humanitarian organisation working with some of the world's most vulnerable communities, we have an immense responsibility to our programme participants, donors and team members across the over 40 countries in which we work. At Mercy Corps, we strive to create an inclusive and safe work environment, where everyone is treated with dignity and respect, free of exploitation, harassment and bias. Central to this commitment is our emphasis on protecting our programme participants, community members, and team members from all forms of harm, including any physical, emotional or sexual abuse or exploitation. We take this responsibility seriously and we continue to invest in and strengthen our approach to safeguarding. Mercy Corps Europe aligns with Mercy Corps global's safeguarding approach and code of conduct policies.

In October 2020, Mercy Corps appointed a Chief Ethics & Compliance Officer (CECO), who leads a new stand-alone Ethics and Compliance Department (EDC) that supports Mercy Corps' global operations. Regarding Safeguarding, the EDC includes the Intake and Investigations Team which is responsible for overseeing all investigations relating to safeguarding allegations and (since June 2021) the Safeguarding Prevention Team which supports safeguarding prevention efforts across all countries where Mercy Corps operates.

Also in FY21, Mercy Corps introduced a global Community Accountability Reporting Mechanism (CARM) policy, effective from 1 January 2021, which makes it mandatory for all programmes to have systems in place for community members to provide feedback and complaints in a manner that is safe, confidential, transparent, and accessible, enabling Mercy Corps to respond and make any necessary programmatic or safeguarding adaptations and to ensure the safety, security, and empowerment of community members.

Mercy Corps continues to report on our Commitments to Action and progress made following the independent external review into what steps were taken when reports of abuse by Mercy Corps' late co-founder Ellsworth Culver were brought to the organisation's attention in 2018. Fulfilling our first Commitment to Action, in FY21 (May), Mercy Corps published the full report of an independent investigation examining the extent of the abuse perpetrated by Ellsworth Culver and reviewing the response of the Mercy Corps Board in 1992 and 1993 when the organisation was first made aware of the abuse. Mercy Corps' statement in response to the report can be found [here](#).

Mercy Corps' policies related to safeguarding can be found at - <https://europe.mercycorps.org/who-we-are/ethics-policies>

Mercy Corps' Global annual Safeguarding Report can be found at - <https://europe.mercycorps.org/who-we-are/ethics-policies>

Mercy Corps' reports Commitment to Actions and progress reporting can be found at - <http://europe.mercycorps.org/culver-updates>

RISK STATEMENT

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

Mercy Corps operates as one global organisation with common exposure to financial, operational, reputational and external risks. MCE therefore works closely with MCG (and MCNL) and our country teams to identify, mitigate and manage risks in our challenging operating environments. Globally, Mercy Corps has an enterprise risk management approach and maintains a global risk register. In addition, MCE has an entity-specific risk management framework and accompanying Corporate Risk Register. More information is provided below.

Enterprise Risk Management globally

Globally, Mercy Corps frames Enterprise Risk as any uncertain significant event or circumstance including strategic, preventable and external risks which could impact the achievement of Mercy Corps' mission. Enterprise Risk Management (ERM) is a comprehensive approach to helping leadership ensure the appropriate identification, prioritisation, management, mitigation and/or acceptance of enterprise risks. The Global ERM Committee in FY21 consisted of: Mercy Corps' Interim General Counsel, Deputy General Counsel, Chief Financial Officer, Interim Chief People Officer, Chief Ethics and Compliance Officer, Senior Vice President of Programs, Chief Development and Marketing Officer, and Mercy Corps Europe Interim Executive Director (plus observers). The ERM Committee meets as frequently as it deems necessary to carry out its duties and responsibilities, and in any case no less than three times a year.

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

Throughout the year, risk-based internal audits of country offices are conducted by the Mercy Corps Internal Audit team. In FY21 13 internal audits were carried out, including an audit of MCE Headquarters payroll. Internal audits reports are shared with management and the JARC. Agreed actions and recommendations from each audit are followed up throughout the year and reports on their significant findings and implementation of the action plans are also reviewed by management and the JARC. The Senior Director of Internal Audit also provides a report for the JARC on reiterations of previous audit findings, including assessing the volume and frequency of repeat findings and their potential causes and impact. Work continues to aim to reduce the incidence of repeat findings and to determine organisational-wide improvements identified through country internal audits, as well as identifying appropriate resources to support with such efforts. In FY21, due to the ongoing travel and work restrictions caused by COVID-19, three internal audits were carried out remotely and there were other adaptations to the countries identified for audit to enable easier access by team members.

Risk Management at MCE

MCE has set out a Risk Management Framework relevant for risks applicable to the UK entity (some of which overlap with risks applicable for Mercy Corps globally). MCE defines risk as "uncertainty that could have an adverse effect on the achievement of its mission". The aim of the Risk Management Framework is to improve MCE's ability to deliver its mission.

MCE maintains a Corporate Risk Register (CRR) which sets out key business, operational and financial risks facing MCE. The CRR is shared with the MCE ARC at each of their meetings. Discussions around key risks also take place regularly during the MCE senior management team meetings.

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

In FY21, the two key events identified in last year's Annual Report which had a significant impact on the agency in FY20 continue to be relevant in FY21: (1) the global COVID-19 pandemic, and (2) the reports of sexual abuse perpetrated by Mercy Corps' late co-founder, and the implementation of the subsequent 'Commitments to Action' (further described in the Safeguarding statement on page 25). Our assessment of risk impact, mitigation measures and adaptations are framed taking into consideration the impact of these significant events.

As at the end of FY21, the significant risks noted by the MCE Board are assessed to be:

Risk Category	Risk	Mitigation Actions
External	Change in the political status of the UK in the EU as a result of Brexit may affect our ability to secure European funding, the recruitment and retention of key staff and our regulatory environment.	We have continued our work to ensure that Mercy Corps Netherlands (MCNL) is eligible for EU funding and has a strong European engagement strategy.
External	Changes in the UK political environment puts at risk the 0.7% foreign aid commitment and the way aid is delivered (merger of DFID and FCO). Risk materialised and has been reframed in FY 21: Reduction in UK Aid from 0.7% to 0.5% becomes long term/permanent, and further changes are made in how UK aid is delivered (less funding to NGOs and more restrictive conditions)	We have shifted our advocacy efforts to push - together with BOND and UK NGOS - that the reduction in UK Aid is temporary. We have established an MCE cross-functional working group focused on FCDO to monitor the financial and operational consequences of the merger and the cuts and to communicate with relevant stakeholders. We continue to pursue a diversification of funding strategy.
Operational	Safeguarding: the impact of this risk includes significant physical and/or psychological harm to participants and/or team members and loss of Mercy Corps' reputation in the communities where we work, with the public and with key donors.*	We continue to strengthen our mitigation measures around safeguarding, including in relation to awareness, prevention, reporting, response and investigation when issues arise, as well as substantially increasing HQ and in-country resource and capacity through FY21. This is as noted in our Safeguarding statement on page 25.
Operational	Safety and Security: team members are placed at risk, including if a team member falls ill with Covid-19 in the line of work *	We have global security policies and procedures in place and up-to-date, as well as country-specific guidelines and our global and regional security advisors provide technical support. We have health and safety policies and procedures in place for our work in the UK. The ongoing COVID-19 crisis has forced us into a situation where we are currently exceeding what would be our standard risk threshold related to staff care, including in relation to wellbeing. We have therefore added a package of focused mitigations in this regard.

