

Mercy Corps Europe

(Formerly known as Mercy Corps Scotland)



Annual Report and Accounts
For the year ended 30 June 2015

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Executive Director's Message

This annual report marks my first in the role of Executive Director. In the nine months that I have been in this position, it has become increasingly clear to me that this is a time of both considerable opportunity and organisational change. I feel both gratitude for the confidence placed in me and excitement at the scale and scope of possibilities. At the same time, we are faced with an unprecedented level of crises occurring in multiple geographies across the world; with our teams providing both life-saving support and innovative recovery and resilience building interventions in some of the most challenging contexts. The scale and complexity of our programming in Syria and in Liberia on our Ebola response has been almost unprecedented.

Over the course of the past year, we have continued to give a lot of thought to what we are calling a '*new normal*'; a world in which the combination of an increase in fragility of the State, together with, paradoxically, more disparate peripheries better globally connected and equipped to address their marginalisation and grievances through violence, result in a proliferation of protracted crises. There are currently more displaced people than at any time since the Second World War and an unprecedented number of complex humanitarian crises, including the growing refugee crisis here in Europe.

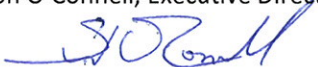
Within these contexts, compounded by an increasingly multi-polar world where new spheres of influence continue to emerge, the current humanitarian architecture - linear, siloed and rigid - is inadequate. To be impactful at scale, requires us to develop new approaches - such as our innovative cash transfer programmes in places like Myanmar, new partnership configurations - such as our ENGINE programme in Nigeria where we are building skills and creating opportunity for thousands of adolescent girls with a network of institutional, foundation and private sector partners, and a framework which entwines development and humanitarian interventions - as evidenced by our response to the crisis in Nepal, which is integrated into our longer term development oriented portfolio. This new normal compels us to work at greater scale and to continue the pursuit of innovative pathways to impact, such as our urban water and sanitation activities within the IMAGINE programme in DR Congo and our work with adolescents on the INVEST programme in Afghanistan, both supported by the Department for International Development (DFID) being primary examples of our efforts in this area.

Over the past few months, we have developed a new strategy and vision for Mercy Corps in Europe, in full alignment with our global strategy. Central to this is elevating our ability to influence key decision makers and leaders and to build out an expanded network of partnerships across government, private and civil society sectors. Our profile and footprint in London and strategic locations in continental Europe continues to develop and we are engaging more robustly than ever with key forums and networks. It has been deeply encouraging for me to see the high regard we are held in by our institutional partners, particularly for our work around economic and market development and youth and conflict programming in fragile environments.

On a more personal note, after close to twenty years in Africa, I was privileged to make my first trip to Pakistan and Afghanistan in April. In both countries, where we have been working for almost thirty years, I was inspired by the calibre and courage of our teams, the relevance of our strategies and the impact of our programmes. Visiting Quetta and being holed up in Kabul due to the security situation gave me a clear sense of the fragility of the region and the importance of us striving to be ambitious in our programming and pursuit of impact at greater scale.

I feel privileged to be at the helm of Mercy Corps in Europe and work with a global executive team, to be part of a global team and to be guided by a deeply committed, insightful and supportive board. I have inherited a strong core team and very solid foundations from my predecessor, Mervyn Lee, who exponentially expanded the footprint of Mercy Corps Europe in the over six years that he was at the helm. My transition from the field based position of Regional Director to that of Executive Director was made infinitely smoother thanks to the support, mentoring and guidance from interim Executive Director, Paul Dudley Hart. The coming year will no doubt be complex and challenging, but I am full of hope and optimism as we are better equipped than ever to provide relief, recovery and build the resilience of millions of people in response to some of the toughest global challenges.

Simon O'Connell, Executive Director

A handwritten signature in blue ink, appearing to read "S O'Connell".

Chairman's Message

In a world that sometimes feels overwhelmed by crises, the country of Ethiopia is doing pretty well compared to many of the others in which Mercy Corps works. If you look at a map, it is an area of comparative stability in a region that is falling apart: Somalia, South Sudan, Eritrea, Yemen.

Ethiopia is an extraordinarily picturesque but also a very tough country to live in and is facing huge challenges from climate change. However, it is stable and growing economically, which means less people are hungry and they have better access to health services, jobs and education. Ethiopia's GDP growth rate is consistently high, positioning the country as one of the top performers on the continent. In addition, per capita income has doubled in the last ten years, and Ethiopia is one of the few countries on course to achieve most of the Millennium Development Goals (MDGs) by the end of 2015, and the goal on infant mortality was achieved two years ahead of target.

I was fortunate to visit Ethiopia earlier this year where Mercy Corps has been working for over a decade to improve systems and find ways to catalyse sustainable change in partnership with government and local communities and businesses. Our programmes have connected strands such as; nutrition, animal health, microfinance and savings clubs, education of women, starting critical businesses such as plant nurseries, efficient fuel stove factories, camel dairies, and identifying and coaching entrepreneurs and community leaders - all of which are co-ordinated and delivered in a holistic manner.

Mercy Corps has been at the forefront of this joined-up way of working for some years and our team is testament to how the development sector is learning and improving the way it works, and the understanding that long-term change requires long-term work. There are no quick fixes.

Similarly, if we look for the solutions required to help countries recover from the increasingly complex and protracted crises around the world today, they are going to need to be long-term and holistic. A rather depressing fact about the current state of the world is the phrase 'the new normal'. What this means for Mercy Corps, and other NGOs, is that there are a lot of places we're working where we used to be hopeful that people's lives were going to get better – and now they're getting worse and no one knows what the answer is. This is true for places like Syria, Libya, Yemen, Somalia, Central Africa Republic, and Democratic Republic of Congo. However, visiting and seeing our work in Ethiopia gives me hope. Long-term development does work, and the sooner we can help countries get on to that path, the better.

