

MERCY CORPS EUROPE

A photograph of two young girls sitting on a low wall with horizontal stripes of green, pink, orange, and blue. The girl on the left wears a white hijab, a dark blue jacket, and brown boots, holding a pink lunchbox. The girl on the right wears a dark jacket with a fur collar and pink boots, holding a pink bag. A large, semi-transparent white 'X' shape is overlaid on the left side of the image.

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020



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Cover photograph: Two friends play in the yard at an inclusive school in Zarqu, Jordan. We're training teaching assistants to support children with disabilities who otherwise would be excluded from education due to a lack of resources. Photo: Ezra Millstein

Photograph: Despite the impact of COVID-19 on our programmes in Lower Juba Province, Somalia, our team members are still smiling behind their masks. Photo: Mercy Corps Somalia

EXECUTIVE DIRECTOR'S MESSAGE



As I write this, and reflect on the past year, it is striking just how much the world has changed. Not a single country in the world has been left untouched by COVID-19: by the tragic loss of hundreds of thousands of lives, and by the economic uncertainty it will leave in its wake. In each and every one of the 40 countries we work, COVID-19 has had an impact on a level that none of us have ever seen before. Through it all, Mercy Corps' global team of nearly 6,000 humanitarians has been on the front lines of this pandemic, supporting vulnerable communities in hard-hit countries like Iraq, Lebanon and Afghanistan - countries for whom COVID-19 is just the latest in a long line of crises. I am immensely proud and humbled to be part of this team, which has responded to the pandemic with both pragmatism and compassion.

In refugee camps in Syria, we have provided access to clean water for hand washing in an environment where social distancing is impossible. In Pakistan, we have provided PPE to medical professionals treating COVID-19 patients in hospitals. In the Democratic Republic of Congo (DRC), we have helped workers maintain their livelihoods with cash payments where jobs and the ability to meet basic needs were at threat. All this is taking place at a time when the need for humanitarian aid is immense. Nearly 80 million people in the world are currently displaced – just over 1 percent of the global population. Last year, 690 million people lived in hunger, and this could rise by a further 130 million by the end of 2020, due to the effects of COVID-19.

I am immensely grateful to all of our donors across Europe who have helped us maintain our life-saving programmes during this pandemic, as well as the donors who have supported us in adapting our responses to help the most vulnerable communities on the frontlines. Their flexibility and partnership have been invaluable.

Over the past 12 months, we have further strengthened our presence in mainland Europe through Mercy Corps Netherlands. As the Brexit transition period officially comes to an end in December 2020, we have been working to ensure we can maintain funding from EU sources to avoid any impact on our work around the world.

At the same time, as the world has faced all these challenges, our own organisation has undergone significant change. We have committed ourselves to developing an even deeper and more comprehensive approach to safeguarding and we are working hard to ensure we are an ally to all survivors, wherever they are. While we have learned a lot about ourselves over this past year, we still have work to do.

We have also all been deeply affected by the Black Lives Matter protests that followed the killing of George Floyd and shone a light on the deep-rooted inequality that exists within our societies. As an organisation, we are committed to long-term change. That is why we are setting out our plans to increase diversity in our leadership teams and ensure that all team members, wherever they are based, recognise themselves in Mercy Corps' values and identity.

At this time of rapid change and uncertainty, I am honoured to lead Mercy Corps in Europe and build on what Simon O'Connell has achieved. Simon stepped down from his role as Executive Director this year and I want to express a special thanks for his tremendous leadership with Mercy Corps over 12 years.

Finally, this year we also faced a huge personal loss when Board member Adrienne Airlie very sadly and suddenly passed away. Adrienne was a dedicated and much loved member of the Mercy Corps team, and her commitment to Mercy Corps and our work all over the world was tireless, informed and highly professional. Adrienne had been a Board Director since 2010, Chair of our European and Joint Audit & Risk Committees, Board Safeguarding Lead and Chair of Mercy Corps Netherlands. We miss Adrienne immensely and our thoughts are constantly with her family and friends.

Alexandra Angulo
Interim Executive Director, Mercy Corps Europe

CHAIR'S MESSAGE



This past year has brought change to all of our lives at a speed and scale that was unimaginable twelve months ago.

Every one of Mercy Corps' nearly 6,000 team members has been personally and professionally affected by COVID-19. Our teams around the world have rapidly adapted their work to adjust to the challenges of the pandemic and to help vulnerable communities protect their lives and livelihoods in the face of COVID-19. To do so, they have drawn on their experience of providing response, relief and resilience to the world's toughest crises. As global humanitarian challenges are deepened by the impact of the pandemic, Mercy Corps' teams continue to deliver lifesaving aid to the most vulnerable communities. In Syria, where ongoing conflict has forced approximately one million people from their homes in Idlib province since December 2019 alone, Mercy Corps has helped nearly half a million people to meet their urgent needs, including clean water and emergency food. In the DRC, which has one of the lowest rates of access to clean water in the world, Mercy Corps this year provided safe drinking water for 280,000 people a day in the eastern city of Goma, helping to protect against water-borne diseases. In Yemen, the largest humanitarian crisis in the world, where 8 out of 10 people need urgent assistance, we are helping mothers to treat and prevent malnutrition in their young children.

At the same time as helping meet immediate humanitarian needs, our teams are also supporting communities to build towards a stronger future. In Nigeria, Mercy Corps is helping girls to access education - including by putting classes on the radio when in-person teaching was cancelled due to COVID-19. In Jordan, our teams are providing extra educational assistance to children with disabilities, in support of the country's strained education system, and to ensure that children with special needs are not left behind. This year of unprecedented change for the world has also brought change for Mercy Corps as an organisation. In October 2020, Mercy Corps welcomed Tjada D'Oyen McKenna as our new Chief Executive Officer, following a thorough global search. Tjada's transformative vision and energy, impeccable experience and accessible, thoughtful leadership style makes her the ideal leader for our next chapter. She builds on the excellent work done by Beth deHamel as Interim CEO. The Board and I are profoundly grateful for Beth's stewardship of Mercy Corps, and for her grace, thoughtfulness and steady leadership in a tumultuous year. We have also seen leadership changes for Mercy Corps in Europe. Simon O'Connell stepped down as Executive Director for Mercy Corps Europe after five years in which he grew the organisation's presence, and brought his own deep expertise to the benefit of the humanitarian aid and development sector as a whole. I am delighted that Alex Angulo has taken up the role of Interim Executive Director, bringing 14 years of experience at Mercy Corps, most recently as our Director of Compliance, Governance and Risk. Alex brings deep humanitarian expertise to the role, and we are fortunate to have her leadership at a time when humanitarian needs have never been greater.

On a personal note, I was honoured to accept the role of Chair of the Mercy Corps Europe Board this year, after serving as a board member for the past two and a half years. I am grateful to the previous Chair Nick Blazquez for his insight, leadership and dedication to Mercy Corps over the past decade. I also want to pay tribute to Adrienne Airlie, who passed away this year, suddenly and unexpectedly. Adrienne's commitment to Mercy Corps was unparalleled, and she was a driving force for change on vitally important aspects of our work, including safeguarding, accounting and risk management. She is greatly missed, and our thoughts are with her family.

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 nearly 6,000 team members work with people in the world's most vulnerable communities across over 40 countries. Nearly 90% of our team is from the countries where they work.

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

Mercy Corps Europe is part of the global Mercy Corps organisation and exists to ensure effective stewardship and management of 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 European organisation, and “Mercy Corps” to refer to the global organisation.

WHAT WE DO

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

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

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.

As a global organisation, Mercy Corps has provided £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)

Simon O'Connell – Executive Director (until June 2020)
Abdul-Jalil Ali – Director of Finance
Alexandra Angulo – Director of Compliance, Governance and Risk
(Executive Director from July 2020)
Amy Fairbairn – Head of Media and Communications
Cameron Hall – Director of Human Resources
Alexandra Lopoukhine – Director, Partnerships and Influence
Michael McKean – Senior Director of Programmes, Funding and Operations

Jessica Ryder – Manager, Executive Office
Anissa Toscano – Vice President Humanitarian Leadership & Response (Joined April 2020)
Selena Victor – Senior Director of Policy & Advocacy

Mercy Corps Europe Board of Directors:

Adrienne Airlie (Passed away December 2019)
Nick Blazquez – Chair (Resigned March 2020)
Roberto Bocca (Resigned June 2020)
Scott Brown (Appointed April 2020)
Nicola Cobbold
Iman Dakhil – Chair (Appointed Chair March 2020)
Beth deHamel – Interim Global CEO (Appointed October 2019)

Mercy Corps Europe Board of Directors (cont):

Paul Dudley Hart
Allen Grossman (Resigned April 2020)
Neal L. Keny-Guyer – Global CEO (Resigned October 2019)
Gisel Kordestani (Appointed July 2019)
Tom Murray
Debu Purkayastha
Howard Taylor (Resigned October 2019)

Mercy Corps Europe (MCE) Audit and Risk Committee (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.
Adrienne Airlie – Committee Chair – Board Director (Passed away December 2019)
Bob Cowan
Richard Martin
Tom Murray – Committee Chair – Board Director (Appointed March 2020)
Alison Warden

Mercy Corps Joint Board Executive Committee (JBEC)

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

Adrienne Airlie – MCE (Passed away December 2019)
Nick Blazquez – MCE (Resigned March 2020)
Scott Brown – MCG (Appointed April 2020)
Nicola Cobbold – MCE (Appointed March 2020)
Iman Dakhil – MCE (Appointed March 2020)
Beth deHamel – MCG / MCE (Appointed October 2019)
Mark Gordon – MCG (Appointed April 2020)
Allen Grossman – MCG (Resigned from Committee April 2020)
Lucy Helm – MCG (Appointed April 2020)
Neal Keny-Guyer – MCG (Resigned October 2019)
Gisel Kordestani – MCG (Appointed July 2019)
David Mahoney – MCG (Appointed April 2020)
Linda Mason – MCG (Resigned from Committee April 2020)
Tom Murray – MCE
Robert Newell – MCG (Resigned October 2019)
Melissa Waggenger Zorkin – MCG (Resigned October 2019)

Joint Audit and Risk Committee (JARC)

The JARC provides assistance to management and to the Boards in fulfilling their oversight responsibility to donors, potential donors, the NGO community and other stakeholders regarding Mercy Corps' financial statements and the financial reporting process. It assists with ensuring the integrity of the Mercy Corps consolidated annual statements; the selection, engagement and dismissal of Mercy Corps'

independent auditors and the performance of the Mercy Corps internal audit function.

Adrienne Airlie – MCE (passed away December 2019)
Vijaya Gadde – MCG
Mark Gordon – MCG
David Mahoney – Chair – MCG (Appointed February 2020)
Tom Murray – MCE (Appointed March 2020)
Robert Newell – Chair – MCG (Resigned October 2019)
Alison Warden – MCE

Joint Finance Committee (JFC)

The JFC provides assistance to management and to the Boards in fulfilling their oversight responsibility with respect to the financial stability, financial strategy and the long-term economic health of Mercy Corps. It 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.
Adrienne Airlie – MCE (passed away December 2019)
Nick Blazquez – MCE (Resigned March 2020)
Scott Brown – Chair – MCG (Appointed February 2020)
Nicola Cobbold – MCE
Allen Grossman – MCG (Appointed April 2020)
David Mahoney – Chair – MCG (Resigned from Committee February 2020)
Debu Purkayastha – MCE (Appointed April 2020)
Kevin Ryan – MCG

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 Directors of Mercy Corps. This committee was established in April 2020.
Nicola Cobbold – MCE (Co-Chair)
Mark Gordon – MCG (Co-Chair)
Allen Grossman – MCG
Linda Mason – MCG
Tom Murray – MCE
Debu Purkayastha – MCE

CEO Search Committee

The CEO Search Committee is chartered to carry out the global CEO search and nomination responsibilities as delegated by the JBEC. This committee was established in January 2020 and disbanded in September 2020.
Scott Brown – MCG
Iman Dakhil – MCE
Paul Dudley Hart – MCE
Lucy Helm – Co-Chair – MCG
Gisel Kordestani – MCG
Linda Mason – MCG
Debu Purkayastha – MCE
Kevin Ryan – Co-Chair – MCG

STRATEGIC REPORT FOR YEAR ENDED 30 JUNE 2020



URGENT NEEDS

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

PROVIDING PEOPLE WITH ACCESS TO WATER AND SANITATION IN SYRIA

Syria accounts for the world's largest number of forcibly displaced people, with 5.6 million Syrian refugees and 6.6 million more people displaced inside the country. Since December 2019, approximately one million more people have been displaced in Idlib province. The situation remains one of the biggest humanitarian crises in the world.