Risk Category	Risk	Mitigation Actions
Operational	Fraudulent activity, including diversion of aid, leads to financial and reputational damage.*	We have anti-corruption and anti-bribery policies and procedures in place and internal controls, monitored through internal audit. We have online mandatory training for all team members. We have mechanisms in place for reporting allegations, including an online integrity hotline and our Community Accountability and Reporting Mechanisms (CARM) systems in the countries where we work. In FY21, we have significantly bolstered our global Ethics team under the leadership of our global Chief Ethics and Compliance Officer, to investigate allegations and move to working on prevention efforts.
Operational	Data Protection and specifically non-compliance with GDPR (& UK Data Protection Act) and private fundraising requirements.*	We have data protection policies and procedures in place. MC has adopted a global Responsible Data policy and has an agency-wide Data Protection Working Group which meets regularly. MCE has a Data Oversight Group. We have required global responsible data training and in addition we provide specific training on GDPR to MCE staff as part of onboarding and refreshers thereafter. We maintain an MCE data schedule for each department and our Data Protection Officer carries out a quarterly review to monitor compliance and identify any actions. Following Brexit, we continue to adapt and strengthen mitigations, particularly regarding data transfers from Europe (MCNL) to the UK (MCE) and from either MCE or MCNL to the US (MCG).
Financial (Technical)	Information Security (IS) and prevalence of hacking that can lead to MC data being compromised or lost and/or business disruption.	We continue to strengthen our Information Technology (IT) and Information Security (IS) policies and procedures and systems to enhance and develop our controls in our IT infrastructure to mitigate against the risk of cyber fraud.

Risk Category	Risk	Mitigation Actions
Strategic	Unexpected interruption/cessation of project activities in countries that constitute a high percentage of total income.*	We monitor this risk globally and from an MCE perspective, including as a standing item on the MC Executive Team Agenda and through regular HQ/country level meetings (Complex Boards) or Crisis Management Team (CMT) meetings where necessary, as well Board discussions. This includes monitoring evolving events very closely and contingency planning (for example, Myanmar and Afghanistan). The inherent and residual risks also increased due to COVID-19, and specific mitigation measures were put into place in relation to maintaining our ability to implement programming, within our risk threshold, including all country offices and HQs prepared contingency planning to ensure business continuity.
Financial	Lack of unrestricted income generation and / or cash availability stops European operations	We have in place mitigation measures including, among others, tracking retention on projects to ensure more efficient management; maintaining unrestricted reserves at adequate levels; and having a reserves policy in place. The potential impact of this risk continues to be monitored against the ongoing COVID-19 situation and the potential negative impact on MC's income.

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

ENVIRONMENTAL REPORTING

Reporting period

1 July 2020 – 30 June 2021

Quantification and Reporting Methodology

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

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

Organisational boundary

We have used the financial control approach.

SCOPE 2

In metric kg of CO2e

Green House Gases (GHG) emissions	8,2765 kg of CO2e (base year : 26,0044 kg of CO2e)
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Intensity Metric

Organisation's chosen intensity measurement Scope 2 emissions in kg of CO2e per total £m revenue (Charity)	58.6987 (base year : 213.3743)
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There are no specific exclusions.

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

Electricity

Electricity purchased for own use or consumption in the year: 32.500 MWh (base year: 111.54MWh)

Base Year

We have a fixed base year of 2019/20. We chose this year as it was the first year for which we considered that we had reliable data and it was typical in respect of our operations. Our base year recalculation policy is to recalculate our base year and the prior year emissions for relevant significant changes such as large structural changes or mergers.

Intensity Measurement

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

Energy Efficiency Action

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

- To comply with all applicable UK and international legislation, regulations and codes of practice on environmental matters relevant to our operations. We monitor any new regulatory developments and guidelines to ensure we remain compliant and that we follow best practice.
- To implement the most efficient and sustainable waste management measures available to continually reduce our waste and use recyclable materials wherever possible, monitoring our recycling and waste outputs;
- To monitor our gas, electricity and water consumption across MCE offices, using green suppliers where possible;
- To build an environmentally friendly work culture through regular internal communications for staff awareness raising and training, and stakeholder engagement, including team initiatives to minimise the environmental impact of our activities;
- To monitor and minimise the environmental impact of road, rail and air travel by:
 - encouraging the use of travel options that minimise environmental impact;
 - exploring new ways of delivering our work sustainably, such as online training platforms and other types of remote work;
 - being thoughtful as to the necessity and environmental impact of air travel.
- To ensure that consideration is given to purchasing environmentally sustainable products and services and develop sustainable supply chains by using suppliers that have environmental standards compatible with our own.
- By having robust procurement guidelines in place so that the environment is considered as part of our decision making processes.

FINANCIAL REVIEW

The financial statements for the charity were prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP') issued in 2014 and Financial Reporting Standard 102: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) Statement of Recommended Practice (SORP), FRS102 and Charities Act 2011. The applicable accounting policies are set out on pages 44-47.

Mercy Corps Europe funding portfolio is primarily made up from government awards and fundraising activities. In a COVID-19 pandemic disrupted year we had a strong financial performance significantly better than we had planned. Net assets increased to £16.8m (FY 2020: £14.5m)

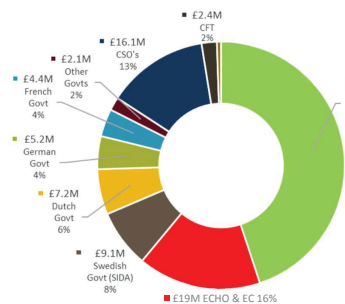
Income

Our total charitable income for FY 2021 was £144.0m (FY 2020: £124.2m), up by £19.8m which represents a 16% increase year on year (like-for-like excluding foreign exchange gains and losses). Included in this amount is £142.6m (FY 2020: £120.8m) restricted income, all restricted to international programmes.

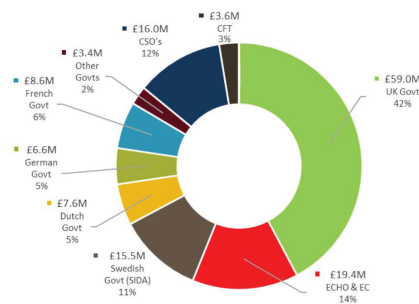
The UK government including Foreign, Commonwealth and Development office (FCDO) continues to be our largest donor. With a number of large multiyear programmes ending in the year, we saw programme funding decline to 41% (FY 2020: 45%) of total programme income. Since UK exiting the European Union (EU) our ECHO funding has declined to 5.5% of total programme income (FY 2020: 7.8%). We are waiting for an outcome of our new Framework Partnership Agreement application through our affiliated entity Mercy Corps Netherlands. We have transitioned EC and ECHO relationships to MCNL and we will continue to work with INGO partners as a sub for ECHO funding until such time we are a direct funding partner with DG-ECHO. The Board and management are closely evaluating the impact of the UK exiting the EU and are increasingly securing partnerships with other ECHO FPA holders in order to continue to receive EU funding and provide humanitarian assistance in the numerous locations where we work.

The decrease in ECHO funding has been offset by increased programmatic funding from our existing other EU donors. In pursuing our strategy of diversifying funding sources along with Brexit planning, we made good progress with notable increases that were secured with the Swedish International Development Cooperation agency (SIDA), French Government and German development agencies compared to prior year. The chart compares institutional donor income over the last two financial years. The dependency across the three main donors (FCDO, EC and ECHO) is 55% (FY 2020: 61%). MCE continues to expand our work with other European partnerships in order to reduce this reliance and in particular a noticeable shift is recognised with SIDA increasing to 10.9% of total programmatic income (FY 2020: 7.6%).

Institutional Donor Sources - FY 2020



Institutional Donor Sources - FY 2021



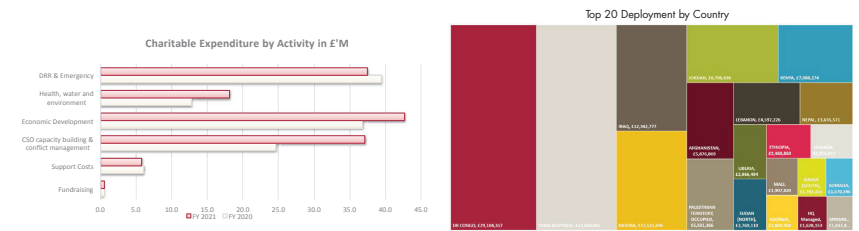
The Charity unrestricted voluntary donations increased to £758k (FY 2020: £642k), up by 18% on last year. The increase largely came from a one off legacy gift of £100k.