On that note, I wanted to take this opportunity to formally welcome Simon O'Connell, the new Mercy Corps Europe Executive Director, and congratulate him on an excellent first nine months in the post. With almost 20 years' experience working in Africa in development and humanitarian response, Simon has brought renewed energy, commitment and focus to a growing Mercy Corps Europe office and I am excited to see what the next year holds.

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

Viscount Encombe, Chairman



Who We Are

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

We live and work in more than 40 countries facing the world's toughest challenges. We have no political or religious agenda. For more than three decades, we have learned and grown alongside extraordinary people—more than 170 million individuals who understand their own needs better than anyone else. Our experience shows they are best able to strengthen their communities from within. In everything we do, we look for moments of transition to connect people to the resources and expertise that they need so that they can catalyse transformative change.

Supported by headquarter offices in Europe and North America, our unified global programmes employ over 4,000 staff worldwide. Last year our work saved and improved the lives of 42.5 million people in more than 40 countries.

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

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

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

In July 2015, our charitable objectives were refined in order to better align with the global agency of Mercy Corps and to reflect our evolving work. Our new charitable objectives are:

- the relief of poverty
- the advancement of health
- the advancement of community development
- the saving of lives
- the advancement of human rights, conflict resolution or reconciliation; and
- the advancement of environmental protection.

Also in July 2015, Mercy Corps Scotland legally changed its name to Mercy Corps Europe. This change was brought into effect on the 15 July 2015, and will be reflected in all forthcoming documentation and Annual Reports. As the organisation embarks on a new strategy to strengthen its presence and influence in key European geographies, it was felt that the name change was necessary to affirm our European identity. The organisation will maintain its office in Edinburgh, Scotland. Mercy Corps Europe will also establish a new governance structure to better reflect the integrated global agency. As part of this process a Joint Board Executive Committee (JBEC) has been formed, with membership from both the US and European Boards, its remit, structure and interaction with both US and European Boards is under review.

Our Approach

Mercy Corps' Mission

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

Mercy Corps' Vision and Strategy

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

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

What we do

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

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

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

Where we work

As a global agency, we work in some of the toughest places around the world. Fragile states such as Somalia and Zimbabwe, conflict zones including Afghanistan, Central African Republic, Iraq and Syria and countries that have endured natural disasters, such as Pakistan and Nepal. In these places, a child's life is often at risk. A woman's education is regularly ignored. A family's livelihood is rarely a sure thing. These conditions threaten the welfare of communities, towns, provinces, countries and entire regions.

Our Capacity

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

Last year we aimed to:

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

This year we have:

- Welcomed a new Executive Director, Simon O'Connell and developed a European Strategy.
- Introduced a new Masters Trust Pension scheme and implemented auto-enrolment.
- Provided HEAT (Hostile Environment Awareness Training) to all staff.
- Developed reporting tools allowing for faster submission of donor reports and early warning alerts on spending variances.
- Recruited two new Advocacy and Policy staff members, including a Director of Policy and Advocacy based in London.
- Joined the START Network, a consortium of 24 leading NGOs and built links with senior politicians and officials and key thought leadership networks, including the Overseas Development Institute, ALNAP and Chatham House.
- Significantly increased our donor file and diversification of private income.
- Secured unprecedented media coverage and secured formal partnerships with the Sunday Herald and Edinburgh Evening News.
- Been short-listed and commended for prestigious awards – Third Sector Business Awards, Institute of Fundraising, and Charity Awards.

In the coming year we will:

- Build an expanded network of strategic partners and partnerships in Europe, with strengthened and extended bilateral relationships with four key European governments.
- Demonstrate increased awareness and influence on our priority issues through thought leadership, in partnership with governments, think tanks and peer agencies.
- Demonstrate success in influencing the policy of European advocacy targets.
- Increase and diversify our continental European portfolio and UK government funding.
- Improve cash flow through more active management of working capital.
- Seek cash flow support from external parties.
- Develop a more nimble and flexible European headquarters, with new governance model, within a globally integrated and streamlined structure providing efficient, high quality and cost-effective programme administration and support to the field.
- Continue to increase our profile through strategic partnerships and media coverage.
- Attract top talent to the agency.

Mercy Corps Europe Board of Directors:

Viscount Jock Encombe, Chair
Adrienne Airlie
Nick Blazquez
Roberto Bocca
Michael Gregory
Allen Grossman (appointed 18 June 2015)
Paul Dudley Hart
Neal L. Keny-Guyer
Malini Mehra (resigned 17 September 2014)
Tom Murray
Debu Purkayastha

Mercy Corps Europe Executive Committee:

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

Mercy Corps Europe Audit and Risk Committee:

Martin Fairbairn (Chairman) (resigned 12 March 2015)
Adrienne Airlie (Board member) (Chairman) (from 13 March 2015)
Bob Cowan
Rear Admiral Michael Gregory OBE (Board member)
Alison Warden

Biographies for Board and Committee members:

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

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

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

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

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

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

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

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

Paul Dudley Hart: Senior Vice-President for Global Partnerships and Alliances for Mercy Corps and Interim Executive Director of Mercy Corps European Headquarters [July-December 2015]. Paul has responsibility for coordinating Mercy Corps' evolution to a more global agency. He also brings over 35 years of NGO senior management experience to the board.

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

Neal L. Keny-Guyer: Chief Executive Officer of Mercy Corps. Brings over 30 years' of international relief and development experience in leadership positions. Neal is also on the Yale Corporation's Board of Trustees, ImagineNations' Board of Directors, and the Nike Foundation's Advisory Board.

Tom Murray: Head of Charities at of Gillespie MacAndrew LLP, Tom brings expertise in charities, NGOs, trusts & tax.

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

Alison Warden: FSCI, ACA, Finance & Administration Partner at Baillie Gifford & Co. Alison is a qualified accountant who has gained expertise in the areas of business management, finance, compliance, internal audit and risk management during her 22 years with the firm.