In FY20, Mercy Corps reached nearly half a million people to meet their urgent needs, including more than 370,000 people with water, sanitation and hygiene support, such as access to clean water within migrant camps, and 45,000 people with emergency food, cash assistance to help people access supplies, and materials for work.

Fatima (70), is displaced near the Turkish border from her home in Southern Idlib. She lives in constant fear of the war, and has been displaced five times in the past nine years. Mercy Corps has supported her, and others like her in migrant camps, to meet basic needs including providing access to clean water within the camp in which she lives.



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Photograph: Children whose families have been displaced from their homes in Southern Idlib play in a camp in north-west Syria. Camps are vulnerable to adverse weather, including heavy rains. Photo: Mercy Corps Syria

PROVIDING SUSTAINABLE DRINKING WATER IN THE DEMOCRATIC REPUBLIC OF CONGO (DRC)

The DRC has one of the lowest rates of access to clean drinking water the world, often resulting in higher rates of diarrhoea and leading to mainly women and girls embarking on long and risky journeys to access clean water. Mercy Corps is working on a long-term project in DRC to improve the sustainable drinking water supply for one million people in Goma and Bukavu.

In FY20 alone, we have provided access to safe drinking water for 280,000 people a day in Goma, and this year we have continued to reduce the average diarrhoea rate for Goma and Bukavu, falling from 12.2% in 2016 to just 6.3% as of February 2020.

The percentage of households investing in hygiene products and increased use of soap and water in handwashing stations has increased from 0.8% in 2016 to 51.1% this year.

"The presence of the tap stands has changed my life! I no longer wonder about the quality of the water my family consumes, and I no longer worry about the return of children sent to draw water from the lake." [Bonane Muhayangabo, Goma]



COMBATting UNEMPLOYMENT IN ETHIOPIA

Unemployment in Addis Ababa, the capital city of Ethiopia, is already high and continuing to rise as migration from rural areas increases. In Addis Ababa, over 20% of households contain an unemployed adult, compared to just over 10% of households in other Ethiopian urban contexts. New employment opportunities for one of the youngest populations in the world have become especially scarce due to COVID-19 restrictions and economic uncertainty.

Mercy Corps has provided urgent support to people who have been most affected by the loss of job opportunities due to the economic impacts of COVID-19. Since the pandemic was declared in March 2020, and up to the end of June 2020, we have facilitated training for 290 unemployed women and young people on disinfection and cleaning services and created temporary jobs for 172 of them. Additionally, the team provided emergency cash support to cover house rent and food for 650 of the most vulnerable people at risk of loss of income during this time.

"Mercy Corps has provided urgent support to people who have been most affected by the loss of job opportunities due to the economic impacts of COVID-19."

HELPING PEOPLE MEET THEIR URGENT NEEDS IN IRAQ

Decades of conflict in Iraq has left a diverse population fractured and divided, with more than 4.1 million people in need and 1.4 million still displaced by conflict, including more than 300,000 people residing in camps and unable to return to homes which were destroyed or are otherwise unsafe.

Mercy Corps leads the Cash Consortium in Iraq and is the primary organisation delivering cash programming to help families meet their basic needs of food, shelter and hygiene as they start the process of rebuilding their lives. Cash gives the dignity of choice while keeping local markets working.

Together with partners over the past year, Mercy Corps supported more than 90,000 individuals with one-off emergency cash assistance and nearly 73,000 people with multi-month cash assistance. Our analysis has shown that receiving cash has helped decrease participants' self-reported fear for their futures or their families futures, increased their confidence in their ability to count on members of neighbouring communities, as well as reducing their fear for themselves during their daily lives.

REACHING YEMENI MOTHERS AND CHILDREN WITH NUTRITIONAL SUPPORT

Yemen is the largest humanitarian crisis in the world, with more than 24 million people – some 80% of the population – in need of humanitarian assistance. It is a complex man-made crisis that has left over half of the population severely food insecure and currently at high risk of disease due to inadequate clean water and poor hygiene.

Thanks to Mercy Corps' partnership with The Times newspaper, which resulted in public donations from its readers, and which were matched by the TripAdvisor Foundation, our team in Yemen scaled up a programme to treat and prevent malnutrition in children under five and pregnant and lactating women. In FY20 alone, we were able to reach nearly 35,000 people through our trained nutrition advisors in Yemen.

Asma'a Abdulrahman, a 34-year-old midwife and mother of three children, was unable to work at her local health centre due to its lack of basic equipment and supplies since the start of conflict in Yemen. Instead, she worked over an hour away in the nearest operational hospital, having to leave her four-month old baby behind. No longer being breastfed, her baby became ill with acute malnutrition.



Mercy Corps has fitted out Asma'a's local health centre with proper equipment to open up an Outpatient Therapeutic Site, where Asma'a now works providing care to malnourished children, and working with local mothers to inform them of the importance of breastfeeding.



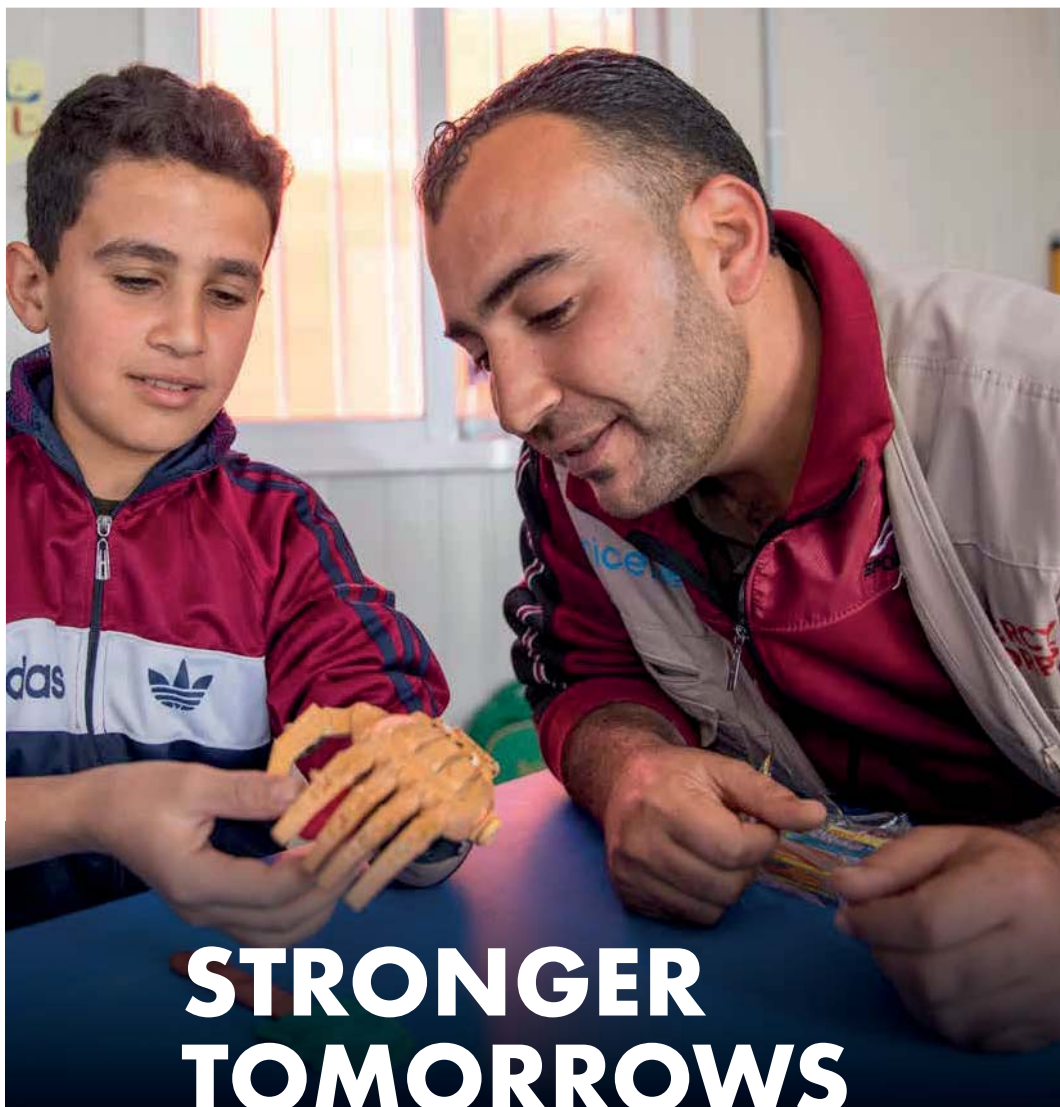
DISPELLING COVID-19 RUMOURS AND MISINFORMATION IN HAITI

Haiti has seen significant misinformation, rumours and fear around the COVID-19 pandemic, leading to violence towards those with COVID-19 as well as attacks on treatment centres. Mercy Corps led a group of international and local organisations conducting a mass public campaign to raise awareness of the pandemic and help prevent its spread by making verified and trustworthy information accessible to local communities.

Using a traditional storytelling technique unique to Haiti, and messages delivered by popular public personalities, more than two million people have been informed about our platform since it launched in April 2020, with information directly reaching 70,000 participants, including men and women with disabilities, and raising awareness about ways to stop the spread of COVID-19.

“Mercy Corps led a group of international and local organisations conducting a mass public campaign to raise awareness of the pandemic”

Photograph: A Mercy Corps team member uses a megaphone to raise awareness of COVID-19 in Haiti, as part of an effective effort to counter misinformation about the pandemic. Photo: Mercy Corps Haiti



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.

Photograph: In Za'atari, Jordan, 13-year-old Mohammad Gasan Altuhani practices using his new prosthetic hand, created in our customisation workshop using a 3D printer. Photo: Ezra Millstein.

REDUCING BARRIERS TO EDUCATION FOR GIRLS IN NIGERIA

Nigeria accounts for more than one in six out-of-school children globally. Mercy Corps is working to reduce the barriers that marginalised girls face to access education in areas with high teenage pregnancies and child bride rates.

Through working closely with teachers on gender issues, we have been able to support 202 girls to return to mainstream schooling and 223 girls to take transition exams to proceed to tertiary education, in a context where often girls leave the education system and move to domestic labour roles to earn money for boys in the family to complete their education.

In addition, in FY20, more than 2,500 girls received training opportunities with Vocational Training Institutes (VTIs), and 1,400 more girls were connected to internships and business expansion opportunities to support their long-term career prospects.

ENSURING ACCESS TO EDUCATION FOR ALL IN JORDAN

Since 2003, Mercy Corps has been working to support Jordanians as well as Syrian refugees who have fled to Jordan seeking refuge. Jordan has become home to more than 650,000 Syrian refugees since the Syrian conflict began in 2011. This population influx further strains Jordan's already overburdened education system.