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

Charitable Expenditure

Our total expenditure was £141.7m, up by £21.5m, or 18% on the previous year. Overall charitable expenditure in the year was £135.4m (FY 2020: £113.6m) and continued to reach those who most needed our help in the world's most fragile and challenging places.

MCE was active in 39 countries with the low and middle income countries dominating our expenditure. 95% of spend is attributed to charitable activities and projects contributing to our areas of strategic focus (FY 2020: 95%). The chart below shows the distribution by the size of our charitable activities.



The majority of funds went to sub-Saharan Africa and the Middle East regions to support the significant numbers of people who are in need of humanitarian assistance including those who have been displaced from their homes, both internally and as refugees. In Africa, MCE was active in 14 countries, most notably DR Congo, Nigeria, Kenya and Sudan (North) supporting communities with food security, water and sanitation, conflict management and economic development activities, as well as responding to natural disasters, displacement and disease outbreaks. In the Middle East, MCE increased its direct cash distributions to vulnerable households in Palestine and continued to provide life-saving assistance inside Syria and to Syrian refugees in Lebanon, Jordan and Iraq. Additionally, our work in Asia continued to expand, meeting the needs of vulnerable communities in Afghanistan, Pakistan, Nepal and Myanmar, all of which suffered from significant upheaval in the past year. In the Americas, MCE continues to address the needs of displaced and vulnerable populations in Colombia, Venezuela and Haiti. Across all countries and regions where MCE is active, our programmes have pivoted to respond to needs arising from the COVID-19 pandemic, including public health, support to those whose livelihoods have been negatively impacted, and in mass communication and information sharing.

Indirect cost recovery practice is consistent with last financial year and is in accordance with the statement of recommended practice for charities' accounting and reporting. It includes the costs of general administration and management. Excluding expenditure of raising funds, the costs incurred have been attributed completely to the charitable activities which they support. Total support costs have decreased to £6.3m (FY 2020: £6.6m). While there are continuous efficiencies driving savings, the extended COVID-19 restrictions significantly reduced travel and related costs by pivoting and maintaining support provided remotely to country operations. This includes investment in our team resources across Europe to better enable them to work remotely.

Financial Risk and Cash

Cash flow risk is managed by continuously monitoring the cash flow sensitivity resulting from timely delivery of international programmes and timely recognition of unrestricted income. We monitor our global risks closely with oversight by the global Enterprise Risk Management Committee and the Boards' Audit and Risk Committees. The COVID-19 pandemic impact continues to dominate our thoughts and actions. As also referenced in risk and uncertainties COVID-19 poses a major risk to the agency. In all circumstances we are following Government guidelines and continue to work from home with the aim to safeguard the health and wellbeing of our staff. Globally we are continually reviewing our preparedness and mitigation measures to safeguard the health and wellbeing of our teams and the communities with which we work. In many locations, including our European locations, this includes working from home, while in others, this involves activating extensive protocols and approaches to mitigate COVID-19 exposure and its spread. As the pandemic restrictions are gradually lifted we will continue to adopt government guidelines.

Agency-wide cost control measures, such as holding spending on low priority budgeted activities, deferring spend, hiring freeze, consideration of the government job retention scheme, etc. have all been utilised, resulting in better than anticipated planned savings. The European Leadership Team maintains a number of financial scenarios ensuring cash flow and available funds are tightly monitored. The going concern scenarios in note 1 demonstrate that funds and general reserves are available and will be utilised during the coming fiscal year to support operational requirements as necessary.

MCE and MCNL hold cash in current and deposit accounts with NatWest Bank, Rabobank and Bank of Scotland. Cash is held in donor currencies and the equivalent GBP holdings stand at £45.7m (FY 2020: £58.4m). The £13m reduction is all expenditures on multiyear programmatic activity that have come to an end. MCG advances cash for MCE donor funded programmes, and is subsequently reimbursed by MCE after the field spends and accounts for the advances. The MCG intercompany balance (see note 10) was £14.2m (FY 2020: £10.4m).

The monies due from donors is in line with the prior year with a significant portion resulting from the payment terms in place from European donors. A growing number of high value MCE grants are from government organisations who withhold payment subject to evidence by results or who apply retention payments until satisfactory evidence of financial and programmatic delivery, reporting and acceptance.

Reserve Policy and Reserves

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

The charity has best practices in place to manage its reserves and aims to hold reserves against the risk of unexpected losses and to help ensure the ongoing concern of the organisation and any other unanticipated financial risks. Our total reserves stand at £16.8m (FY 2020: £14.5m), with the restricted reserve amount at £0.8m (FY 2020: £3.0m). The decrease in restricted reserve saw the expenditure against our COVID-19 Resilience Programmes.

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

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

The Trustees aim to maintain a target of unrestricted funds representing at least six months' operating expenditure, achieved with our general unrestricted reserves and excluding funds utilised for fixed assets. The £12.9m (FY 2020: £8.6m) represents 21 months (FY 2020: 14 months) of core operating expenditure.

The aim is to hold general reserves sufficient to protect MCE against unexpected loss of income, any unanticipated financial risks and provide for investment in the longer term sustainability of the organisation. The Trustees are mindful of the shifting landscape, continued COVID-19 impact on global recession and the UK Overseas Development Assistance (ODA) funding reduction in our sector. Consequently, they wish to adopt the prudent approach to reserves set out herewith and remain as a going concern knowing the stronger position to cover for uncertainties presented in this annual report going into FY22.

Outlook and Going Concern

We have prepared our budget for FY22 expecting reduction to our programme funding below current levels resulting from continued COVID-19, the reduction of the UK ODA budget and Brexit impact all result in a reduction in income for MCE. With the shift to the Islamic Emirate of Afghanistan government we have now layered on the impact of our Afghanistan operations and programme activity being significantly paused for 6 months and updated our forecasts.

We are maintaining the vast majority of staff to ensure that the business continuity is delivering on the vital humanitarian activities across the globe. We continue to monitor developments and respond accordingly, using our best judgements when information may not be perfect. The cash flow forecast, representing 12 months from the approval of these financial statements take into account the downsides impact on its operations and financial resources anticipated above with general reserves providing operating cover at 18 months.

The note 1 to the accounts describe the considered scenarios. We have guidance and governance structures in place to control operations and the European Leadership Team are continually proactively reviewing, revising and adapting in line with the changing scenarios. Communication with our Board is frequent, full and timely. In line with our reserve policy, the Group and Charity will have sufficient funds to meet its liabilities as they fall due and we have prepared these financial statements on a going concern basis.

Mercy Corps Netherlands

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

The Strategic Report and Accounts was approved by the Board of Directors on 20 October 2021 and signed on their behalf by:



Iman Dakhil
Board Chair, Mercy Corps Europe

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

Opinion

We have audited the financial statements of Mercy Corps Europe ("the charitable company") for the year ended 30 June 2021 which comprise the Consolidated Statement of Financial Activities and Income and Expenditure Account, Charity Statement of Financial Activities and Income and Expenditure Account, Consolidated and Charity Balance Sheets, Statement of Cash Flows and Consolidated Statement of Cash and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charitable company's affairs as at 30 June 2021 and of the group's and charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the trustees' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the charitable company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the charitable company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of trustees and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible judgements made in respect of the timing of revenue recognition, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income which is not directly matched to project expenditure is incorrectly recognised and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those journals, containing key words, and posted to unrelated accounts specifically including income or cash and cash equivalents.
- Sampling income which is not directly matched to project expenditure to assess whether income has been recognised appropriately.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the trustees and other management (as required by auditing standards) and discussed with the trustees and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation and certain aspects of charities legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of charities legislation recognising the financial nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The trustees are responsible for the other information, which comprise the Strategic Report, the Director's Report, the Executive Director's Message, and the Chair's Message. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