Our European HQ staff

Executive

Simon O'Connell – Executive Director
Jessica Ryder

Finance

Elizabeth Sams – Director
Kamran Ahmed
Sandra Duggan
Gillian Gordon
PuiYue Lee
Lian Liu
Paul Patrick
Laura Petrie
Pawel Pieczonka
Aaron Platt
Victoria Roos
Leanne Thompson
Mihaela Tistu
Louise Whyte
Jacqueline Wright

Fundraising

Alison MacLeod – Director
Jennifer Adams
Amy Fairbairn
Emma Goldsmith
Charlotte Minvielle
Paul Nichol
Patrick Rafferty
Laura Swan
Victoria Telford

Human Resources

Susan Moore – Director
Gill Morgan

Compliance

Alexandra Angulo – Head of Compliance
Jennifer Royston
Liana Waclawski

Programmes

Michael McKean – Director
Jonatane Bidiaka Budiaki
Sandy Biggar
Mark Chadwick
Cicely Clarke
Daniel Herrera-Kelly
Zoe Hopkins
Graham Niven
Elizabeth Robertson
Lisa Seymour-Doughty
Martje van Raamsdonk
Jenny Walter
Imogen Westfield

Policy and Advocacy

Benedict Dempsey – Director

TSU, PALM & PDX Programmes

Caitriona Dowd
Andrea Mottram
Emma Proud
Lisa Robbins-Garland
Janaka Seram
William Baron

The staff who have left or transferred within the organisation during the period of this report:

Alex Muirhead, Susan Sinclair, Harriet Batten, Judith Moore (transferred to Afghanistan as sub-regional Finance Director), Matthew O'Brien, Joanne Glover (transferred to an Expat position in Lebanon), Emily Gilloran, Camilla Higgins (transferred to Expat position in Afghanistan), Mervyn Lee (transferred to part-time home based role as Global Adviser).

Our Structure, Governance and Management

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

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

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

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

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

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

With the advent of the Joint Board Executive Committee changes will be made to the Governance Handbook to reflect any amendments needed regarding the committee structures, remits and interaction with both US and European Boards. This work is currently underway

Our Directors and their Statutory Responsibilities

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

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

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

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

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

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

Strategic Report: 1 July 2014 to 30 June 2015

Our Strategic Report provides a snapshot of our activity from 1 July 2014 to 30 June 2015. As a global organisation working in over 40 countries, it is impossible to cover every programme during this period in one report. We are happy to provide further information on any of our programmes.

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

Under these headings, our key charitable activities are covered:

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

Included within our Strategic Report are the following sections:

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

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

Mercy Corps provides emergency relief in times of crisis. We react swiftly to serious humanitarian crises by providing targeted short-term aid – relief – and by quickly identifying ways to help communities recover and rebuild. Mitigating the impact of emergencies and building resilience to future challenges is at the heart of our work. Our response includes natural disasters such as the Nepal Earthquake in April 2015, as well as longer term complex crises like those in Syria, South Sudan and Iraq.

On 25th April a 7.8 magnitude earthquake struck **Nepal**, killing thousands of people and causing mass destruction. Mercy Corps, which has been working in Nepal since 2006 and had 90 staff on the ground, was able to pivot quickly to respond to the emergency with urgent relief kits and shelter distribution. Almost £1 million was raised by Mercy Corps' European headquarters for the Nepal response and long-term recovery, from the Department for International Development (DFID), private organisations and members of the public. Part of our recovery programming is to ensure that people have the basic supplies they need to recover as well as a longer term approach to stimulating the local economy and increasing purchasing ability. With support from DFID Rapid Response Facility, Mercy Corps provided 14,000 people with support kits and almost 10,000 people with cash grants to meet immediate household needs.

Helping Nepal recover in the immediate aftermath of natural disaster

Sindhupalchowk was one of the regions hardest hit by the earthquake. Damage to infrastructure in this area was devastating with homes destroyed, livelihoods lost, economies stalled and entire villages levelled.

In order for communities in regions like this to recover, people need to be able to purchase the items they need to build back their lives. But, following the earthquake most local banks were shut down, and families in many remote areas did not have access to one at all.

Mercy Corps worked with local shopkeepers to help get money to those who needed it most. Through Mercy Corps' cash distribution programme, families collected their cash stipends directly from shops in their community. Once they received their stipend they could decide to spend it in the store, go to another market, or save it for the future.



The unconditional cash assistance allowed families to purchase the items that are most important to them – seeds and agricultural tools, food, school fees, building materials – while giving local economies the boost they need for long-term recovery.

Mercy Corps has been working inside **Syria** for more than three years in response to the conflict that began in 2011. During that time 12.2 million people (more than half the population) have been displaced from their homes and 4 million of those have taken refuge in other countries, with 1.8 million Syrian refugees in Turkey alone.

In FY14-15, Mercy Corps was one of very few organisations able to assist people living in Syria. Our cross border delivery of goods provided an average of 500,000 Syrians, in Aleppo Governorate alone, with basic humanitarian aid every month.

As the conflict in Syria shows no signs of abating, Mercy Corps will continue providing access to basic and lifesaving humanitarian services in FY16. We will meet the urgent and medium term needs throughout Syria, of vulnerable and hard-to-reach families with repeat distributions of food baskets, essential non-food items such as hygiene kits, and through agricultural and livelihoods support. It is projected that this ongoing programme funded by DFID will assist over 1.2m individuals by the end of FY15-16.

In **South Sudan**, the euphoria that followed Independence on 9 July 2011 was short lived. Complex political, economic and humanitarian issues have resurfaced since nationhood was achieved. South Sudan and Sudan have been unable to resolve issues over borders, boundaries, oil revenues, wealth-sharing and citizenship, leading to sporadic attacks and families trapped in desperate circumstances on both sides. In December 2013, internal divisions caused violence to erupt in the capital and political and ethnic conflict has spread throughout the states since, displacing more than 2 million people, most of who are in need of clean water, health care, sanitation, food, shelter and protection.