Through training Shadow Teachers to assist children with disabilities, Mercy Corps has helped more children with disabilities enrol in education and stay in school. Mercy Corps has also provided specialised equipment for children as well as providing transport to get to school.

In FY20, Mercy Corps trained 172 new shadow teachers to support 800 new children with disabilities across the Jordanian public school system.

Summayya, a 6-year-old Jordanian student with Down Syndrome, receives one-on-one support from a Shadow Teacher throughout the day at school, helping her to integrate within the system and receive an education, as well as to socialise with other children.



“Many teachers used to reject the presence of children with disabilities in their classes,” said Asma, a Shadow Teacher. “Now, they are much more flexible, and whenever the shadow teachers come with children who need to be integrated in school, teachers are more accepting of the challenge.”

IMPROVING SOCIAL COHESION AND WOMEN'S PARTICIPATION IN AFGHANISTAN

Afghanistan is one of the poorest countries in the world with more than half of the population living below the poverty line. Two-thirds of the country is under the age of 25, however even as many of those reach employment age, they remain disproportionately underrepresented in decision making roles, and are the group most likely to be affected by high unemployment rates. These factors are leading to growing levels of frustration, violence and social unrest.

Mercy Corps is working to provide opportunities for young people, particularly for women, to improve the levels of social cohesion in Kabul, by supporting them to join local decision making groups in their communities. This year, working with existing community members, Mercy Corps has established Local Action Groups to break down long-standing decision-making structures, and enable more than 1,000 young people to apply to become leaders within the groups.

LAUNCHING OF THE FIRST EVER E-VOUCHER PROGRAMME IN MYANMAR

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

In April 2020, Mercy Corps launched the first ever e-voucher programme in Myanmar to support internally-displaced and host communities, in order to strengthen their access to basic needs and improve their livelihood opportunities for the future.

Mercy Corps provided people in Myanmar with an electronic card, similar to how a debit card works. The cards are topped up with credit, and programme participants can purchase the goods they need through locally contracted vendors. Vendors possess smartphones that operate as point of sale (POS) machines that record the transactions and deduct funds from the programme participant's account.

So far, Mercy Corps has worked with over 3,000 households in the country, providing e-vouchers to support local communities and protecting against short-term shocks so that they are able to continue building towards a stronger future.



FLOOD AND CLIMATE CHANGE ADAPTATION IN INDONESIA

Asia Pacific is the most disaster-prone region in the world - a person living in this region is almost twice as likely to be affected by a disaster as a person living in Africa, and 30 times more likely than in North America or Europe. In Indonesia, the rapid effects of the climate crisis are causing catastrophic consequences for livelihoods, where half of all Indonesians already live on less than two dollars a day and employment growth lags behind population growth.

In January 2020, Indonesia saw its worst flooding for a decade, impacting and displacing hundreds of thousands of people. These climate events are becoming more frequent and in Jakarta, 'the sinking city', a population of nearly 10 million people is living on the front lines of the climate crisis and face losing their livelihoods.

Working as part of the Zurich Flood Resilience Alliance with nine other partners, Mercy Corps is helping people build resilience in the face of these ever-more-frequent climate events that are devastating communities across Indonesia.

During this year, Mercy Corps was the key partner of the Indonesian Ministry of Environment and Forestry (MoEF) in the development of the government's position on climate change adaptation ahead of the COP 25 climate summit. We have also worked closely with local universities to run workshops, equipping policy makers at local and national levels with evidence and skills to inform new policies to plan for flood resilience and the impacts of climate change within their cities and provinces.

“Mercy Corps is helping people build resilience in the face of these ever-more-frequent climate events that are devastating communities across Indonesia.”

LOOKING AHEAD TO FY21

In FY21, Mercy Corps will begin its first European funded programming in **Burkina Faso**, aiming to support reduction in rising levels of conflict across the Sahel region, including in **Mali** and **Niger**. Working with young people, we will help them to promote non-violence, develop and fund local economic action plans and support peace forums and intercommunal dialogue. This programme, funded by the German government-linked PATRIP Foundation, as well as programming funded by DFID, seeks to reduce rising social tension in the Sahel around access to resources between communities and groups such as settled farmers and herders.

As the long-term effects of COVID-19 start to take effect in FY21, economists estimate that up to 18.5 million layoffs could be expected in **Pakistan**, in a country already exhibiting poverty rates of approximately 25 per cent. Mercy Corps will work with communities unable to meet basic needs to provide water, sanitation and hygiene facilities, as well as provide cash assistance as unemployment rates rise.

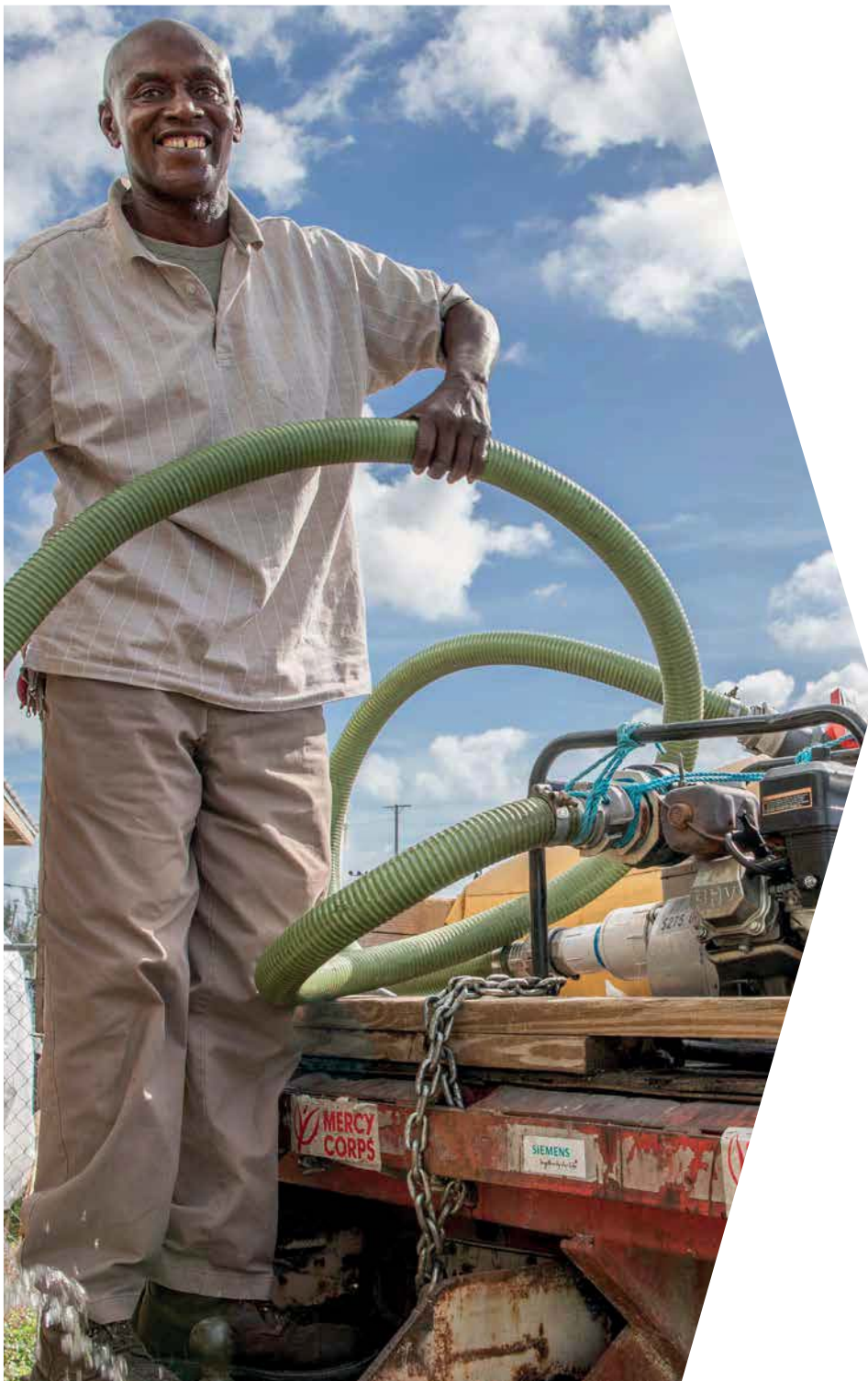
In **Nepal** in FY21, we will be distributing vouchers to help vulnerable households meet basic food and non-food needs. Nepal is projected to be badly affected by the economic impacts of COVID-19, with nearly a third of its GDP coming from remittance payments, many of which will no longer come into the country and support family members.

With jobs lost, businesses closed or at risk of closing and unemployment spiking in **Lebanon**, the combination of these factors are endangering the economy and households' livelihoods, and risking widespread hunger. Mercy Corps will deliver assistance to those most in need, while supporting micro, small and medium enterprises (MSMEs) with protection from closure, helping them adapt and grow so that there is greater opportunity to increase demand for labour. We will provide technical and in-kind assistance to 27 MSMEs in the food and health sectors, and tailored support to 15 local agricultural initiatives contributing to food security.

Guatemala is preparing for the anticipated heavy hurricane season in FY21, which will compound an already expected high number of COVID-19 cases. Mercy Corps will run a communications and information campaign to strengthen communities' capacities to prepare and respond to emergencies, as well as to increase the sanitary measures in shelters to reduce the spread of COVID-19. We expect that 8,500 people in shelters will be able to access protective supplies to reduce the spread of COVID-19 during this time.

Photograph: In Niger, our team continues to improve the long-term food security of vulnerable communities. Handwashing stations and social distancing have been introduced at all distributions to keep people safe from COVID-19.
Photo: Mercy Corps Niger





DIRECTORS' 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 guarantees effective stewardship and management of resources, raises income, builds influence and demonstrates impact.
- The team members across MC are fundamental to the execution of our vision. The communication on all Organisation operations and performance which is relevant to them, are regularly updated 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 2019 and continues to be into 2020, 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 upmost 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: Grand Bahama's water supply was contaminated with seawater during Hurricane Dorian. Mercy Corps volunteer Keith Chatlain uses this truck to deliver clean, potable water to 10 distribution sites around Freeport. Photo: Ezra Millstein.

DIRECTORS' REPORT

Our Structure, Governance and Management

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

The relationship between MCE, MCNL and MCG is regulated by a Memorandum of Understanding (MOU) that was last updated in 2018. MCE shares the global organisation's mission, vision, core values, and charitable objectives. To enable us to function most effectively and efficiently as a global organisation, MCE participates in a governance structure that reflects the integrated global agency operating under a global CEO.

Governance

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 JBEC. The current Members are listed on page 6.

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

In addition, there are five standing committees made up of Board Directors of MCE 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)

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

MCE 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. At the end of FY20, the previous Executive Director stepped down and this position is currently being held on an interim basis pending recruitment of Mercy Corps' Global CEO and recruitment of the permanent Executive Director for MCE.

The roles and responsibilities of the MCE Board and the Committees are described in the MCE Governance Handbook, which is published on our website. Mercy Corps also 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 is to ensure that the Mercy Corps' Boards of Directors are able to make key decisions regarding whether Mercy Corps' existing entities, governance, operational and financial structures are fit for purpose, or whether changes could better achieve Mercy Corps' mission. A report, including recommendations, will be presented to the Board in November 2020.

* 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.

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.

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

TRUSTEES' RESPONSIBILITIES STATEMENT

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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business; and
- take reasonable steps for the prevention and detection of fraud and other irregularities to ensure compliance with the Companies Act 2006.

The trustees are also responsible for:

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

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

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

Modern Slavery Statement

We are committed to the prevention of modern slavery and human trafficking in our supply chains. In accordance with the requirements of the Modern Slavery Act, we publish an annual slavery and human trafficking statement on our website, which sets out the steps we 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 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.