Matters on which we are required to report by exception

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

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

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

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities

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

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



Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
319 St Vincent Street
Glasgow
G2 5AS

22 October 2021

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2021

	Note	Unrestricted Funds £	Restricted Funds £	Total 2021 £	Unrestricted Funds £	Restricted Funds £	Total 2020 £
INCOME							
Donations and Legacies	2	757,762	-	757,762	687,915	2,503,775	3,191,690
Income from Investments		16,738	-	16,738	128,167	-	128,167
Other income		46,080	8,988	55,068	196,434	57,322	253,756
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	9,177,324	30,801,694	39,979,018	5,696,625	21,038,979	26,735,604
Economic Development	2	4,849,196	40,800,655	45,649,851	4,363,050	34,540,085	38,903,135
Public Health, Water and Environment	2	1,856,269	15,945,259	17,801,528	969,503	12,666,373	13,635,876
Disaster Risk Reduction and Emergency Response	2	1,911,844	37,185,747	39,097,591	2,097,936	39,328,549	41,426,485
(Loss) / Gain on Exchange		720,124	(49,985)	670,139	(35,308)	-	(35,308)
Total income		19,335,337	124,692,358	144,027,695	14,104,322	110,135,083	124,239,405
EXPENDITURE							
Expenditure on Raising Funds	4	525,700	2,115	527,815	544,825	-	544,825
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	7,812,067	30,775,056	38,587,123	4,850,145	21,075,824	25,925,969
Economic Development	4	3,937,262	40,654,335	44,591,597	4,007,300	34,730,954	38,738,254
Public Health, Water and Environment	4	1,294,476	17,728,906	19,023,382	740,092	12,670,957	13,411,049
Disaster Risk Reduction and Emergency Response	4	1,477,014	37,474,586	38,951,600	2,106,662	39,431,311	41,537,973
Total expenditure		15,046,519	126,634,998	141,681,517	12,249,024	107,909,046	120,158,070
Net income before transfers		4,288,818	(1,942,640)	2,346,178	1,855,298	2,226,037	4,081,335
Transfers between Funds	12,13	293,386	(293,386)	-	31,379	(31,379)	-
Net movement in funds		4,582,204	(2,236,026)	2,346,178	1,886,677	2,194,658	4,081,335
Balances brought forward		11,467,091	3,019,631	14,486,722	9,580,414	824,973	10,405,387
Balances carried forward		16,049,295	783,605	16,832,900	11,467,091	3,019,631	14,486,722

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 44 to 65 form part of these financial statements.

Charity Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2021

	Note	Unrestricted Funds £	Restricted Funds £	Total 2021 £	Unrestricted Funds £	Restricted Funds £	Total 2020 £
INCOME							
Donations and Legacies	2	708,236	-	708,236	641,696	1,662,205	2,303,901
Income from Investments		17,022	-	17,022	128,250	-	128,250
Other income		46,080	8,988	55,068	31,613	57,335	88,948
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	9,169,893	30,628,942	39,798,835	5,688,253	20,919,380	26,607,633
Economic Development	2	4,711,802	39,212,804	43,924,606	4,285,283	33,860,206	38,145,489
Public Health, Water and Environment	2	1,683,321	15,124,104	16,807,425	948,298	12,372,227	13,320,525
Disaster Risk Reduction and Emergency Response	2	1,910,000	37,159,400	39,069,400	2,097,936	39,328,549	41,426,485
(Loss) / Gain on Exchange		870,473	-	870,473	(148,845)	-	(148,845)
Total income		19,116,827	122,134,238	141,251,065	13,672,484	108,199,902	121,872,386
EXPENDITURE							
Expenditure on Raising Funds	4	525,506	2,115	527,621	506,088	-	506,088
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	7,786,392	30,602,304	38,388,696	4,688,640	20,956,222	25,644,862
Economic Development	4	3,659,829	39,066,484	42,726,313	3,743,275	34,051,076	37,794,351
Public Health, Water and Environment	4	1,035,769	16,248,235	17,284,004	647,403	12,374,780	13,022,183
Disaster Risk Reduction and Emergency Response	4	1,472,410	37,448,239	38,920,649	1,856,739	39,431,311	41,288,050
Total expenditure		14,479,906	123,367,377	137,847,283	11,442,145	106,813,389	118,255,534
Net income before transfers		4,636,921	(1,233,139)	3,403,782	2,230,339	1,386,513	3,616,852
Transfers between Funds	12,13	293,386	(293,386)	-	31,379	(31,379)	-
Net movement in funds		4,930,307	(1,526,525)	3,403,782	2,261,718	1,355,134	3,616,852
Balances brought forward		10,362,892	2,180,950	12,543,842	8,101,174	825,816	8,926,990
Balances carried forward		15,293,199	654,425	15,947,624	10,362,892	2,180,950	12,543,842

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 44 to 65 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829
Consolidated and Charity Balance Sheets as at 30 June 2021

	Note	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
FIXED ASSETS					
Tangible assets	7	327,875	327,875	487,295	487,295
CURRENT ASSETS					
Debtors	8	19,350,105	19,184,509	20,033,152	19,946,594
Cash at bank and in hand	9	45,653,529	41,093,692	58,359,149	54,572,033
		65,003,634	60,278,201	78,392,301	74,518,627
CREDITORS: amounts falling due within one year	10	(48,498,609)	(44,658,452)	(64,392,874)	(62,462,080)
NET CURRENT ASSETS		16,505,025	15,619,749	13,999,427	12,056,547
NET ASSETS		16,832,900	15,947,624	14,486,722	12,543,842
FUNDS					
Restricted	13	783,604	654,424	3,019,631	2,180,950
Unrestricted - designated	12	2,777,416	2,279,084	1,528,084	1,364,487
Unrestricted - general	12	13,271,880	13,014,116	9,939,007	8,998,405
Total		16,832,900	15,947,624	14,486,722	12,543,842

The notes on pages 44 to 65 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 October 2021 and signed on their behalf by:

Iman Dakhil
Board Chair, Mercy Corps Europe

Mercy Corps Europe - Registered Company SC208829
Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ended 30 June 2021

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Cash flows from operating activities				
Net income	2,346,178	3,403,782	4,081,335	3,616,851
Income from investments	(16,738)	(17,022)	(128,167)	(128,250)
Depreciation	164,585	164,585	171,441	171,441
(Increase) in debtors	683,047	762,085	(557,252)	(479,441)
Increase in creditors	(15,894,265)	(17,803,628)	3,478,282	1,604,433
Cash provided by / (used in) operating activities	(12,717,193)	(13,490,198)	7,045,639	4,785,034
Cash flows from investing activities				
Interest received	16,738	17,022	128,167	128,250
Purchase of fixed assets	(5,165)	(5,165)	(16,876)	(16,875)
Cash generated by / (used in) investing activities	11,573	11,857	111,291	111,375
Increase / (decrease) in cash and cash equivalents at the end of the year	(12,705,620)	(13,478,341)	7,156,930	4,896,409
Cash and cash equivalents at the beginning of the year	58,359,149	54,572,033	51,202,219	49,675,624
Total cash and cash equivalents at the end of the year	45,653,529	41,093,692	58,359,149	54,572,033
Cash and cash equivalents comprise:				
Cash in hand	615	615	589	589
Bank accounts	45,652,914	41,093,077	58,358,560	54,571,444
	45,653,529	41,093,692	58,359,149	54,572,033

The notes on pages 44 to 65 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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

Basis of accounting

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

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

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides of programming activity in Afghanistan, the Overseas Development Aid (ODA) reduction announced by the UK Government on one hand and the new funding upsides due to aid alignment with UK foreign policy, the diversification of our donor portfolio with SIDA, the French and Dutch governments resulting in upsides and the impact of COVID-19 delays on the operations and its financial resources, the Group and Charity will have sufficient funds to meet its liabilities as they fall due for that period.