Mercy Corps' programming in South Sudan helps to increase food security in some of the most vulnerable areas with accessible markets. This allows other agencies, like World Food Programme (WFP), to focus more on inaccessible areas. Our programme focuses on stimulating markets and supporting traders to restock their businesses and vulnerable families to increase their purchasing power. This year, we reached 18 traders in the Nyal region of South Sudan and provided 2,500 vulnerable families with cash. Families were able to spend the cash on items they needed. They prioritised items including soap, slippers, food, medicine, school uniforms and school fees, buying building materials for home construction, and investing into businesses (buying frying pans, cups, chairs).

Where possible, Mercy Corps uses cash to help families in humanitarian situations and stimulate the local economy. This means that there can be a functioning economy even during times of crisis making it easier to build back. In **Iraq** in FY14-15, Mercy Corps provided cash - in addition to food and non-food assistance - to 28,500 individuals in the conflict-affected Governorates of Diyala, Kirkuk, and Sulaymaniyah. In these areas we were able to reach the majority of targeted households three times, ensuring they had consistent help over the harsh winter months. Through timely and robust monitoring and evaluation of our programming, Mercy Corps was able to learn and adapt to ensure that households were not facing multiple displacements, which is important for recovery. Mercy Corps was also able to monitor the improvements of individuals and families following the cash transfers which showed that people were eating more, they no longer had to reduce the meals they were eating, and did not have to borrow money to access basic goods and services.

Cash gives one family safe shelter from conflict

Khader (left) and his extended family shelter in a small two-story home in Sulaymaniyah, in the Kurdish region of northern Iraq. This is the third time they have had to seek refuge from the ongoing warfare and instability and have had to abandon their homes and livelihoods.

The family received unconditional cash assistance as part of Mercy Corps' initiative to support conflict-affected families living outside of displacement camps. With the money they were able to move from their initial shelter — which had mice and lacked a proper latrine.



The unconditional cash allows vulnerable people like Khader, Sana and Khaled to purchase the essential items — food, shelter, water, medicine — they need to survive until they can go home again.

The ongoing conflict in **Yemen** has had a devastating impact on the lives of all Yemeni people. Insecurity has forced more than 1.4 million people from their homes, while another 15 million (including 10 million children) have been affected by the crisis through damaged infrastructure, collapse of the economy, restricted movement due to violence and airstrikes, interruption to livelihoods and severe food insecurity affecting overall health. Among Mercy Corps programmes for Yemen in FY15-16, will be our support to **160,000** conflict affected individuals in Abyan Governorate through the rehabilitation of community water infrastructure which will help increase food security.

RECOVERY: Building secure, productive and just communities

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

Working with Youth

Liberia, one of the poorest countries in the world, recovering from decades of civil war and from the devastating Ebola epidemic and its effect, has a population of 4.2 million with more than 50% under 18 years old. One of Mercy Corps key initiatives is working with the Government of Liberia to implement a SIDA-funded programme which aims to equip young Liberians with the skills, information, and opportunities to find sustainable employment or self-employment and to enable them to contribute to their communities, advance poverty reduction and increase stability.

From promising student to Government employee

Mulbah Jaygbah, 23, was a Sociology student at the University of Liberia with a background in teaching computer science when he first heard about the National Cadet Programme. Implemented by Ministry of Youth and Sport and Mercy Corps, the programme supports graduating or recently graduated Liberian youth to progress into skilled leadership roles within public sector ministries and agencies. In doing so, the programme aims to both address Liberia's high youth unemployment rate while building the capacity of Liberia's public servant sector. During the three-month placement, programme participants are provided with a monthly stipend and attend regular technical training sessions.

Alongside two other participants, Jaygbah was selected to work in the Ministry of Health and Social Welfare for the duration of the three-month program, where he worked in the office of the Assistant Minister for Preventive Services. Initially, he was tasked with basic administrative activities, such as receiving letters and photocopying, but before long, he was an integral part of the Ministry, and Jaygbah was offered a job. He then went on to assist the Minister in charge of helping Liberia to beat the Ebola epidemic.



Mercy Corps Vocational Education and Skills Training (INVEST) programming in **Afghanistan's** Helmand Province came to an end this financial year. Funded by DFID, INVEST was designed to offer students the opportunity to improve and increase their household incomes by undertaking training to equip them with both the skills and the confidence to undertake more highly skilled and highly paid work. Initially provided in Lashkar Gah city, INVEST expanded to cover 14 training centres throughout Helmand.

Working within a highly conservative culture, Mercy Corps used community owned spaces to ensure local ownership, and uses local shura councils to refer students. Courses ranged from three month technical subjects like air conditioner repair to longer term courses such as tractor repair and carpentry, and support for university entrance exams. Both male and female students could learn tailoring and embroidery and also English and computer skills.

At the culmination of the programme this year, 21,038 students had graduated from INVEST supported courses which included 14,803 men and 6,235 women. 85 per cent of employed graduates increased their personal income within six months of graduation and it was found that 79 per cent of graduates started their own businesses after graduation, and 11 per cent were employed by other businesses. Mercy Corps was Highly Commended for the 2015 Charity Awards for the INVEST programme.

Easing tensions and preventing conflict

Funded by the DFID, Mercy Corps is helping to build conciliation in **Nigeria** in five Middle Belt states in order to prevent and resolve pastoralist and farmer conflict. By training local leaders to resolve community conflicts and build cooperative use of resources, this programme is improving the environment for economic growth and reducing poverty in Nigeria. Since the programme launched, 728 local leaders have been trained in negotiation techniques with 268 disputes having already been resolved.