During FY20, it became public that there were reports of abuse by one of Mercy Corps Global's late co-founders and that these allegations had been brought to the organisation's attention in the early 1990s and again in 2018.

In October 2019, Mercy Corps and its Boards of Directors requested an investigative firm (Vestry Laight) to conduct an independent, external review into the steps taken following the reports of abuse and engaged a law firm (Nichols Liu) to conduct a separate evaluation of the organisation's policies and procedures on sexual exploitation and abuse.

Mercy Corps' Management and Boards of Directors unanimously accepted the findings and recommendations contained in both reports, and Mercy Corps' Board of Directors and Executive Team announced Mercy Corps' commitments to action to address the reports' recommendations. The Board of Directors and Executive Team will review the commitments to action at each board meeting until all matters have been implemented and will report on progress to the public twice a year during that time. The Board of Directors reviewed the agency's progress on the commitments to action at its board meeting on 25 June 2020.

In addition, during FY20, Mercy Corps has made it a global priority to assess – and where necessary to strengthen – our culture, policies and procedures related to gender, diversity and inclusion.

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

Parts 1 and 2 of Mercy Corps' Global Safeguarding Report (November 2019 and Spring 2020) can be found at – <https://europe.mercycorps.org/who-we-are/ethics-policies>
Reports by Vestry Laight and Nichols Liu (February 2020) are available at – <https://europe.mercycorps.org/en-gb/response-to-culver-abuse> and the progress report, which outlines the actions Mercy Corps has taken to date to address safeguarding and strengthen our internal governance systems.

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 in order to operate effectively, bring about the changes we aim for, and safeguard our team members and the people we work with, we always aim at examining and responding to the risks we face.

Mercy Corps operates as one global organisation and MCE therefore works closely with MCG and our country teams to identify, mitigate and manage risks in our challenging operating environments. Within this context, MCE's risk management approach is both interconnected with MCG and also separate for the European entity, as set out below.

Enterprise Risk Management globally

Globally, Mercy Corps defines Enterprise Risk as any uncertain significant event or circumstance 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 current Global ERM Committee consists of: MCG General Counsel, MCG Senior Legal Counsel, MCG Chief Financial Officer, MCG Chief People and Strategy Officer, MCG Senior Vice President of Programs, MCE Director of Compliance, Governance and Risk and MCE Director of Finance. The ERM Committee meets as frequently as it deems necessary to carry out its duties and responsibilities, and in any case no less than six times a year.

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. 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 implementation are also reviewed by the JARC. It is important to note that due to the travel and work restrictions caused by COVID-19, several audits have had to be postponed. There has also been less opportunity for the Internal Audit Team to undertake the normal self-reflection and adaptation that normally takes place at the end of the financial year. This also implies a delay in the implementation of the action plan from the external assessment of our Internal Audit function and the revision of relevant policies and procedures. However an audit of the global procurement selection of global master agreements took place and we will also be looking in FY21 at ensuring that the Internal Audit team is able to adapt its work to the new and evolving travel context.

Risk Management at Mercy Corps Europe

MCE has set out a Risk Management Framework relevant for risks applicable to the European 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 FY20, risk management has been especially heightened due to two key events which have had a significant impact on the agency: (1) the failure by Mercy Corps to properly re-examine in 2018 the investigation undertaken in 1993 of reports of abuse carried out by one of Mercy Corps Global's late co-founders and the resulting impact this had externally and internally with the resignation of some long term employees and Board Directors; and (2) the global COVID-19 pandemic, which has continued to spread around the world and affect all of Mercy Corps' countries and headquarters offices, as well as implementation of our programmes. Further information about the resulting enhanced risks and relevant additional mitigations is included below.

Risk category	Risk	Mitigation action
External	Change in the political status of the UK in the EU as a result of Brexit may affect our ability to secure European funding, the recruitment and retention of key staff and our regulatory environment.	<p>We have continued our work to ensure that Mercy Corps Netherlands (MCNL) is eligible for EU funding.</p> <p>Uncertainty and fluidity over the outcome of the Brexit vote has meant we have carried out regular on-going analysis of the situation and checks to ensure that our mitigation measures are relevant and/or to add new ones.</p>
External	Changes in UK political environment puts at risk the 0.7% foreign aid commitment and the way aid is delivered (merger of DFID and FCO).	<p>While the intention to retain the 0.7% foreign aid commitment has been confirmed, it is acknowledged that this might change and in any event the overall resources will decrease as the UK GDP decreases due to the recession.</p> <p>We continue to monitor the situation, including increasing our engagement on this issue and attempts to influence strategy, working alongside BOND and other UK NGOs to ensure the messaging is coordinated.</p>
Operational	Safeguarding: the impact of this risk includes significant physical and/or psychological harm to participants and or team members and loss of Mercy Corps' reputation in the communities where we work, with the public and with key donors.*	<p>We have continued our work to increase awareness around Safeguarding, set clear expectations for individual accountability, and build in-country capacity (focal points) for awareness, prevention, reporting, response and investigation when issues arise.</p> <p>Refer to the Global Mercy Corps Safeguarding Report (June 2020) published on our website for all the specific current mitigation measures. Refer also to the safeguarding statement on page 24 of this report for additional information on our work in this area.</p> <p>It is also important to note that safeguarding investigations have been seriously impacted by COVID-19. With lockdowns and movement restrictions in place in many areas, the ability to carry out on-the-ground investigations has been limited. In most cases, travel restrictions necessitate partially, or completely remote investigations. Fortunately, we have experience working in and responding to incidents in remote settings and have been able to adapt to COVID-19 realities. We have collaborated with peer organisations to create modified risk assessment tools, remote investigation guidance, and decision making tools for suspending investigations when necessary. Our in country Safeguarding Focal Points are working actively to update resource maps to ensure we are able to offer relevant, meaningful, operational support to survivors when needed.</p>

Risk category	Risk	Mitigation action
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 *	<p>We have global security policies and procedures in place and up-to-date, as well as country-specific guidelines.</p> <p>Our global and regional security advisors provide technical support to aim to ensure that all team members are equipped to identify and manage risks inherent within the local context where they work.</p> <p>We have health and safety policies and procedures in place for our work in the UK.</p> <p>The current COVID-19 crisis has forced us in a situation where we are currently exceeding what would be our standard risk threshold related to staff care. To mitigate this, we have been working on the following:</p> <ul style="list-style-type: none"> Continued assessment of the situation globally and in each country and regular presentation to the dedicated Crisis Management Team (CMT) to inform any decision taken by the agency; Regular HR communications to team members to ensure that they are kept updated of situations and measures taken; Publication and dissemination of COVID-19 preparedness guidelines and related annexes; Compliance with related national health guidance; New Tip Sheets and revised guidance and Standard Operating Procedures (SOP) for programmatic activities; and Access to air-bridge (air flights) set up by the UN and EU.
Operational	Fraudulent activity, including diversion of aid leads to financial and reputational damage.*	<p>We have anti-corruption and anti-bribery policies in place and internal controls and online interactive training.</p> <p>Global Ethics team in place that supports or directly investigates reported incidents, including ethics positions (focal points) at country levels. We engage a specialist firm to support investigations. We also have an online integrity hotline in place for reporting allegations, alongside the MC integrity email, and Community Accountability and Reporting Mechanisms (CARM) systems.</p> <p>Note however that COVID-19 has impacted some of the efficiency of internal controls and our ability to conduct or conclude investigations and internal audits. Adaptations to internal controls have been put in place and where possible remote investigations and audits have taken place. (This has not been possible in locations with internet limitations and mobile communication challenges.)</p>

Risk category	Risk	Mitigation action
Operational	Data Protection and specifically non-compliance with GDPR and private fundraising requirements.*	<p>We have data protection policies, procedures and training in place, and we currently run refresher trainings on a needs basis. MC has adopted a global Responsible Data policy and has an agency-wide Data Protection Working Group which meets regularly.</p> <p>MCE and MCG and MCE and MCNL have signed data sharing agreements.</p> <p>We provide training on GDPR to MCE staff as part of onboarding. Full day GDPR training session is delivered to existing HR and fundraising staff.</p> <p>We have identified a Data Protection Officer (DPO) who maintains a data schedule, monitors potential breaches and carries out quarterly reviews with each department head to monitor compliance and any potential issues. We also have a dedicated email address for reporting to the DPO.</p>
Financial (Technical)	Information Security (IS) and prevalence of hacking that can lead to MC data being compromised or lost and/or business disruption.	<p>We are continuing to strengthen our Information Technology (IT) and Information Security (IS) policies to enhance and develop our controls in our IT infrastructure. This will include an affirmation by all staff and Trustees to further enforce these policies in compliance with GDPR.</p> <p>We undertake on-going reviews of our cybersecurity and IT capabilities in order to identify areas for improvements. These include areas such as defending against phishing attacks and ensuring our systems and devices are up-to-date.</p>
Strategic	Unexpected interruption/cessation of project activities in countries which constitute a high percentage of total income.*	<p>We monitor this risk globally, 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.</p> <p>We recruit country leadership with strong skill sets and the ability to build relationships with high levels of government to ensure the continuity of programming and contingency planning as need be.</p> <p>We document and review lessons learnt on specific cases.</p> <p>The inherent and residual risks have increased due to COVID-19, and specific mitigation measures have been put into place in relation to maintaining our ability to implement programming, within our risk threshold, including:</p> <ol style="list-style-type: none"> 1. CMT set-up and meeting frequently; 2. Task Force established to operationalise decisions; 3. Senior leadership teams meeting more frequently; 4. All country office and HQs prepared contingency planning to ensure business continuity; 5. Regular communications with donors about our programmes and programme pivots; and 6. Engagement and advocacy with donors around spending against grants, flexibility and adapted payment terms.

Risk category	Risk	Mitigation action
Financial	Lack of unrestricted income generating cash availability stops European Operations.	<p>We have in place mitigation measures including:</p> <ul style="list-style-type: none"> • tracking retention on projects to ensure more efficient management; • unrestricted reserves at adequate levels and reserves policy in place; • long-term cash tracking tools being put in place; • acceleration of our debt to cash cycle; • alternative unrestricted income streams are with MCE fundraising team and fundraising strategy in place; and • revision of cost recovery policy to reflect current core cost rate (note in FY20 this was increased). <p>Current unrestricted funds covering core costs are adequate. However, under our MOU MCG provides project working capital until the time of settlement. The potential impact of this risk has increased due to the current COVID-19 situation and the likely economic recession which may negatively impact MC's income. The mitigation measures already in place remain relevant. In addition, MCE (as well as MCG) is taking additional measures to track and reduce grant retention and to evaluate the terms and conditions of our funders, as well as save costs (for example, through a hiring freeze of core-funded staff and consultants).</p>
Financial	Increased FX loss exposure.	<p>We have continued to naturally hedge currencies by keeping funds in donor currency.</p> <p>Monthly Budget vs Actuals (BvAs) that have a foreign exchange (FX) analysis tab which highlights adjustments/ actions required on a project level.</p>

*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 2019 – 30 June 2020

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 GWP's 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 CO ₂ e	
Green House Gases (GHG) emissions	26,044 kg of CO ₂ e
Intensity Metric	
Organisation's chosen intensity measurement Scope 2 emissions in kg of CO ₂ e per total £m revenue (Charity)	213.3743

There are no specific exclusions.

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

London office consumption is estimated. Edinburgh office consumption is actual.

Electricity

Electricity purchased for own use or consumption in the 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:
 - a) encouraging the use of travel options that minimise environmental impact;
 - b) exploring new ways of delivering our work sustainably, such as online training platforms and other types of remote work;
 - c) 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 42-45.