The cashflow forecast considered scenarios involving the movements above (overall net decrease in revenue to budget) and an increase in expenditure run rate beyond the budget period (Jul-Oct). The forecasts were also subject to stress-tests where unrestricted project income declined by a further 20% and costs remained consistent. A 20% reduction has been considered as the worst case possible downside scenario based on our experience of activities on government grants. Historically, we have seen pause and resumption of programmatic activity in Syria, Sudan, Somalia and Palestine, and now in this fiscal period with a pause in Afghanistan.

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

Consequently, the Directors are confident that the Group and Charity will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Fund accounting

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

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

- a foreign exchange fund used to offset future foreign exchange losses.
- a fund to support the development of the European platform.

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

Income

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

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

Restricted income

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

Revenue donations

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

Income from charitable activities

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

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

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

Interest receivable

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

Analysis of expenditure

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

Pensions

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

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

Fixed assets

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

Depreciation

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

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

Overseas Operations/Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date with all foreign currency transactions for the year being translated at the official EC monthly rate. The exchange difference resulting from the restatement of the opening reserves denominated in foreign currencies, as at 30 June 2021, has been taken to the related reserves.

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

Debtors

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

Cash and Cash Equivalents

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

Creditors and Provisions

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

Financial Instruments

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

Taxation status

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

Value Added Tax

The company is not registered for VAT. Accordingly all expenditure is stated inclusive of VAT where applicable.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.

Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

Group financial statements

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

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

2. Income

Donations and legacies - Group

	Group Unrestricted		Group Restricted		Totals	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £
Donations in cash	757,762	687,915	-	2,503,775	757,762	3,191,690

Donations and legacies - Charity

	Group Unrestricted		Group Restricted		Totals	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £
Donations in cash	708,236	641,696	-	1,662,205	708,236	2,303,901

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

During the year unconditional donations of £1,000 (2020: £3,980) were received from trustees.

Income from charitable activities by Donor

Donor		Group	Charity	Group	Charity
		2021	2021	2020	2020
		£	£	£	£
European Commission	European Commission	11,540,959	11,540,959	10,042,967	10,042,967
	ECHO	7,906,459	7,906,459	9,395,157	9,395,157
		19,447,418	19,447,418	19,438,124	19,438,124
United Nations	UNDP	(23,900)	(23,900)	13	13
	UNICEF	-	-	(2)	(2)
	UNHCR	3,309	3,309	-	-
	UNOCHA	-	-	(1,548)	(1,548)
	UNOPS	(14,493)	(14,493)	659,380	659,380
	(35,084)	(35,084)	657,843	657,843	
UK Government	British Council	49,052	49,052	131,122	131,122
	DFID	42,844,807	42,844,807	49,696,182	49,696,182
	FCO	16,079,161	16,079,161	4,438,056	4,438,056
	Scottish Government	19,789	19,789	-	-
		58,992,809	58,992,809	54,265,360	54,265,360
Non-UK Government	French Government (AFD)	8,573,805	8,573,805	4,370,316	4,370,316
	GIPA	72,056	72,056	298,374	298,374
	GIZ	3,668,796	3,668,796	5,188,923	5,188,923

Income from charitable activities by Donor (Continued)

Ministry of Foreign Affairs of UAE	585,670	585,670	152,363	152,363
Dutch Ministry of Foreign Affairs	7,586,941	7,558,989	7,165,115	6,734,122
Swedish International Development Agency (SIDA)	15,499,193	15,499,193	9,149,143	9,149,143
Swiss Agency for Development and Cooperation (SDC)	1,795,422	1,795,422	1,628,938	1,628,938
Belgian Development Agency	22,354	22,354	-	-
Regional Development Programme for LB, JO & IQ	858,427	858,427	-	-
	38,662,664	38,634,712	27,953,172	27,522,179

Foundations, Corporates & CSOs

AB World Foods	13,747	13,747	17,994	17,994
Action Aid	348,898	348,898	219,990	219,990
Aga Khan Foundation	528,804	528,804	70,075	70,075
Artemis	(21,448)	(21,448)	20,908	20,908
Argidius	7,510	7,510	294,659	294,659
Asfari	97,136	97,136	72,508	72,508
Bayer Cares Foundation	375,319	-	277,350	-
Blockchain Charity Foundation	3,022	3,022	17,441	17,441
Cadena Guatemala	14,932	14,932	-	-
Cardno Emerging Markets	40,798	40,798	21,720	21,720
CARE	2,533,790	2,387,404	3,694,580	3,694,580
Chanel Foundation	-	-	79,734	79,734
Christian Aid	-	-	827	827
Climate KIC	45,265	45,265	96,083	96,083
Concern Worldwide	132,543	132,543	-	-
Cowater Sagema International	330,471	330,471	23,926	23,926
Crown Agents	1,033,447	1,033,447	417,293	417,293
Danish Refugee Council	5,091,536	4,654,303	2,812,753	2,756,303

Income from charitable activities by Donor (Continued)

Development Alternatives Incorporated (DAI)	-	-	131,923	131,923
Dubai Cares	287,898	-	223,743	-
Dynasafe Minetech Ltd	-	-	17	17
East-West Seed	30,036	30,036	101,054	101,054
EOSPHERE Ltd	62,329	62,329	28,889	28,889
Evergreen Renewable Co Limited	89,448	89,448	12,863	12,863
Expo DUBAI	159,430	159,430	67,618	67,618
Farm Africa	117,632	117,632	(163)	(163)
Frankfurt School	111,147	111,147	82,360	82,360
FSDZ	-	-	63,644	63,644
GOAL	1,384,932	1,384,932	1,480,029	1,480,029
Google	27,726	27,726	-	-
GSMA	-	-	105,562	105,562
Handicap International	192	192	621,536	621,536
HIVOS	-	-	800	800
Human Dynamics	37,202	37,202	(3,387)	(3,387)
IMMAP	-	-	104,848	104,848
International Centre for Migration Policy Development	122,945	122,945	75,065	75,065
International Organisation for Migration	131,234	-	-	-
Initiative France	4,380	4,380	14,355	14,355
IPE	672,009	672,009	344,023	344,023
IRC	201,366	173,761	140,511	39,419
Irish Aid	124,626	-	-	-
KfW Development Bank	2,308,781	2,308,781	1,098,822	1,098,822
Konrad Adenauer Stiftung	5,038	5,038	6,383	6,383
Landell Mills	-	-	25,507	25,507
Lloyds of London	10,648	10,648	14,667	14,667

Income from charitable activities by Donor (Continued)

Martin Bauer Group	13,409	13,409	-	-
NESTA	51,098	51,098	46,127	46,127
The Netherlands Enterprise Agency (RVO)	9,760	-	-	-
Netherlands Organisation for Scientific Research	46	46	-	-
Netherlands Water Partnership	7,396	-	-	-
NIRAS	15,957	15,957	-	-
Norwegian Refugee Council	3,499,611	2,649,155	102,345	102,345
Overseas Development Institute (ODI)	24,712	24,715	3,303	3,303
Oxfam	246,829	218,639	381,511	381,511
Oxford Policy Management Ltd	12,481	12,481	-	-
PATRIP Foundation	802,468	802,468	212,671	212,671
Peace Support Fund	255,380	255,380	290,843	290,843
People in Need	(42)	(42)	28	28
Pesitho Holdings	23,781	23,781	-	-
Play International	93,390	93,390	1,514	1,514
Porticus	8,067	8,067	305,002	305,002
Practical Action	1,951	1,951	-	-
Private	(69,144)	(69,144)	32,331	32,331
Rabobank Foundation	27,501	-	-	-
Rheatech	62,168	62,168	8,481	8,481
Save The Children	337	337	-	-
Shell	393,814	(338)	109,307	-
SNV Netherlands Development Org	643,431	643,431	458,990	458,990
Somalia Stability Fund	73,596	73,596	752,837	752,837
Soneva	33,009	33,009	96,249	96,249
Start Network	335,755	335,755	877,320	877,320
Stichting Wageningen Research	52,013	-	2,034	-