The Syrian conflict which began in 2011 has resulted in a refugee crisis in the Middle East with over four million refugees having fled Syria to neighbouring countries, one of which is **Jordan**. Among Mercy Corps' programmes in Jordan is conflict mitigation between Syrian refugees, host communities and municipal actors in the country. The programme trains Jordanian and Syrian community leaders to resolve disputes effectively and this year has trained 92 community representatives and 29 government representatives in 12 communities in northern Jordan.

Trainees undertook courses in mediation, dispute resolution and dialogue facilitation techniques. By training respected representatives from Syrian and Jordanian community groups, this programme is having a lasting impact as the trained community leaders will remain as an available resource for peaceful conflict resolution within their communities and the leaders are promoting positive and peaceful co-existence.

The promise of education brings Syrian and Jordanian girls together



Since Syrians began fleeing their homes over four years ago, Zaatar Village in Jordan has doubled in population. It has gone from a small town of 10,000 to one with over 20,000 people. This drastic change has created a high demand for local services, including education. With a new, larger population, the girl's school in Zaatar Village was unable to accommodate all of the Syrian girls who wanted to attend school. There was overcrowding and tension between Jordanians and Syrians.

Mercy Corps is working in Zaatar Village and training both Jordanian and Syrian community leaders to resolve tensions that arise in the village. They are taught how to identify the source of a problem, come up with an effective solution, and then develop a proposal. From there, Mercy Corps discusses the community leaders' ideas with the local government. The leaders saw the problem at the girls' school and proposed a solution — building a new girls' school that could serve 120 more female students. Mercy Corps decided to fund the construction of the school, and the Ministry of Education agreed to provide the teachers.

This programme has been visited in the past year by His Royal Highness the Prince of Wales and Secretary of State for International Development, the Right Honourable Justine Greening, MP.

Since 2012 the **Central African Republic** has suffered repeated conflict with significant escalation of violence in late 2013 and early 2014 causing mass internal and external displacement. Whilst inter-community tensions remain high, in recent months outbreaks of violence have decreased somewhat and allowed people who had been displaced or forced to flee as refugees to begin to return to their communities of origin. Mercy Corps helped 15,370 people return. This included assisting the most vulnerable households, fostering reintegration and ensuring that any barriers to return were reduced. These barriers included: the trauma of conflict and human rights violations, limited access to water resources, damaged shelters, and poor hygiene and sanitation conditions.

Play therapy helps children heal

A girl of about 8 years old was found alone crying in a village called Gbi in the prefecture of Ouham Péné in Central African Republic by a merchant and returned to her home in Bouar. The Seleka rebels had come to her village and all residents, including her parents, had fled because the rebels were killing people and burning houses. The girl became a beneficiary of Mercy Corps play therapy activities. To begin with she was very shy and traumatised. As her confidence grew and she participated more in the activities, she began to trust and collaborate with others. Following conflict, play therapy has helped to bring a change to her life, kick-start her recovery and help her to integrate. Unfortunately the girl's family is still missing, but she is living with a host family and is attending school regularly.



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

In FY15, we completed the first year of implementation for our follow on IMAGINE programme to expand this water network to the urban populations of eastern DR Congo. We will reach 1.55 million people. IMAGINE focusses on the governance of water systems, hygiene and behaviour, gender dynamics, environmental impacts and financial stability of the system. The objective of the project is to provide sustainable water and sanitation services to the people of Eastern Congo in order to improve quality of life and reduce the prevalence of water-borne illness.

The quest for clean water comes closer to home

Tabu, 48, describes how her life has improved since the Mercy Corps water points opened:

"Before Mercy Corps brought water here, I used to get water from the Lake Kivu. My two sons and I had to wake up at night (between 3:00 and 4:00 AM) and walk three hours there and back. The quantity of water we brought home was not sufficient to cook, clean the house, do laundry and wash. In my area, we developed a system of borrowing water from neighbours — sometimes I just went to the lake to give back water I borrowed from them. Life was really tough.



"Today, I just walk less than 10 minutes to reach the water point and get as much water as I want. I can get my shower anytime, wash my clothes. I can smile now as water is there."

In FY15-16, Mercy Corps will continue to help the people of **Nepal** recover after the devastating earthquake earlier this year. Recovery will be focused on four key areas including: Disaster Risk Reduction, Financial Services Inclusion, Learning & Research and Innovation in Recovery. These programmes aim to reach 100,000 people across four areas of Nepal and will better equip communities to manage the environmental shocks. Vulnerable households will be able to access relevant and affordable financial products for homes and businesses in communities where access to financial services had been challenged by the earthquake or was altogether impossible before.

In **Iraq** in FY15-16, Mercy Corps will focus on strengthening cooperation and building trust between the three key actors - the local government, communities and security forces, and providing them with the skills, tools and systems necessary to achieve the collective aim of stability. Mercy Corps sees this as the first step necessary for the project's impact resulting in a situation whereby the Iraqi population view their state as capable, accountable and responsive to their needs. This project will specifically address grievances and promote social cohesion in conflict-affected and newly liberated areas.

In the year ahead Mercy Corps will also build on work that we have done on vocational skills training in both **Afghanistan** and **Pakistan** through a cross-border programme with a specific focus on Afghan refugees in Pakistan. The programme will equip 1,520 refugees with skills that are in demand in markets in both Baluchistan, where they currently live, and across the border in Kandahar, to improve household incomes and so that they are better enabled to make a free choice about return.

RESILIENCE: Helping vulnerable communities plan ahead and mitigate risk

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

In **Africa** and **south-east Asia**, Mercy Corps is providing financial and rural advisory services to small holder farmers. Agr-Fin Mobile is being implemented in **Zimbabwe**, **Uganda** and **Indonesia** through mobile technology platforms, mostly mobile networks and is aimed to help small holder farmers become more productive and increase food security. An estimated 600,000 smallholder farmers have accessed a collection of financial and information services which have had an impact on their farming practices. These services include agricultural and market information to improve decision-making, weather information to guide farmers on timely ploughing, planting and weeding and financial literacy messages which have improved financial management. Mobile payments have also contributed to increased efficiency and cost-effectiveness of farming activities particularly for farmers who received payments from buyers of their produce.