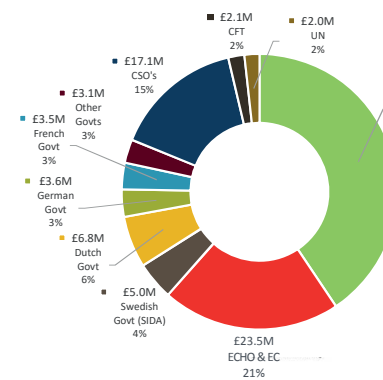
Income

In FY 2020, overall MCE income, like-for-like (excluding foreign exchange gains and losses) increased by 9% on the previous financial year to £124.3m (FY 2019: £113.6m), of which £120.8m was restricted to international programmes. In the mix, we continued to face the challenges of securing new programme funding from the European Union (EU) (Brexit resulting in the exclusion of UK NGOs from some EU funding opportunities), which has translated in the EU funding declining to 16% of total programme income (FY 2019: 21%). With DFID, despite delays and cancellations in several procurement decisions, we saw programme funding grow modestly to 45% (FY 2019: 41%) of total programme income.

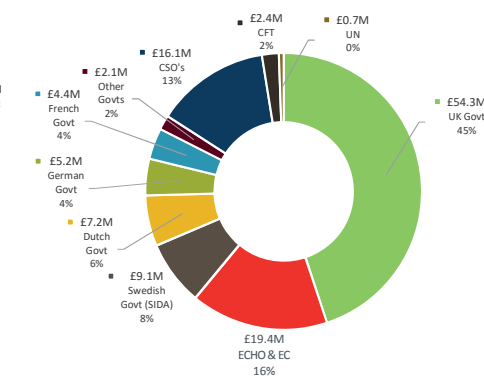
In pursuing our strategy of diversifying funding sources, we made good progress, but recognise that this will not be at a scale required to replace programme funding from our largest donors (EU and DFID). Notable increases were secured with the Swedish International Development Cooperation agency (SIDA), French Government and German Development Agency compared to prior year.

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

Institutional Donor Income - FY 2019



Institutional Donor Income - FY 2020



The chart compares institutional donor income over the last two financial years. Donor diversification is both a strategic objective and an area of focus in MCE's risk management discussions with respect to Brexit planning. The dependency across the three main donors (DFID, EC and ECHO) is 61% as it was in the prior year. 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 7.6% of total programmatic income (FY 2019: 4.5%).

The Board and management are closely evaluating the impact of the UK exiting the EU. The sizing and capacity building of Mercy Corps Netherlands (MCNL) is progressing in line with our planning and preparedness for a new Framework Partnership Agreement (FPA) with DG-ECHO. Leading up to the Brexit deadline of 31 December 2020, we are increasingly securing partnerships with other ECHO FPA holders in order to continue to receive EU funding (indirectly) and provide humanitarian assistance in numerous locations. The FPA application timeline for new entities is ambitious and we will mitigate any impact on our humanitarian funding by continuing to partner with other FPA holders while we seek our own FPA. The Charity unrestricted voluntary donations increased to £642k (FY 2019: £553k), up by 16% on last year. Income from investment of £128k is interest earned on cash deposits, up from last year (FY 2019: £106k). The Group's Other income of £254k includes MCNL's recharge of salaries to MCG in the year (FY 2019: £76k).

Charitable Expenditure

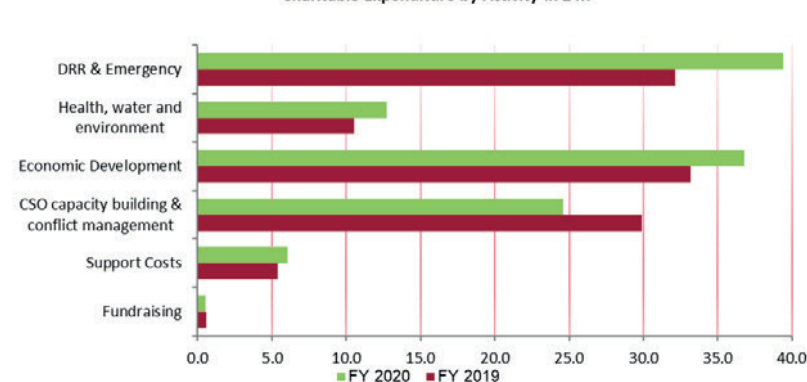
Overall charitable expenditure in the year was £113.6m (FY 2019: £105.7m) and continued to reach those who most needed our help in the world's most fragile and challenging places. The majority of funds went to sub-Saharan Africa and the Middle East regions to support the significant numbers of people 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 seventeen countries, most notably DRC, Kenya, Nigeria and Uganda providing 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 continued to provide life-saving assistance inside Syria and to Syrian refugees in Lebanon, Jordan and Iraq. Additionally, our work in Asia and the Americas continued to expand, meeting the needs of vulnerable communities in Afghanistan, Myanmar and Venezuela. 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, economic support, and communications. The chart below shows where funds were deployed by country. In the financial year, MCE was active in 36 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 2019: 95%).

Top 20 Deployment by Country



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 increased to £6.6m (FY 2019: £6.0m). Including cost sharing and support given to country operations, this includes investment in our team resources across Europe.

Charitable Expenditure by Activity in £'M



Certain grants, particularly those issued by the EC/ECHO carry co-financing requirements. Should MCE be unable to raise funds for co-financing commitments when due and where needed, the gap has historically been met by MCG.

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. Through Q4 of FY20 and the current fiscal year the COVID-19 impact is dominating all 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 well being 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 spread. While the financial impacts in respect of the Covid pandemic we feared last spring are yet to materialise, early signs of delay or withdrawal of programme funding is factored into our future planning. Most urgently, cost control measures such as not spending on low priority budget activity are put on hold or withdrawn, deferring spend, hiring freeze, consideration of the government job retention scheme, etc. have all been utilised.

The European Leadership Team maintains a number of financial scenarios ensuring cash flow and available funds are tightly monitored. The going concern scenarios demonstrate that funds are available and if the government-imposed lockdown and restriction on travel continued for a significant period beyond a year, the agency would need to review its operations. However the general reserves 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 £58.4m (FY 2019: £51.2m). Including higher programme funding along with donor rules, the receipt of cash advance of programme monies remain high at 92% of cash in the bank. The cash deposits generated interest income of £128k in the year. 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 £10.4m (FY 2019: £11.3m).

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

Further cash flow risk mitigation is provided by the budgeting process along with annual review of the reserve policy and the setting of our working capital level.

The charity has best practice management of the reserves in place. It aims to hold reserves to manage the risk against unexpected losses and long-term concern of the organisation and any other unanticipated financial risks as explained earlier in the report. Our total reserves stand at £14.5m (FY 2019: £10.4m), with the restricted reserve amount at £3.0m (FY 2019: £0.8m). The increase in restricted reserve is due to COVID-19 Resilience Fund appeal, in particular a \$3.0m grant from Shell. These sums have been allocated against COVID-19 programme expenditure.

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

Accordingly and as previously advised, the Trustees aim to maintain a target of unrestricted funds representing at least six months' operating expenditure, achieved with unrestricted reserves excluding Fixed Assets. The £8.6m (FY 2019: £5.9m) represents 14 months (FY 2019: 9 months) of operating expenditure. The Trustees are mindful of the global recessionary headwind, the UK Overseas Development Assistance (ODA) funding reduction and other additional risks posed by COVID-19, as well as the risks from the impact of Brexit and foreign exchange markets. Consequently, they wish to adopt the prudent approach to reserves set out herewith.

Outlook

COVID-19 and the ensuing Government restrictions, the merging of DFID with FCO, the reduction of the UK ODA budget and Brexit could all result in a reduction in income for MCE. We have therefore prepared our budget for FY21 expecting reduction to our programme funding below current levels resulting from COVID-19, recession and Brexit impacts.

We have taken advantage of the Government's Coronavirus Job Retention Scheme, furloughing one member of staff on 80% pay whilst 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. 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. We are taking considered actions and doing our best to minimise the impact. In line with our reserve policy, we have sufficient reserves and cash to take the impact and see us through the current situation.

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 3 November 2020 and signed on their behalf by:

Iman Dakhil

Alexandra Angulo

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

Opinion

We have audited the financial statements of Mercy Corps Europe ("the charitable company") for the year ended 30 June 2020 which comprise the consolidated and charity Statement of Financial Activities, the consolidated and charity Income and Expenditure Accounts, the consolidated and charity Balance Sheets, the consolidated and charity Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 30 June 2020 and of the group's and the charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the 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 directors 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 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the 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. We have nothing to report in these respects.

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

Other information

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 23, 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 charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.



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
11 November 2020

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2020

	Note	Unrestricted Funds £	Restricted Funds £	Total 2020 £	Unrestricted Funds £	Restricted Funds £	Total 2019 £
INCOME							
Donations and Legacies	2	687,915	2,503,775	3,191,690	574,484	366,566	941,050
Income from Investments		128,167	-	128,167	106,194	-	106,194
Other income		196,434	57,322	253,756	18,226	57,930	76,156
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	5,696,625	21,038,979	26,735,604	1,752,614	29,864,962	31,617,576
Economic Development	2	4,363,050	34,540,085	38,903,135	2,806,133	32,321,450	35,127,583
Public Health, Water and Environment	2	969,503	12,666,373	13,635,876	765,916	10,487,193	11,253,109
Disaster Risk Reduction and Emergency Response	2	2,097,936	39,328,549	41,426,485	2,177,880	32,321,660	34,499,540
(Loss) / Gain on Exchange		(35,308)	-	(35,308)	271,984	-	271,984
Total income		14,104,322	110,135,083	124,239,405	8,473,431	105,419,761	113,893,192
EXPENDITURE							
Expenditure on Raising Funds	4	544,825	-	544,825	580,755	-	580,755
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	4,850,145	21,075,824	25,925,969	1,582,476	29,824,730	31,407,206
Economic Development	4	4,007,300	34,730,954	38,738,254	2,682,950	32,170,563	34,853,513
Public Health, Water and Environment	4	740,092	12,670,957	13,411,049	529,333	10,519,602	11,048,935
Disaster Risk Reduction and Emergency Response	4	2,106,662	39,431,311	41,537,973	1,638,433	32,132,891	33,771,324
Total expenditure		12,249,024	107,909,046	120,158,070	7,013,947	104,647,786	111,661,733
Net income before transfers		1,855,298	2,226,037	4,081,335	1,459,484	771,975	2,231,459
Transfers between Funds	12 13	31,379	(31,379)	-	441,082	(441,082)	-
Net movement in funds		1,886,677	2,194,658	4,081,335	1,900,566	330,893	2,231,459
Balances brought forward		9,580,414	824,973	10,405,387	7,679,848	494,080	8,173,928
Balances carried forward		11,467,091	3,019,631	14,486,722	9,580,414	824,973	10,405,387

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 42 to 66 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829

Charity Statement of Financial Activities and Income and Expenditure Account for the year ended 30 June 2020