Income from charitable activities by Donor (Continued)

Street Football World	(2,350)	(2,350)	10,502	10,502
Swiss Contact	164,883	164,883		
Syngenta	-	-	19,702	19,702
Trocaire	115,924	115,924	57	57
Twinnings	135,700	135,700	31,056	31,056
Vitol	320,396	320,396	252,749	252,749
VSF International	944,292	944,292	874,067	874,067
Women for Women	15,418	15,418	-	-
World Vision	55,935	55,935	-	-
Worldfish	49,488	49,488	-	-
Zurich	634,047	634,046	720,776	720,776
	25,517,276	22,617,509	18,468,312	17,698,336
Total	142,585,083	139,657,364	120,782,811	119,581,842

Income from charitable activities by Region

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Americas	1,602,925	1,574,735	944,151	944,151
Africa	67,032,960	66,248,163	57,811,362	57,442,245
Middle East	58,216,761	56,901,466	49,572,829	49,516,378
Asia	14,104,284	13,607,151	11,200,762	10,849,048
HQ Managed	1,628,153	1,325,849	1,253,707	830,020
Total	142,585,083	139,657,364	120,782,811	119,581,842

3. Team member numbers and costs

	2021	2020		
The average monthly number of team members was:	157	139		
Comprising - UK based employees	102	100		
Expat employees	37	31		
Continental Europe based employees	18	8		
	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Wages and salaries:				
Employed by the charity	7,640,075	6,819,877	7,178,093	6,688,399
Termination payment	25,000	25,000	-	-
(Less seconded to MCG & MCNL)	(2,670,225)	(2,151,281)	(2,215,674)	(2,215,674)
Field team members seconded from MCG	25,696,183	24,827,126	23,236,033	23,236,033
	30,691,033	29,520,722	28,198,452	27,708,758
Social security				
Employed by the charity	718,403	620,006	659,082	596,318
(Less seconded to MCG & MCNL)	(226,380)	(169,160)	(214,698)	(214,698)
	492,023	450,846	444,384	381,620
Other benefits				
Employed by the charity	-	-	2,961	2,961
Field team members seconded from MCG	10,182,088	9,848,421	9,407,392	9,407,392
	10,182,088	9,848,421	9,410,353	9,410,353
Pension costs				
Employed by the charity	465,090	401,712	340,350	313,759
(Less seconded to MCG & MCNL)	(170,564)	(138,524)	(130,642)	(130,642)
	294,526	263,188	209,708	183,117
	41,659,670	40,083,177	38,262,897	37,683,848

3. Team member numbers and costs (continued)

Salary Band	Group 2021 Number of Employees	Charity 2021 Number of Employees	Group 2020 Number of Employees	Charity 2020 Number of Employees
60-70k	15	14	10	9
70-80k	11	8	6	6
80-90k	5	4	6	6
90-100k	3	3	3	2
100 – 110k	3	3	2	2
110 – 120k	-	-	-	-
120 – 130k	1	1	1	1
130 – 140k	-	-	2	2
140 – 150k	-	-	-	-
150 – 160k	1	1	-	-
Total	39	34	30	28

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £154,192 (2020: £136,849).

Mercy Corps Europe seconded equivalent of 18 team members within salary bands exceeding £60,000 to Mercy Corps Global in 2020 (2020: 12), and the equivalent of 2 team members with salary band exceeding £60,000 to Mercy Corps Netherlands (2020 : nil).

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

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Total Employment Benefits	981,332	886,837	982,864	892,657

None of the Board of Directors (who are also Trustees) received any remuneration (2020: nil) from MCE. One MCE Director position was held successively in FY21 who was an employee of MCG, registered in the USA, a related party (see note 15), and received remuneration from MCG in respect of that employment as Global CEO. Their employment income from MCG is not in respect of their role as ex-officio directors of MCE. We recognise the position of Global CEO as Key Management Personnel of MCE and have included £9,463 salary as the allocation of the remuneration related to MCE. The Global CEO is occupying multiple roles in the Global organization therefore the remuneration figure included and relating to MCE is a proportion of the overall package that they receive. This proportion uses an allocation basis considered reasonable to assign the Global salary based on time spent on MCE related work of 3%. Expenditure of £2,308 (2020: £25,676) relating to all the directors was made during the year, either by the reimbursement of business expenses or payments to suppliers. The charity has third party indemnity insurance on behalf of the directors.

Pension costs relate to defined contribution pension schemes contributed to during the year. The funds in these schemes are held separately from the charity. Contributions of £57,280 (2020: £49,709) were outstanding at the year end.

4. HQ support costs allocation – Unrestricted Funds

HQ support costs of £6.3m (2020: £6.6m) comprising Executive, Finance, Programmes, Fundraising, Governance, IT, Human Resources and Office Administration are allocated to the Statement of Financial Activities and Income and Expenditure account as per the following tables.

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

Group

	2020 Costs £	2021 Costs £	Allocate Office Admin £	Allocate IT £	Allocate HR £	Allocate to Governance (note 5) £	Remove expenditure on raising funds £	To be allocated in stage 2 £
Stage 1								
Executive	305,800	247,078	28,879	4,748	34,351	(20,728)	-	294,328
Finance	1,202,511	1,215,640	351,130	36,407	273,402	(123,459)	-	1,753,120
Programmes	2,263,331	1,994,925	527,064	44,005	338,411	(191,079)	-	2,713,326
Fundraising	746,852	770,425	119,364	19,628	141,983	(69,171)	(525,700)	456,529
Human Resources	549,049	720,892	57,757	9,498	(788,147)	-	-	-
Governance	99,797	139,631	-	-	-	404,437	-	544,068
Office Administration	1,302,356	1,097,671	(1,097,671)	-	-	-	-	-
IT	116,924	100,809	13,477	(114,286)	-	-	-	-
Totals	6,586,620	6,287,071	-	-	-	-	(525,700)	5,761,371

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

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2021 £	2020 £
Civil Society, Education and Conflict Management	143,367	82,283	458,788	665,942	127,586	1,477,966	1,315,510
Economic Development	175,944	91,578	569,356	914,859	142,076	1,893,813	1,953,884
Public Health, Water and Environment	80,814	37,047	264,890	472,310	57,518	912,579	663,740
Disaster Risk Reduction and Emergency Response	143,943	83,420	460,086	660,215	129,349	1,477,013	2,106,661
Totals	544,068	294,328	1,753,120	2,713,326	456,529	5,761,371	6,039,795

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

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

Charity	2020 Costs £	2021 Costs £	Allocate Office Admin £	Allocate IT £	Allocate HR £	Allocate to Governance (note 5) £	Remove expenditure on raising funds £	To be allocated in stage 2 £
Stage 1								
Executive	305,800	247,075	28,879	4,750	34,351	(20,728)	-	294,327
Finance	1,171,787	1,212,325	221,401	36,407	263,355	(114,045)	-	1,619,443
Programmes	2,037,727	1,851,344	267,607	44,005	318,316	(163,242)	-	2,318,030
Fundraising	746,556	770,036	119,364	19,628	141,983	(69,145)	(525,506)	456,360
Human Resources	527,794	690,751	57,757	9,497	(758,005)	-	-	-
Governance	99,797	139,631	-	-	-	367,160	-	506,791
Office Administration	773,352	708,486	(708,486)	-	-	-	-	-
IT	116,923	100,809	13,478	(114,287)	-	-	-	-
Totals	5,779,736	5,720,457	-	-	-	-	(525,506)	5,194,951