Bringing services to rural farmers in Indonesia

Devina, 30, and her husband own one hectare of land and the family has no savings. They have received a loan and savings account from a local microfinance institution which Mercy Corps partners with, as well as financial literacy training which helps to manage the family's needs. Devina and her husband live in Dompu District located in rural Indonesia and because they are based far from town, the project's mobile service makes it easier for them to save without spending a lot of money to pay for a motorcycle taxi and travel a long distance to the bank. That, coupled with yield advice and training, means that Devina and her husband can get more out of their land.



As many as 2.5 million Nigeriens have been affected by severe food insecurity in the last decade after a combination of drought, irregular rainfall and flooding decimated crops and forage. In partnership with the Vitol Foundation, Mercy Corps is working to enhance food security and strengthen livelihoods of vulnerable households in the Filingué Department of the Tillabéri Region in **Niger**. In the last year, Mercy Corps has established eight new dairy cooperatives, carried out technical trainings on improved livestock techniques for 133 livestock value chain coordinators who subsequently replicated the trainings in their villages, reaching over 1,000 producers, and supported over 500 beneficiaries to complete and submit business plans for funding for micro business grants.

In FY15-16, Mercy Corps will continue to work in **Kenya** and **Uganda** where we are putting our pioneering thinking in resilience into practice through DFID's flagship resilience programme, BRACED. Focusing on households, communities and national systems, the project aims to help over 200,000 of the most vulnerable people in Kenya and Uganda to be better able to deal with climate extremes and the shocks and stresses of natural disasters.

Mercy Corps will embark on a new partnership in FY15-16 to improve rural development in **Georgia**. Scotland's Angus Council will pilot its successful model to innovate local development in Georgia's mountainous municipality of Borjomi (pop: 33,000). Their 'LEADER' methodology promotes a holistic approach to rural development by forming Local Action Groups (LAGs) which are partnerships between the public, private and civil sectors at the local level which jointly address social, economic, cultural and environmental development needs.

Risk Management

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

The problems we seek to address are often entrenched and require innovative approaches which inherently carry risks. However, we believe the potential opportunities are worth the risks, so managing opportunities and risk must permeate everything we do.

In order to operate effectively, bring about the changes we aim for, and safeguard our staff and the people we work with, we examine and respond to the risks we face. Risk management is embedded at various levels throughout Mercy Corps. It begins however, with rigorous security and risk management assessments of our field programmes and related training programmes for our staff.

As part of the Annual Planning Cycle, key risks are identified for each of our countries by their relevant teams. Mitigating strategies are subsequently developed and managed throughout the year. Whilst templates, guidance and timescales for identifying risks are well-defined the process for the on-going management of the risks is less so. This is something which the agency is seeking to address. Projects deemed complex, either by virtue of size, nature or location, are subject to additional rigour. However, the integration of risk management processes at a project, programme and country level is something which the agency recognises requires increased attention and focus.

During 2014-15, in conjunction with a review of the European strategy, we critically reviewed the existing Corporate Risk Register not only in terms of content but also in terms of how the risks and their management could be communicated better. This is on-going and we aim to complete the exercise by the end of 2015.

Whilst risk management is increasingly part of the vocabulary of the organisation, consistent processes around capturing and communicating risk require reinforcing. Departmental registers are maintained at Headquarters however this year they have been less consistently reviewed than previous years. In contrast however, there has been open and robust discussion around Corporate Level risks at both Mercy Corps Europe and all agency level (at the Enterprise Risk Management Group). These discussions have led to changes in approach and improved collective understanding at Senior Management Level.

The Corporate Risk Register, together with updates on mitigating actions taken, is presented to the Executive Committee at each of their meetings. The systems and processes around Risk Management are subject to an annual review by the Audit and Risk Committee who report their findings to the Board.

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

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

An important operational risk for the agency is child and adult safeguarding. During the year and working with a specialist agency we successfully extended our child and vulnerable adult protection policy and established a broader safeguarding policy. Training was rolled out in countries where the risk was assessed to be highest and feedback mechanisms set in place for the communities we serve. The agency is now focused on the need to roll this out across all locations where we work.

Lastly the key financial risks identified are around cash flow and a reduction in unrestricted income. The former is becoming an increasing strain for the agency as funding modalities move to payment in arrears or payment by results. To mitigate this, the designated fund established last year is being cash backed. We are continuing to explore bank guarantees and loan products. Unrestricted income contraction is another risk which the agency is attempting to mitigate through a concerted donor acquisition strategy.

Reserves

The Board of Directors has examined the requirement for unrestricted funds.

In arriving at a target figure, the Directors have considered the following points:

- The nature of our work and the vulnerability of grant and donation funding flows.
- Quick response to emergencies where immediate relief is needed.
- Adequate working capital for our core costs.
- Cover for potential long term commitments relating to staff and leases.
- Funders' viability criteria.

Accordingly the Directors wish to achieve a target of unrestricted funds (which exclude Designated Funds Surpluses) representing at least 6 months operating expenditure, currently being £1,736,031 (2014: £1,015,660). Operating expenditure is defined as the total cost of generating funds, direct charitable expenditure, total expenditure on governance, foreign exchange losses and any allocation to Mercy Corps restricted funds. Current unrestricted funds of £1,972,482 (2014: 1,149,844) represents 7 months (2014: 7 months) operating expenditure.

Whilst unrestricted funds do meet the target, the Directors are mindful of current global economic conditions and instability. Consequently, they wish to adopt a prudent approach to reserves.