	Note	Unrestricted Funds £	Restricted Funds £	Total 2020 £	Unrestricted Funds £	Restricted Funds £	Total 2019 £
INCOME							
Donations and Legacies	2	641,696	1,662,205	2,303,901	552,947	366,566	919,513
Income from Investments		128,250	-	128,250	106,194	-	106,194
Other income		31,613	57,335	88,948	16,800	57,929	74,729
Income from Charitable activities							
Civil Society, Education and Conflict Management	2	5,688,253	20,919,380	26,607,633	1,752,122	29,857,939	31,610,061
Economic Development	2	4,285,283	33,860,206	38,145,489	2,803,643	32,296,544	35,100,187
Public Health, Water and Environment	2	948,298	12,372,227	13,320,525	721,196	10,195,527	10,916,723
Disaster Risk Reduction and Emergency Response	2	2,097,936	39,328,549	41,426,485	2,177,880	32,321,660	34,499,540
(Loss) / gain on Exchange		(148,845)	-	(148,845)	352,051	-	352,051
Total income		13,672,484	108,199,902	121,872,386	8,482,833	105,096,165	113,578,998
EXPENDITURE							
Expenditure on Raising Funds	4	506,088	-	506,088	563,522	-	563,522
Expenditure on New Modalities		-	-	-	1,484,667	-	1,484,667
Expenditure on Charitable activities							
Civil Society, Education and Conflict Management	4	4,688,640	20,956,222	25,644,862	1,519,020	29,784,968	31,303,988
Economic Development	4	3,743,275	34,051,076	37,794,351	2,612,499	32,178,396	34,790,895
Public Health, Water and Environment	4	647,403	12,374,780	13,022,183	507,596	10,227,092	10,734,688
Disaster Risk Reduction and Emergency Response	4	1,856,739	39,431,311	41,288,050	1,570,185	32,132,891	33,703,076
Total expenditure		11,442,145	106,813,389	118,255,534	8,257,489	104,323,347	112,580,836
Net income before transfers		2,230,339	1,386,513	3,616,852	225,344	772,818	998,162
Transfers between Funds	12 13	31,379	(31,379)	-	441,082	(441,082)	-
Net movement in funds		2,261,718	1,355,134	3,616,852	666,426	331,736	998,162
Balances brought forward		8,101,174	825,816	8,926,990	7,434,748	494,080	7,928,828
Balances carried forward		10,362,892	2,180,950	12,543,842	8,101,174	825,816	8,926,990

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 42 to 66 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829

Consolidated and Charity Balance Sheets as at 30 June 2020

	Note	Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
FIXED ASSETS					
Tangible assets	7	487,295	487,295	641,860	641,860
CURRENT ASSETS					
Debtors	8	20,033,152	19,946,594	19,475,900	19,467,153
Cash at bank and in hand	9	58,359,149	54,572,033	51,202,219	49,675,624
		78,392,301	74,518,627	70,678,119	69,142,777
CREDITORS: amounts falling due within one year	10	(64,392,874)	(62,462,080)	(60,914,592)	(60,857,647)
NET CURRENT ASSETS		13,999,427	12,056,547	9,763,527	8,285,130
NET ASSETS		14,486,722	12,543,842	10,405,387	8,926,990
FUNDS					
Restricted	13	3,019,631	2,180,950	824,973	825,816
Unrestricted - designated	12	1,528,084	1,364,487	1,556,888	1,481,955
Unrestricted - general	12	9,939,007	8,998,405	8,023,526	6,619,219
		14,486,722	12,543,842	10,405,387	8,926,990

The notes on pages 42 to 66 form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 November 2020 and signed on their behalf by:



Iman Dakhil
Board Chair

Mercy Corps Europe – Registered Company SC208829

Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ended 30 June 2020

	Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
Cash flows from operating activities				
Net income	4,081,335	3,616,851	2,231,459	998,162
Income from investments	(128,167)	(128,250)	(106,194)	(106,194)
Depreciation	171,441	171,441	138,179	138,179
(Increase) in debtors	(557,252)	(479,441)	(2,933,834)	(2,925,087)
Increase in creditors	3,478,282	1,604,433	1,299,613	1,017,039
Cash provided by / (used in) operating activities	7,045,639	4,785,034	629,223	(877,901)
Cash flows from investing activities				
Interest received	128,167	128,250	106,194	106,194
Purchase of fixed assets	(16,876)	(16,875)	(415,829)	(415,830)
Cash generated by / (used in) investing activities	111,291	111,375	(309,635)	(309,636)
Increase / (decrease) in cash and cash equivalents at the end of the year	7,156,930	4,896,409	319,588	(1,187,537)
Cash and cash equivalents at the beginning of the year	51,202,219	49,675,624	50,882,631	50,863,161
Total cash and cash equivalents at the end of the year	58,359,149	54,572,033	51,202,219	49,675,624
Cash and cash equivalents comprise:				
Cash in hand	589	589	484	484
Bank accounts	58,358,560	54,571,444	51,201,735	49,675,140
	58,359,149	54,572,033	51,202,219	49,675,624

The notes on pages 42 to 66 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 and the anticipated impact of COVID-19 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 decrease in revenue and increase in expenditure as a result of COVID-19. The forecasts were also subject to stress-tests where unrestricted income declined by up to 20% and costs remained consistent. A 20% reduction has been considered the possible downside scenario based on experience of activities since the pandemic was declared in March 2020. Any reduction in income and increased demand on working capital can be supported by unrestricted reserves of £10.3 million, declining to £8.5 million under the possible downside scenario. The closing cash position under this downside scenario provides for six months operating cover.

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/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 five designated funds:

- a dilapidations fund to cover future dilapidation costs of our Edinburgh office, which is expected to increase gradually to the amount required as estimated by the directors.
- a foreign exchange fund used to offset future foreign exchange losses.
- a fund to support the development of the European platform.
- a fund to support working capital needs due to new funding modalities.

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

1. Accounting Policies (continued)

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.

1. Accounting Policies (continued)

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: -

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 2020, has been taken to the related reserves.

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

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

Debtors

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

Cash and Cash Equivalents

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

Creditors and Provisions

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

Financial Instruments

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

Taxation status

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

Value Added Tax

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

1. Accounting Policies (continued)

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	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
Donations in cash	687,915	574,484	2,503,775	366,566	3,191,690	941,050

Donations and legacies - Charity

	Charity Unrestricted		Charity Restricted		Totals	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
Donations in cash	641,696	552,947	1,662,205	366,566	2,303,901	919,513

2. Income (continued)

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

During the year unconditional donations of £3,980 (2019: £15,930) were received from trustees.

Income from charitable activities by Donor

		Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
European Commission	European Commission	10,042,967	10,042,967	8,606,474	8,606,474
	ECHO	9,395,157	9,395,157	14,934,937	14,934,937
		19,438,124	19,438,124	23,541,411	23,541,411
United Nations	UNDP	13	13	918,963	918,963
	UNICEF	(2)	(2)	26,460	26,460
	UNHCR	-	-	(1,273)	(1,273)
	UNOCHA	(1,548)	(1,548)	68,677	68,677
	UNOPS	659,380	659,380	967,432	967,432
		657,843	657,843	1,980,259	1,980,259
UK Government	British Council	131,122	131,122	355,703	355,703
	DFID	49,696,182	49,696,182	42,883,397	42,883,397
	FCO	4,438,056	4,438,056	2,304,620	2,304,620
	Scottish Government	-	-	197,379	197,379
		54,265,360	54,265,360	45,741,099	45,741,099
Non-UK Government	Austrian Development Agency (ADA)	-	-	-	-
	French Government (AFD)	4,370,316	4,370,316	3,502,748	3,502,748
	GIPA	298,374	298,374	90,993	90,993
	GIZ	5,188,923	5,188,923	3,639,248	3,639,248
	Ministry of Foreign Affairs of Denmark	-	-	80,464	80,464
	Ministry of Foreign Affairs of UAE	152,363	152,363	-	-
	Monaco Aid	-	-	109,584	109,584
	Royal Netherlands Embassy Swedish International	7,165,115	6,734,122	6,791,062	6,783,548
	Development Agency (SIDA)	9,149,143	9,149,143	5,029,407	5,029,407
	Swiss Agency for Development and Cooperation (SDC)	1,628,938	1,628,938	2,804,653	2,804,653
		27,953,172	27,552,179	22,048,159	22,040,645

Income from charitable activities by Donor (Continued)

	Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
Foundations, Corporates & CSOs				
AB World Foods	17,994	17,994	-	-
ACF	-	-	7,478	7,478
ActionAid	219,990	219,990	16,351	16,351
Aga Khan Foundation	70,075	70,075	87,277	87,277
Artemis	20,908	20,908	12,420	12,420
Argidius	294,659	294,659	220,262	220,262
Asfari	72,508	72,508	11,825	11,825
Bayer Cares Foundation	277,350	-	-	-
Blockchain Charity Foundation	17,441	17,441	1,679	1,679
Cardno Emerging Markets	21,720	21,720	44,497	44,497
CARE	3,694,580	3,694,580	8,143,425	8,143,425
Chanel Foundation	79,734	79,734	139,599	139,599
Christian Aid	827	827	110,834	110,834
Climate KIC	96,083	96,083	-	-
Cowater Sogema International	23,926	23,926	-	-
Crown Agents	417,293	417,293	-	-
Danish Refugee Council	2,812,753	2,756,303	3,269,895	3,269,895
Development Alternatives Incorporated (DAI)	131,923	131,923	146,034	146,034
Dubai Cares	223,743	-	1,583	-
Dynasafe Minetech Ltd	17	17	26,722	26,722
East-West Seed	101,054	101,054	69,125	69,125
EOSPHERE Ltd	28,889	28,889	-	-
Evergreen Renewable Co Limited	12,863	12,863	-	-
Expo DUBAI	67,618	67,618	5,281	5,281
Farm Africa	(163)	(163)	753,237	753,237
Frankfurt School	82,360	82,360	4,387	4,387
FSDZ	63,644	63,644	48,896	48,896
Global Partnership Alliance	-	-	183,438	183,438
GOAL	1,480,029	1,480,029	1,163,478	1,163,478
GSMA	105,562	105,562	77,836	77,836
Handicap International	621,536	621,536	-	-
HIVOS	800	800	645,094	645,094
Human Dynamics	(3,387)	(3,387)	57,465	57,465
IMMAP	104,848	104,848	101,384	101,384

Income from charitable activities by Donor (Continued)

	Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
International Centre for Migration Policy Development	75,065	75,065	-	-
Initiative France	14,355	14,355	27,801	27,801
IPE	344,023	344,023	-	-
IRC	140,511	39,419	20,346	20,346
KFW Development Bank	1,098,822	1,098,822	448,410	448,410
Konrad Adenauer Stiftung	6,383	6,383	-	-
Landell Mills	25,507	25,507	-	-
Lloyds of London	14,667	14,667	16,169	16,169
NESTA	46,127	46,127	-	-
Netherlands Organisation for Scientific Research	-	-	15,274	15,274
Norwegian Refugee Council	102,345	102,345	27,098	27,098
Overseas Development Institute (ODI)	3,303	3,303	-	-
Orange Foundation	-	-	(3,248)	(3,248)
Oxfam	381,511	381,511	-	-
PATRIIP Foundation	212,671	212,671	-	-
Peace Support Fund	290,843	290,843	151,115	151,115
People in Need	28	28	124,479	124,479
Play International	1,514	1,514	-	-
Porticus	305,002	305,002	147,047	147,047
Private	32,331	32,331	(274)	(274)
Rabobank Foundation	-	-	67,291	67,291
Rheatech	8,481	8,481	28,691	28,691
Save The Children	-	-	2,288	2,288
Shell	109,307	-	375,188	12,987
SNV Netherlands Development Org	458,990	458,990	301,096	301,096
Somalia Stability Fund	752,837	752,837	244,185	244,185
Soneva	96,249	96,249	85,104	85,104
Start Network	877,320	877,320	28,507	28,507
Stichting Wageningen Research	2,034	-	-	-
Street Football World	10,502	10,502	272,043	272,043
Swedish Postcode Lottery	-	-	59,768	59,768
Syngenta	19,702	19,702	12	12

Income from charitable activities by Donor (Continued)

	Group 2020 £	Charity 2020 £	Group 2019 £	Charity 2019 £
Trocaire	57	57	-	-
Twinnings	31,056	31,056	102,232	102,232
Unilever	-	-	110,946	110,946
Vital	252,749	252,749	98,367	98,367
VSF International	874,067	874,067	658,972	658,972
Zurich	720,776	720,776	486,401	486,401
	18,468,312	17,698,336	19,244,810	18,881,026
Total	120,782,811	119,581,842	112,555,738	112,184,440