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2021 £	2020 £
Civil Society, Education and Conflict Management	141,678	82,282	452,728	648,022	127,578	1,452,288	1,154,001
Economic Development	157,685	91,578	503,881	721,243	141,994	1,616,381	1,691,859
Public Health, Water and Environment	63,788	37,046	203,834	291,763	57,441	653,872	571,049
Disaster Risk Reduction and Emergency Response	143,640	83,421	459,000	657,002	129,347	1,472,410	1,856,739
Totals	506,791	294,327	1,619,443	2,318,030	456,360	5,194,951	5,273,648

5. Governance costs

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
External Audit	149,679	108,003	113,812	71,674
Trustees' indemnity insurance	5,320	5,320	2,408	2,408
Trustees' expenses	2,308	2,308	30,722	30,722
Professional Fees	79,938	24,000	66,395	66,395
Apportionment of senior team members costs (based on time spent)	404,437	367,160	381,598	381,598
Total	641,682	506,791	594,935	552,797

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

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Depreciation	164,585	164,585	171,441	171,441
Operating lease rentals – land and buildings	353,282	341,955	354,070	341,956
Operating lease rentals – other	21,011	21,011	23,913	23,913
Auditors' remuneration – in respect of the audit	149,679	108,004	185,921	68,400
Total	688,557	635,555	735,345	605,710

7. Tangible Fixed Assets

	Leasehold improvements London £	Leasehold improvements Edinburgh £	Computers £	Equipment £	Total £
Cost					
At 1 July 2020	365,733	395,549	262,644	101,076	1,125,002
Additions	-	-	5,165	-	5,165
At 30 June 2021	365,733	395,549	267,809	101,076	1,130,167
Depreciation					
At 1 July 2020	257,234	71,330	231,193	77,950	637,707
Charge for year	81,250	40,475	22,807	20,053	164,585
At 30 June 2021	338,484	111,805	254,000	98,003	802,292
Net Book Value at 30 June 2021	27,249	283,744	13,809	3,073	327,875
Net Book Value at 30 June 2020	108,499	324,219	31,451	23,126	487,295

MCNL do not have any fixed assets to be reported as at 30 June 2021.

8. Debtors

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Income tax recoverable	16,569	16,569	4,408	4,408
Other debtors	2,988,016	2,974,509	3,003,973	2,993,466
Prepayments	250,120	238,315	2,328,819	2,302,343
Accrued project income	16,095,400	15,955,116	14,695,952	14,646,377
Total	19,350,105	19,184,509	20,033,152	19,946,594

Accrued project income relates to funds due from donors for projects in which expenses have already been paid by Mercy Corps Europe as at 30 June 2021.

9. Cash in Bank and in Hand

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Bank accounts	45,652,914	41,093,077	58,358,560	54,571,444
Cash in hand	615	615	589	589
Total	45,653,529	41,093,692	58,359,149	54,572,033

10. Creditors: amounts falling due within one year

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Deferred income	23,786,881	21,193,341	42,962,554	41,456,636
Intercompany balance	14,178,460	13,053,958	10,370,718	10,283,644
Accruals	1,771,438	1,721,686	649,927	586,138
Taxation and social security	168,349	158,580	153,828	147,810
Other creditors	8,593,481	8,530,887	10,255,847	9,987,852
Total	48,498,609	44,658,452	64,392,874	62,462,080

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

	Group £	Charity £
At 1 July 2020	42,962,554	41,456,636
Transfer from accrued project income	(14,695,952)	(14,646,377)
Currency	(1,875,293)	(1,811,665)
Grant funds received in year	96,758,971	92,772,177
Grant funds spent during year	(115,458,799)	(112,532,546)
Transfer to accrued project income	16,095,400	15,955,116
At 30 June 2021	23,786,881	21,193,341

11. Operating lease commitments

Group and Charity

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

	Land and Buildings £	Other £	2021 £	2020 £
In less than 1 year	353,282	21,011	374,293	377,983
In 2 to 5 years	727,010	22,945	749,954	553,616
Over 5 years	-	-	-	-
Total	1,080,292	43,956	1,124,247	931,599
Lease payment recognised as an expense			362,858	309,037

12. Unrestricted funds

Group

	Balance at 1 July 2020 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2021 £
General Funds	9,939,007	18,615,213	(15,046,519)	(235,822)	13,271,879
Designated Funds	-	-	-	-	-
Foreign Exchange	1,078,084	720,124	-	529,208	2,327,416
European Platform	450,000	-	-	-	450,000
Total: Designated Funds	1,528,084	720,124	-	529,208	2,777,416
	11,467,091	19,335,337	(15,046,519)	293,386	16,049,295

Charity

	Balance at 1 July 2020 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2021 £
General Funds	8,998,405	18,246,354	(14,479,906)	249,262	13,014,115
Designated Funds	-	-	-	-	-
Foreign Exchange	914,487	870,473	-	44,124	1,829,084
European Platform	450,000	-	-	-	450,000
Total: Designated Funds	1,364,487	870,473	-	44,124	2,279,084
	10,362,892	19,116,827	(14,479,906)	293,386	15,293,199

Group and Charity

	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2020 £
General Funds	8,023,526	14,164,505	(12,249,024)	-	9,939,007
Designated Funds	-	-	-	-	-
Dilapidations	-	-	-	-	-
Foreign Exchange	1,106,888	-	(60,183)	31,379	1,078,084
European Platform	450,000	-	-	-	450,000
New Modalities	-	-	-	-	-
Total: Designated Funds	1,556,888	-	(60,183)	31,379	1,528,084
Total	9,580,414	14,164,505	(12,309,207)	31,379	11,467,091

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

The transfer into general funds in the year was £293,386 (2020: £31,379). There was a net increase as a result of foreign exchange of £293,386 (2020 of £31,379).

13. Restricted funds

Group

	Balance at 1 July 2020 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2021 £
Grants	(2,538)	124,683,370	(126,632,883)	1,891,068	(60,983)
Donations	3,022,169	8,988	(2,115)	(2,184,454)	844,588
	3,019,631	124,692,358	(126,634,998)	(293,386)	783,605
	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2020 £
Grants	(2,633)	107,631,308	(107,925,552)	294,339	(2,538)
Donations	827,606	2,503,775	16,506	(325,718)	3,022,169
	824,973	110,135,083	(107,909,046)	(31,379)	3,019,631

Charity

	Balance at 1 July 2020 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2021 £
Grants	(1,640)	122,125,250	(123,365,262)	1,230,744	(10,908)
Donations	2,182,590	8,988	(2,115)	(1,524,130)	665,333
	2,180,950	122,134,238	(123,367,377)	(293,386)	654,425
	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2020 £
Grants	(1,789)	106,537,697	(106,829,895)	292,347	(1,640)
Donations	827,605	1,662,205	16,506	(323,726)	2,182,590
	825,816	108,199,902	(106,813,389)	(31,379)	2,180,950

Transfer in to Restricted Grants of £1,891,067 (2020: Transfer in of £294,339) comprises restricted donations used to cover programmatic expenditure in line with the terms of the donation. The transfer out of donations of £2,184,454 (2020: £325,718) includes the transfers in to Restricted Grants, along with the replenishment of General Funds for programme expenditure that was previously covered temporarily from unrestricted reserves, where co-financing has now been secured. These movements show a net transfer out of £293,386 (2020: net transfer out £31,379).

Restricted Funds are country or project specific and allocated to projects as expenditure is incurred. The balances held on individual restricted funds are listed on page 57.