Financial Review

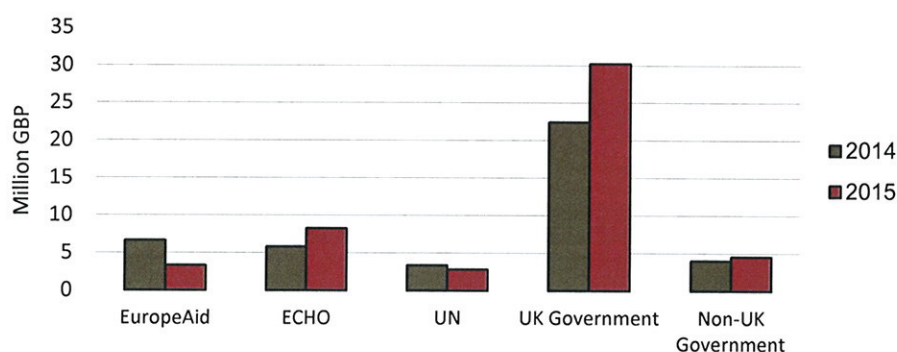
Income

Income reached £54m, its highest ever level and an increase of 15% on the previous year. This increase was driven largely by activity in the Middle East and from the Syria response in particular.

Income from institutional donors remains the main source of Mercy Corps Europe income. The funds generated and spent from these sources increased £6.89m from £42.17m in 2013-14 to £49.07m in 2014-15. In addition to grants in connection with the Syrian response, significant grants were also won for Afghanistan/Pakistan (£2.2m), Ethiopia (£3.1m), Kenya/Uganda (£4.6m), Liberia (£4.2m), Myanmar (£3.7m), South Sudan (£3.5m) and Uganda (£2.2m). The impact of these grants will be felt in future years as income is recognised. The average size of grants continues to rise.

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

Income from Institutional Donors 13-14 and 14-15



Institutional funding for the Syria response was £20.8m in the year (£14.1m in 2013-14). £15.1m of this funding was from DFID alone. European Commissions Humanitarian Aid and Civil Protection (ECHO) funding for Syria and all locations has also increased significantly from £5.7m in 2013-14 to £8.2m in 2014-15. As this funding has also been in relation to the Middle East, consequently, Mercy Corp Europe's funding in relation to the Middle East now represents £29.1m or 55% of total income.

Reflecting funding in relation to the Syria response, the resources received and deployed against the Disaster Risk Reduction and Emergency Response charitable activity remains at 40% of total charitable activities.

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

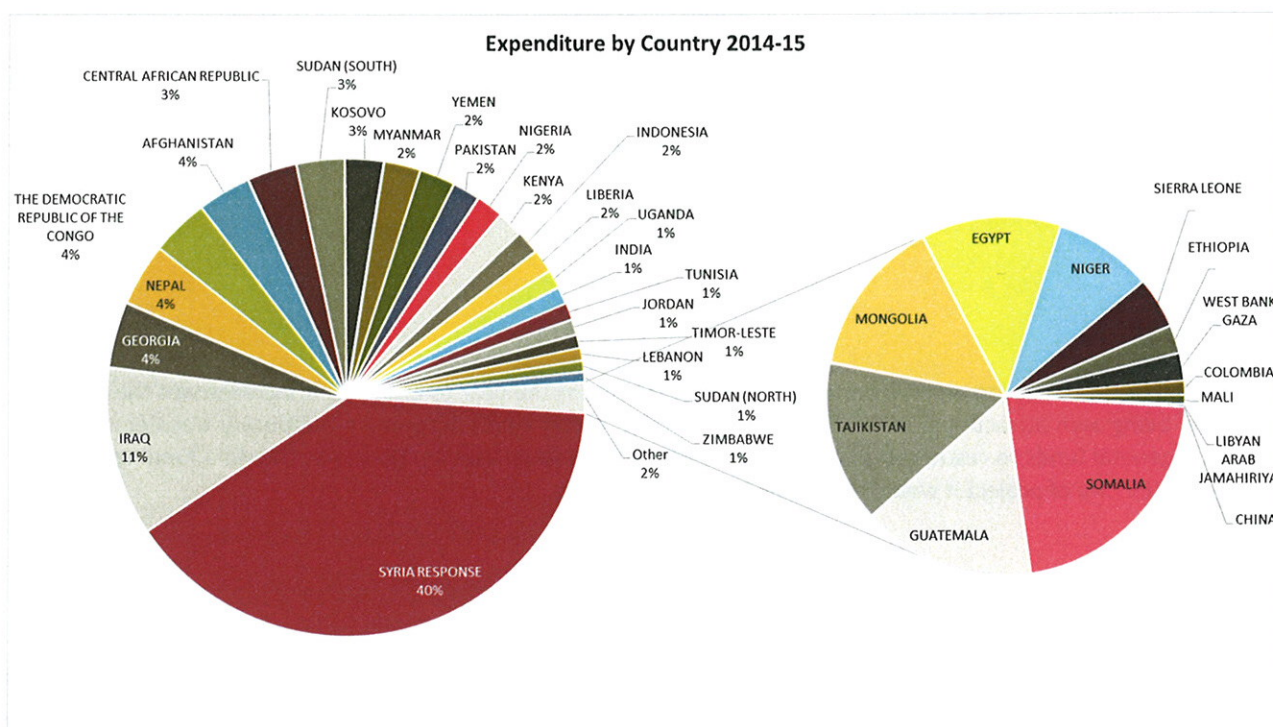
Approaching donors for restricted donations as co-finance for major projects yielded £1.47m (£1.03m in 2013-14). Due to the conditions attached to some donations, £606k has been treated as deferred income and will be released to the income and expenditure account in future years as projects spend out. Unrestricted voluntary income was down slightly on last year with funds of £448k (gross) being generated compared to £506k in 2013-14.

Interest rate levels meant that investment income continued to yield low returns at £37k.