Income from charitable activities by Region

Americas	944,151	944,151	675,389	675,389
Africa	57,811,362	57,442,245	43,926,847	43,590,461
Middle East	49,572,829	49,516,378	57,067,306	57,067,306
Asia	11,200,762	10,849,048	10,541,769	10,532,671
HQ Managed	1,253,707	830,020	344,427	318,613
	120,782,811	119,581,842	112,555,738	112,184,440

3. Team member numbers and costs

	2020		2019	
The average monthly number of team members was:	139		127	
Comprising - UK based employees	100		89	
Expat employees	31		30	
Continental Europe based employees	8		8	
	2020	2020	2019	2019
	Group	Charity	Group	Charity
	£	£	£	£
Wages and salaries:				
Employed by the charity	7,178,093	6,688,399	6,020,532	5,916,038
(Less seconded to MCG)	(2,215,674)	(2,215,674)	(2,110,049)	(2,110,049)
Field team members seconded from MCG	23,236,033	23,236,033	19,612,089	19,612,089
	28,198,452	27,708,758	23,522,572	23,418,078
Social security:				
Employed by the charity	659,082	596,318	555,014	545,569
(Less seconded to MCG & MCNI)	(214,698)	(214,698)	(165,819)	(165,819)
	444,384	381,620	389,195	379,750
Other benefits:				
Employed by the charity	2,961	2,961	9,759	9,759
Field team members seconded from MCG	9,407,392	9,407,392	8,048,974	8,048,974
	9,410,353	9,410,353	8,058,733	8,058,733
Pension costs:				
Employed by the charity	340,350	313,759	342,301	334,053
(Less seconded to MCG & MCNI)	(130,642)	(130,642)	(118,053)	(118,053)
	209,708	183,117	224,248	216,000
	38,262,897	37,683,848	32,194,748	32,072,561

3. Team member numbers and costs (continued)

	2020		2019	
	Group	Charity	Group	Charity
Salary Bands (£)	Number of Employees			
60 – 70k	10	9	8	7
70 – 80k	6	6	7	7
80 – 90k	6	6	5	5
90 – 100k	3	2	2	2
100 – 110k	2	2	1	1
110 – 120k	-	-	1	1
120 – 130k	1	1	1	1
130 – 140k	2	2	1	1
Total	30	28	26	25

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £136,849 (2019: £111,769).

Mercy Corps Europe seconded 12 team members within salary bands exceeding £60,000 to Mercy Corps Global in 2020 (2019: 14).

Key management remuneration (including National Insurance and Pension contributions) – comprising members of the European Senior Leadership Team - were as follows: -

	Group 2020	Charity 2020	Group 2019	Charity 2019
	£	£	£	£
Total employment benefits	982,864	892,657	845,435	784,618

None of the Board of Directors (who are also Trustees) received any remuneration (2019: £0) from MCE. One MCE Director position was held successively by two people in FY20 who were employees 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. These directors did not receive any remuneration or other benefits from MCE either directly or indirectly (via related party transaction with MCG). 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. However, we do not have the methodology to allocate the remuneration relating to MCE. Expenditure of £25,676 (2019: £30,722) 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 £49,709 (2019: £117,996) were outstanding at the year end. Included in pension costs is the reversal of £66,334 relating to historical employer contribution refunds.

4. HQ support costs allocation – Unrestricted Funds

HQ support costs of £6.6m (2019: £6m) comprising Executive, Finance, Programmes, Fundraising, Governance, IT, Human Resources and Office Administration are allocated to the Statement of Financial Activities and Income and Expenditure account as per the following tables.

Allocate IT, Office Administration and Human Resources to Executive, Finance, programmes and Fundraising on the basis of team members numbers.

Allocate an element of remaining Fundraising costs to Expenditure on Raising Funds.

Allocate an element of Fundraising, Executive, Finance and Programmes expenditure to Governance on the basis of time spent by departmental managers on governance matters.

GROUP

Stage 1	2019 Costs	2020 Costs	Allocate Office Admin	Allocate IT	Allocate HR	Allocate to Governance (note 5)	Remove expenditure on raising funds	To be allocated In stage 2
	£	£	£	£	£	£	£	£
Executive	341,802	305,800	49,709	5,446	27,781	(25,574)	-	363,162
Finance	1,116,334	1,202,511	397,666	43,561	222,255	(122,763)	-	1,743,230
Programmes	1,899,901	2,263,331	526,907	57,718	294,487	(206,740)	-	2,935,703
Fundraising	858,239	746,852	205,461	22,506	114,832	(71,688)	(544,825)	473,138
Human Resources	398,877	549,049	99,416	10,890	(659,355)	-	-	-
Governance	155,471	99,797	-	-	-	426,765	-	526,562
Office Administration	1,068,034	1,302,356	(1,302,356)	-	-	-	-	-
IT	117,095	116,924	23,197	(140,121)	-	-	-	-
Totals	5,955,753	6,586,620	-	-	-	-	(544,825)	6,041,795

- 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	2020	2019
	£	£	£	£	£	£	£
Civil Society, Education and Conflict Management	114,651	79,073	379,562	639,205	103,019	1,315,510	1,523,396
Economic Development	170,462	117,564	564,328	950,363	153,167	1,955,884	1,691,316
Public Health, Water and Environment	57,847	39,896	191,508	322,511	51,978	663,740	521,853
Disaster Risk Reduction and Emergency Response	183,602	126,627	607,832	1,023,626	164,974	2,106,661	1,638,433
Totals	526,562	363,160	1,743,230	2,935,705	473,138	6,041,795	5,374,998

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

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

CHARITY

Stage 1	2019 Costs	2020 Costs	Allocate Office Admin	Allocate IT	Allocate HR	Allocate to Governance (note 5)	Remove expenditure on raising funds	To be allocated In stage 2
	£	£	£	£	£	£	£	£
Executive	341,802	305,800	31,521	5,469	27,270	(24,345)	-	345,715
Finance	1,116,307	1,171,787	241,673	41,933	209,077	(109,505)	-	1,554,965
Programmes	1,859,495	2,037,727	292,109	50,685	252,711	(173,239)	-	2,459,993
Fundraising	858,239	746,556	130,293	22,608	112,720	(66,591)	(506,088)	439,498
Human Resources	381,927	527,794	63,045	10,939	(601,778)	-	-	-
Governance	155,471	99,797	-	-	-	373,680	-	473,477
Office Administration	884,293	773,352	(773,352)	-	-	-	-	-
IT	117,095	116,923	14,711	(131,634)	-	-	-	-
Totals	5,714,629	5,779,736	-	-	-	-	(506,088)	5,273,648

Stage 2	Governance	Executive	Finance	Programmes	Fundraising	2020	2019
	£	£	£	£	£	£	£
Civil Society, Education and Conflict Management	103,608	75,650	340,264	538,306	96,173	1,154,001	1,459,940
Economic Development	151,898	110,911	498,854	789,199	140,997	1,691,859	1,620,865
Public Health, Water and Environment	51,270	37,435	168,377	266,377	47,590	571,049	500,116
Disaster Risk Reduction and Emergency Response	166,701	121,719	547,470	866,111	154,738	1,856,739	1,570,185
Totals	473,477	345,715	1,554,965	2,459,993	439,498	5,273,648	5,151,106

5. Governance costs

	2020 Group	2020 Charity	2019 Group	2019 Charity
	£	£	£	£
External Audit	185,921	68,400	113,812	71,674
Trustees' indemnity insurance	5,432	5,432	2,408	2,408
Trustees' expenses	25,676	25,676	30,722	30,722
Professional Fees	88,448	83,361	66,395	66,395
Apportionment of senior team members costs (based on time spent)	426,765	426,765	381,598	381,598
	732,242	609,634	594,935	552,797

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

	2020 Group	2020 Charity	2019 Group	2019 Charity
	£	£	£	£
Depreciation	171,441	171,441	138,179	138,179
Operating lease rentals – land and buildings	354,070	341,956	342,750	341,956
Operating lease rentals – other	23,913	23,913	14,127	14,127
Auditors' remuneration – in respect of the audit	185,921	68,400	113,812	71,674

7. Tangible Fixed Assets

	Leasehold improvements London £	Leasehold improvements Edinburgh £	Computers £	Equipment £	Total £
Cost					
At 1 July 2019	365,733	385,036	256,281	101,076	1,108,126
Additions	-	10,513	6,363	-	16,876
At 30 June 2020	365,733	395,549	262,644	101,076	1,125,002
Depreciation					
At 1 July 2019	175,987	30,855	202,981	56,443	466,266
Charge for year	81,247	40,475	28,212	21,507	171,441
At 30 June 2020	257,234	71,330	231,193	77,950	637,707
Net Book Value at 30 June 2020	108,499	324,219	31,451	23,126	487,295
Net Book Value at 30 June 2019	189,746	354,181	53,300	44,633	641,860

MCNL do not have any fixed assets to be reported as at 30 June 2020.

8. Debtors

	2020 Group	2020 Charity	2019 Group	2019 Charity
	£	£	£	£
Income tax recoverable	4,408	4,408	5,097	5,097
Other debtors	3,003,973	2,993,466	1,725,470	1,725,341
Prepayments	2,328,819	2,302,343	3,150,643	3,143,582
Accrued project income	14,695,952	14,646,377	14,594,690	14,593,133
	20,033,152	19,946,594	19,475,900	19,467,153

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 2020.

9. Cash at Bank and in Hand

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Bank accounts	58,358,560	54,571,444	51,201,735	49,675,140
Cash in hand	589	589	484	484
	<hr/>	<hr/>	<hr/>	<hr/>
	58,359,149	54,572,033	51,202,219	49,675,624
	<hr/>	<hr/>	<hr/>	<hr/>

10. Creditors: amounts falling due within one year

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Deferred income	42,962,554	41,456,636	40,459,444	40,330,369
Intercompany balance	10,370,718	10,283,644	11,252,775	11,369,787
Accruals	649,927	586,138	292,347	250,209
Taxation and social security	153,828	147,810	157,128	157,128
Other creditors	10,255,847	9,987,852	8,752,898	8,750,154
	<hr/>	<hr/>	<hr/>	<hr/>
	64,392,874	62,462,080	60,914,592	60,857,647
	<hr/>	<hr/>	<hr/>	<hr/>

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 2019	40,459,444	40,330,369
Transfer from accrued project income	(14,594,690)	(14,593,133)
Currency	422,120	412,444
Grant funds received in year	120,608,410	118,088,292
Grant funds spent during year	(118,628,682)	(117,427,713)
Transfer to accrued project income	14,695,952	14,646,377
	<hr/>	<hr/>
At 30 June 2020	42,962,554	41,456,636
	<hr/>	<hr/>

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 £	2020 £	2019 £
In less than 1 year	354,070	23,913	377,983	356,083
In 2 to 5 years	543,350	10,266	553,616	900,572
Over 5 years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	897,420	34,179	931,599	1,256,655
	<hr/>	<hr/>	<hr/>	<hr/>
Lease payments recognised as an expense	-	-	309,037	448,875
	<hr/>	<hr/>	<hr/>	<hr/>

Operating lease - rental income

Surplus office space was let to third parties in 2019. There were no future minimum rentals receivable under non-cancellable operating leases in 2020.