Nature of Restriction

	Balance at 30 June 2021 £	Balance at 30 June 2020 £
To co-finance projects		
Central African Republic - 1	13,639	13,639
Gaza	10,250	-
Iraq - 1	-	20,228
Iraq - 2	13,446	13,446
Lebanon	41,169	39,119
Niger	-	29
South Sudan	-	32,045
Syrian Arab Republic - 1	57,848	70,757
Syrian Arab Republic - 2	-	52,993
Yemen - 1	13,364	13,364
Yemen - 2	-	221,268
Yemen - 3	10,876	10,436
Other	586,043	2,457,543
COVID-19 Resilience Fund		
Haiti	-	3,705
Other funds (under £10,000)	36,647	73,597
Total	783,282	3,022,169

14. Analysis of Net Assets between Restricted and Unrestricted Funds

Group

	Unrestricted Funds £	Restricted Funds £	Total 2021 £	Total 2020 £
Tangible fixed assets	327,875	-	327,875	487,295
Other net assets	15,721,420	783,605	16,505,025	13,999,427
	16,049,295	783,605	16,832,900	14,486,722

Charity

Tangible fixed assets	327,875	-	327,875	487,295
Other net assets	14,965,324	654,425	15,619,749	12,056,547
	15,293,199	654,425	15,947,624	12,543,842

Group and Charity

Tangible fixed assets	487,295	-	487,295	641,860
Other net assets	10,979,796	3,019,631	13,999,427	9,763,527
	11,467,091	3,019,631	14,486,722	10,405,387

15. Related Party transactions

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

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

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

Name	Title	Related Party
Iman Dakhil	Chair of the Board of Mercy Corps Europe	MCNL, MCG
Tjada D'Oyen McKenna	Chief Executive Officer of Mercy Corps Global (Appointed October 2020)	MCNL General Meeting, MCG
Beth deHamel	Interim Chief Executive Officer of Mercy Corps Global (Resigned October 2020)	MCNL General Meeting, MCNL Board, MCG
Thomas Murray	(Term ended 30 June 2021)	MCNL General Meeting

No directors received any remuneration from Mercy Corps Europe. During FY21, one MCE director position was held by Tjada D'Oyen McKenna. They were an employee of and remunerated by Mercy Corps Global, registered in the USA, in respect of that employment relationship and services provided to MCG. As explained in note 3, the Director position received remuneration from MCE for time spent on MCE related work via a related party transaction with MCG.

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

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

During the year the following transactions arose:

Expenditure on behalf of Mercy Corps Global by Mercy Corps Europe: £2,976,385; (2020: £3,267,463).

Expenditure on behalf of MCE by MCG: £397,621; (2020: £415,914).

Expenditure on behalf of MCE by MCNL : £279,806; (2020: £(927,481)).

At the year-end MCE's liability with MCG was £13,053,958 (2020: £10,283,644).

At the year-end MCE's liability with MCNL was £9,037 (2020: £137,523).

MCE received £nil; (2020: £1,098,312) of income on behalf of MCNL.

16. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2021 (2020 none).

17. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2021.

18. Ultimate Controlling Party

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

In view of the global nature of work undertaken by Mercy Corps, the agency to which Mercy Corps Europe contributes and the joint management that is exercised by JBEC, Mercy Corps will produce consolidated accounts which include the results of MCE. The next period of consolidation will be for the year ended 30 June 2022.

19. FCDO- Schedule to Financial Statements

Projects implemented on behalf of the Foreign, Commonwealth and Development Office (FCDO) during period from 1 July 2020 to 30 June 2021. We certify that each of the FCO grants below were expended in accordance with the terms agreed with FCDO.

On September 2, the Department for International Development (DFID) and the Foreign Commonwealth Office (FCO) merged to become the Foreign, Commonwealth and Development Office (FCDO).

Country	Cost Centre	Instalments received/(returned) £	Expended during the financial year £
Democratic Republic of Congo	91083	7,075,240	7,824,415
Jordan	91146	6,400,000	5,990,645
Lebanon	91147	(34,918)	-
Nepal	91220	384,553	397,063
Nigeria	91221	940,060	403,280
Iraq	91251	(940)	-
Nigeria	91271	1,953,072	2,030,993
Uganda	91341	106,163	45,312
Iraq	91387	2,776,949	3,088,257
Kenya	91419	60,872	64,936
Syrian Arab Republic	91443	11,971,065	11,145,364
Kenya	91446	(2,088)	33,119
Libya	91449	323,162	321,604
Mali	91462	673,575	838,671
Nepal	91473	2,263,299	2,606,812
Democratic Republic of Congo	91499	9,098,944	7,587,905
Syrian Arab Republic	91517	203,274	127,576

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

20. British Council - Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2020 to 30 June 2021. We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

Country	Cost Centre	Instalments received/(returned) £	Expended during the financial year £
Myanmar	91232	(32,783)	-
Myanmar	91515	23,909	3,957

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

21. Financial Instruments

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Carrying amount of financial assets				
Debt instructions measured at amortised cost	3,004,585	2,974,509	3,003,973	2,993,466
Carrying amount of financial liabilities				
Measured at amortised cost	24,543,378	23,306,530	21,276,492	20,857,634

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

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

22. Affiliates

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

Jointly Controlled entity	Principle Activity
Mercy Corps Netherlands	Public benefit entity

Results of affiliate for the year ended 30 June 2021

	Turnover £	Expenditure £	Net Profit £	Aggregate net assets £
Mercy Corps Netherlands	2,976,964	3,834,234	(857,270)	885,275

OUR SUPPORTERS

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

Grants and Funders

Action Aid
 Agence Francaise de Development (AFD)
 Belgian Development Agency
 British Council
 Cadena Guatemala
 Care International
 Climate KIC
 Concern Worldwide
 Danish Refugee Council
 Department For International Development (DFID)
 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
 Dutch Ministry of Foreign Affairs
 European Commission (EC)
 European Humanitarian Aid And Civil Protection (ECHO)
 Eosphere Ltd
 Farm Africa
 Foreign, Commonwealth & Development Office (FCDO)
 Frankfurt School
 Georgian Institute Of Public Affairs (GIPA)
 Goal
 Handicap International
 International Centre for Migration Policy Development
 International Organisation for Migration
 Initiative France
 Initiative For The Palestinian Economy (IPE)
 International Rescue Committee (IRC)
 Irish Aid
 KFW Development Bank
 Konrad Adenauer Stiftung
 Ministry of Foreign Affairs of UAE
 Netherlands Development Organisation (SNV)
 Netherlands Enterprise Agency (RVO)
 Netherlands Organisation for Scientific Research (NWO)
 Norwegian Refugee Council (NRC)
 Netherlands Water Partnership (NWP)
 Oxfam
 Overseas Development Institute (ODI)
 Peace Support Fund
 Play International
 Practical Action
 Regional Development and Protection Programme for Lebanon, Jordan & Iraq
 Save The Children
 Scottish Government
 Somalia Stability Fund
 Start Network
 Stichting Wageningen Research
 Swedish International Development Agency (SIDA)
 Swiss Agency for Development and Cooperation (SDC)
 Swiss Contact
 Trocaire
 United Nations (UN)

Veterinaires Sans Frontieres (VSF)
 Women for Women
 World Vision
 Worldfish

Corporate

Ab World Foods
 Aga Khan Foundation
 Argidius Foundation
 Asfari Foundation
 Bayer Cares Foundation
 Blockchain Charity Foundation
 Cardno Emerging Markets
 Cowater Sogema International
 Crown Agents
 CVC Capital Partners
 Dubai Cares
 East-West Seed
 Evergreen Renewable Co Limited
 Expo 2020 DUBAI
 Google
 Harperstown Power Ltd
 Human Dynamics
 Lloyds of London
 Martin Bauer Group
 Nesta
 NIRAS
 Oxford Policy Management Ltd
 Patrip Foundation
 Pestitho Holdings
 Porticus
 Rabobank Foundation
 Rheatech Group
 Royal Dutch Shell
 Soneva
 Twinings
 Vitol
 Zurich Foundation

Organisations

18 St John Street Chambers
 Church of Christ
 Common Grounds Charity Café
 Mount Saint Bernard Abbey
 Nomads Tent
 Penicuik Rotary Club
 Pitlochry Station Charity Bookshop
 Rotary Club of Leith
 St James Espiscopal Church
 True Grit Events

In addition, in FY21 Mercy Corps Europe also gratefully received donations from local organisations including schools, community and religious groups.

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Back page photograph: When we work together, a better world is possible. Photo: Mercy Corps Indonesia



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