	Land and Buildings £	Other £	2020 £	2019 £
In less than 1 year	-	-	-	16,800
	<hr/>	<hr/>	<hr/>	<hr/>
Lease receipts recognised as income	-	-	-	16,800
	<hr/>	<hr/>	<hr/>	<hr/>

12. Unrestricted funds

GROUP

	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					
Foreign Exchange	1,106,888	(60,183)	-	31,379	1,078,084
European Platform	450,000	-	-	-	450,000
	<u>1,556,888</u>	<u>(60,183)</u>	<u>-</u>	<u>31,379</u>	<u>1,528,084</u>
	<u>9,580,414</u>	<u>14,104,322</u>	<u>(12,249,024)</u>	<u>31,379</u>	<u>11,467,091</u>

CHARITY

	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2020 £
General Funds	6,619,219	13,821,308	(11,442,142)	-	8,998,385
Designated Funds					
Foreign Exchange	1,031,955	(148,847)	-	31,379	914,487
European Platform	450,000	-	-	-	450,000
	<u>1,481,955</u>	<u>(148,847)</u>	<u>-</u>	<u>31,379</u>	<u>1,364,487</u>
	<u>8,101,174</u>	<u>13,672,461</u>	<u>(11,442,142)</u>	<u>31,379</u>	<u>10,362,872</u>

12. Unrestricted funds (continued)

GROUP AND CHARITY

	Balance at 1 July 2018 £	Income £	Expenditure £	Transfers (Out) / In £	Balance at 30 June 2019 £
General Funds	4,763,301	8,201,090	(7,013,947)	2,073,082	8,023,526
Designated Funds					
Dilapidations	132,000	-	-	(132,000)	-
Foreign Exchange	834,547	272,341	-	-	1,106,888
European Platform	450,000	-	-	-	450,000
New Modalities	1,500,000	-	-	(1,500,000)	-
	<u>2,916,547</u>	<u>272,341</u>	<u>-</u>	<u>(1,632,000)</u>	<u>1,556,888</u>
	<u>7,679,848</u>	<u>8,473,431</u>	<u>(7,013,947)</u>	<u>441,082</u>	<u>9,580,414</u>

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

The transfer into general funds in the year was £31,379 (2019: £441,082). There was a net increase as a result of foreign exchange of £31,379 (2019 of £441,082).

13. Restricted Funds

GROUP	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers In / (out) £	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	824,973	110,135,083	(107,909,046)	(31,379)	3,019,631
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Balance at 30 June 2018 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2019 £
Grants	(1,789)	105,053,195	(104,680,525)	(373,514)	(2,633)
Donations	495,869	366,566	32,739	(67,568)	827,606
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	494,080	105,419,761	(104,647,786)	(441,082)	824,973
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CHARITY	Balance at 1 July 2019 £	Income £	Expenditure £	Transfers In / (out) £	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	825,816	108,199,902	(106,813,389)	(31,379)	2,180,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Balance at 30 June 2018 £	Income £	Expenditure £	Transfers In / (out) £	Balance at 30 June 2019 £
Grants	(1,789)	104,729,600	(104,356,086)	(373,514)	(1,789)
Donations	495,869	366,565	32,739	(67,568)	827,605
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	494,080	105,096,165	(104,323,347)	(441,082)	825,816
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Transfer in to Restricted Grants of £294,339 (2019: Transfer out of £373,513) comprises restricted donations used to cover programmatic expenditure in line with the terms of the donation. The transfer out of donations of £325,718 (2019: £67,568) 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 £31,379 (2019: net transfer out £441,082).

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

13. Restricted Funds (continued)

Nature of restriction:	Balance at 30 June 2020 £	Balance at 30 June 2019 £
<u>To Co-finance projects</u>		
Central African Republic- 1	-	12,673
Central African Republic- 2	13,639	-
Georgia	-	15,000
Iraq – 1	20,228	20,000
Iraq – 2	13,446	13,446
Lebanon – 1	39,119	37,065
Liberia	-	14,637
Niger	29	52,022
Nepal – 1	-	35,592
Somalia	-	11,770
South Sudan	32,045	32,045
Syrian Arab Republic – 1	70,757	50,247
Syrian Arab Republic – 2	52,993	52,993
Timor-Leste – 1	-	10,228
Timor-Leste – 2	-	21,131
Yemen – 1	13,364	13,364
Yemen – 2	221,268	331,145
Yemen – 3	10,436	-
	<hr/>	<hr/>
<u>Other</u>		
COVID Resilience Fund	2,457,543	-
Refugee Crisis	-	40,585
Haiti	3,705	3,705
Other funds (under £10,000)	73,597	59,958
	<hr/>	<hr/>
	3,022,169	827,606
	<hr/>	<hr/>

14. Analysis of Net Assets between Restricted and Unrestricted Funds

GROUP	Unrestricted Funds £	Restricted Funds £	Total 2020 £	Total 2019 £
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
CHARITY				
Tangible fixed assets	487,295	-	487,295	641,860
Other net assets	9,875,597	2,180,950	12,056,547	8,285,130
	10,362,892	2,180,950	12,543,842	8,926,990
GROUP AND CHARITY				
Tangible fixed assets	641,860	-	641,860	364,209
Other net assets	8,938,554	824,973	9,763,527	7,809,719
	9,580,414	824,973	10,405,387	8,173,928

15. Related party transactions

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

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

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

Nick Blazquez	Chairman of Mercy Corps Europe (Resigned March 2020)
Neal Keny-Guyer	Chief Executive Officer of Mercy Corps Global (Resigned October 2019)
Adrienne Airlie	Chair of Mercy Corps Europe (passed away December 2019)
Iman Dakhil	Chair of Mercy Corps Europe (appointed March 2020)
Beth deHamel	Interim Chief Executive Officer of Mercy Corps Global (appointed October 2019)
Thomas Murray, Nicola Cobbold, Scott Brown, Allen Grossman, Gisel Kordestani	

No directors received any remuneration from Mercy Corps Europe. During FY20, one MCE director position was held by Neal Keny-Guyer and Beth deHamel (October 2019 - June 2020). They were employees of and remunerated by Mercy Corps Global, registered in the USA, in respect of that employment relationship and services provided to MCG. Details of this can be found at <https://www.mercycorps.org/who-we-are/financials>. As explained in note 3, the Director position did not receive any remuneration or other benefits from MCE either directly or indirectly (via 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: £3,267,463; (2019: £2,292,515).

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Global: £415,914; (2019: £513,766).

Expenditure on behalf of Mercy Corps Netherlands by Mercy Corps Europe: £927,481; (2019: £191,552).

At the year-end MCE's liability with MCG was £9,881,983 (2019: £11,369,787).

MCE received £1,098,312; (2019: £nil) of income on behalf of Mercy Corps Netherlands (MCNL). At the year-end MCE's liability with MCNL was £137,523 (2019: £7,857).

16. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2020 (2019 none).

17. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2020.

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 2020.

19. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2019 to 30 June 2020. We certify that each of the DFID grants below were expended in accordance with the terms agreed with DFID.

Country	Cost Centre	Instalments received/ (returned) £	Expended during the financial year £
Nigeria	90958	(18,682)	-
Democratic Republic of Congo	91083	6,720,960	6,515,174
Kenya	91090	157,951	6,678
Jordan	91146	4,400,000	4,287,660
Lebanon	91147	34,918	-
Iraq	91185	(5,191)	(5,285)
Nepal	91220	628,854	775,872
Nigeria	91221	1,402,803	1,663,661
Iraq	91251	(35,787)	(52,615)
Nigeria	91271	2,926,604	2,634,438
Uganda	91341	1,072,645	1,425,896
Myanmar	91350	1,955	8
Kenya	91354	300,000	486,237
IRAQ	91387	2,973,051	2,657,653
Democratic Republic of Congo	91412	15,713,750	12,014,310
Kenya	91419	139,079	139,270
Global	91429	34,955	31,695
Syria Response	91190, 91323, 91370, 91443	13,205,071	14,792,456
Kenya	91446	250,000	215,873

DFID 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.

20. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2019 to 30 June 2020. We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

Country	Cost Centre	Instalments received £	Expended during the financial year £
Afghanistan	91032	89,010	29,614
Tunisia	91186	(728)	5,736
Myanmar	91232	82,463	95,772

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

21. British Foreign & Commonwealth Office – Schedule to Financial Statements

Projects implemented on behalf of Foreign & Commonwealth Office (FCO) during the period from 1 July 2019 to 30 June 2020. We certify that each of the FCO grants below were expended in accordance with the terms agreed with FCO.

Country	Cost Centre	Instalments received £	Expended during the financial year £
Libya	91449	113,342	81,932
Mali	91462	-	3,582

The FCO supports Mercy Corps' work in many countries to support social cohesion and peaceful solutions as well as economic opportunities for vulnerable groups.

22. Financial Instruments

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Carrying amount of financial assets	3,003,973	2,993,466	1,725,471	1,725,342
Debt instructions measured at amortised cost				
Carrying amount of financial liabilities	21,276,492	20,857,634	20,298,020	20,370,150
Measured at amortised cost				

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

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

23. Affiliates

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

Jointly controlled entity Principal activity

Mercy Corps Netherlands Public benefit entity

Results of affiliate for the year ended 30 June 2020

	Turnover	Expenditure	Net Profit	Aggregate net
assets				
Mercy Corps Netherlands	£2,222,208	£1,747,470	£474,738	£1,942,880

OUR SUPPORTERS

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

Grants and Funders

Actionaid
British Council
Foreign And Commonwealth Office (FCO)
Cardno Emerging Markets
Care International
Christian Aid
Climate-Kic
Danish Refugee Council
Department For International Development (DFID)
Dutch Ministry Of Foreign Affairs
European Commission (EC)
European Humanitarian Aid And Civil Protection (ECHO)
Eosphere Ltd
Farm Africa
Frankfurt School
Agence Francaise De Development
Financial Sector Deepening Zambia (FSDZ)
Georgian Institute Of Public Affairs (GIPA)
Giz
Goal
Handicap International
Humanist Institute For Cooperation (HIVOS)
Immap
Initiative For The Palestinian Economy (IPE)
Initiative France
International Centre For Migration Policy Development
International Rescue Committee (IRC)
Kfw Development Bank
Kingdom Of The Netherlands
Konrad Adenauer Stiftung
L'agence Francaise De Development
Ministry Of Foreign Affairs & Int Cooperation UAE
Norwegian Refugee Council
Oxfam
Peace Support Fund
People In Need
Play International
Sny Netherlands Development Organisation
Somalia Stability Fund
Start Network
Stichting Wageningen Research
Street Football World
Swedish Agency For International Development
Cooperation (SIDA)
Swiss Agency For Development And Cooperation (SDC)
The Netherlands Enterprise Agency (RVO)
The Overseas Development Institute (ODI)
Trocaire
United Nations (UN)
Veterinaires Sans Frontieres (VSF)

Corporate

Ab World Foods
Aga Khan Foundation
Argidius Foundation
Artemis Charitable Foundation
Asfari Foundation
Bayer Cares Foundation
Blockchain Charity Foundation
Chanel Foundation
Cowater Sogema International
Crown Agents
Development Alternatives Incorporated (DAI)
Dubai Cares
Dynasafe Minetech Ltd
East-West Seed Myanmar
Evergreen Renewable Co Limited
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GSMA
Human Dynamics
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Patric Foundation
Porticus
Rheatech Group
Shell
Soneva Foundation
Syngenta
Twinings
Vitol
Zurich Foundation
Eldon Charitable Trust
The Times Group
CRH Trust
Rabobank Foundation

Organisations

Pitlochry Station Charity Bookshop
Edinburgh Friendship Centre
St James Episcopal Church
Sunday Assembly
Merldrum & Bourtie Parish Church
Plumstead Manor School
Kaplan International
The Willow Tearooms
Mount Saint Bernard Abbey
About Brand Communications GmbH
Edinburgh University Student Group

In addition, in FY20 Mercy Corps Europe also gratefully received donations from local organisations including schools, community and religious groups.

OUR ADVISORS

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Back page photograph: Climate change is a growing threat for farmers in rural Indonesia. We're helping Tukiye learn new growing techniques and technologies that will boost her farm's productivity, allowing her to earn more.
Photo: Ezra Millstein



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