Exchange issues again had a significant effect on the results. A net £362k loss arose from realised and unrealised foreign exchange, resulting in a final position on the foreign exchange designated fund of £1.39m (2014: £1.75m).

Expenditure

As in previous years, programme expenditure was analysed and the amount of expenditure allocated against the appropriate charitable activity. The chart below shows where funds were deployed by country (see note 2) with expenditure in Other being represented in the chart on the right. Mercy Corps Europe was active in 37 countries with Syria being the main recipient of income. Activities started in Sierra Leone.



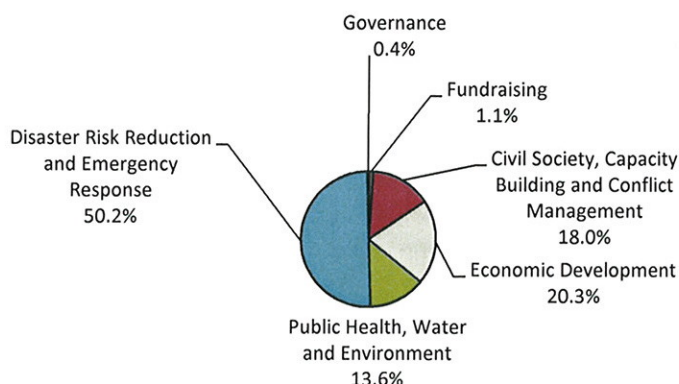
Consistent with the full cost recovery methodology, costs incurred at headquarters have been attributed as far as possible to the charitable activities which they support. Costs relating to governance activities have been removed and separately disclosed as required by the Statement of Recommended Practice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

Total headquarter support costs have increased by £646k (32%) on 2013-14. Executive costs reduced by £143k as the Executive Director position was held temporarily by a Board member for 6 months who incurred no costs. Staffing increased in Finance and Programmes and in addition technical support costs incurred in Mercy Corps in the US were charged for the first time (£200K). Fundraising costs increased in line with the donor acquisition strategy. Office Administration cost increased as the London Office was expanded.

Despite this increase in headquarter support costs and as can be seen from the chart below, 98% of spend can be attributed to charitable activities with projects contributing to our areas of strategic focus. As in previous years, costs are however held in and paid by Mercy Corps Global which are necessary to running projects in Europe. As reported last year methods to effectively identify and measure these costs with a view to Mercy Corps Global recharging Mercy Corps Europe are still under consideration.

Governance costs are associated with the general costs of running the charity and include audit, legal fees in connection with governance advice, indemnity insurance and the reimbursed travel expenses of attendees.

Charitable Expenditure 2014-15



The potential co-financing gap on projects increased by £455k during the year to £615k. This increase was the result of new grants being won attracting a co-financing obligation. As in last year's accounts a temporary transfer has been made from general funds to restricted projects to illustrate this potential liability. However, should a funding shortfall crystallise at the end of project it would be met by Mercy Corps (US).

Balance Sheet

Fixed assets net book value decreased as depreciation costs were higher than additions during the year.

The cash position at year end showed an increase of £2.0m on the previous year. This was due mainly to the timing of up front instalments of programme monies; however payments to the field are settled one month in arrears. These payment terms impact on the Mercy Corps intercompany balance (see note 10) which was £6.9m at the end of 2014-15 an 86% increase on last year. Deferred income (note 10) reflects the extent of payments received up front £9.5m. The bulk of the cash funds continue to be restricted and no investment activity other than bank deposits is permitted for these funds. In most cases, the interest earned on these funds must be attributed to the relevant programme so opportunities to invest surplus cash are limited at present.

Many donors withhold final payments on grants pending satisfactory evidence of financial and programmatic delivery. As Mercy Corps Europe's growth continues, the cash flow impact of these increases. The amount owed from donors was £5.9m at the end of 2014-15 – a 67% increase on last year. The general backdrop remains - a growth in the number of grants being won but also the growing trend by European donors towards payment in arrears and applying a final withholding payment. In light of these constraints, Mercy Corps Europe continues to investigate options with its bankers to ease the cash flow pressures. In the meantime cash flow is being supported by Mercy Corps US.

The unrestricted general reserves position (detailed in note 12), has increased during the year by £0.5m despite the exchange rate loss. This year the support we received from the global agency, predominately from the US Headquarters, has been partially recognised in the accounts based on costs of £200K, however this was capped until the implications of full-charging are fully investigated and understood.

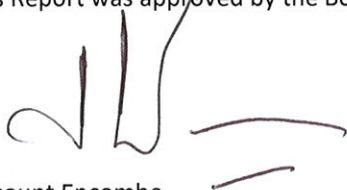
The dilapidations reserve continues to be augmented at the rate of £12k per year. The foreign exchange reserves have decreased to £1.4m - of this £5.2m relates to net unrealised gains and £3.8m to net realised losses. There were heavy realised losses this year due to having to sell Euro and Pounds to Dollars to settle inter-company creditors at rates 10% lower than when the debt was incurred. It should be noted that the impact of unrealised gains and losses is out with the control of Mercy Corps Europe and arises from the exchange rate valuation of the balance sheet at the year end. Moving monies from donor currency into functional currency would lead to realised exchange exposure so current Mercy Corps Europe policy is to naturally hedge by keeping funds in donor currency until the last possible moment.

Restricted reserves have increased due to appeal monies raised for the Nepal earthquake during the year being allocated against longer term recovery projects. Consequently, these sums have been held until they are allocated against expenditure.

The unrestricted reserves position, referred to previously, covers operating costs for 7 months – as is required by our reserves policy. The designated funds created last year remain intact with the exception of the co-financing gap fund which has reduced by £25K as funds were applied from it to support projects with a co-financing gap as intended.

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

This Report was approved by the Board of Directors on 19 November 2015 and signed on their behalf by:

A handwritten signature in dark ink, appearing to be "Viscount Encombe", written over a horizontal line.

Viscount Encombe
Director [*Chairman*]

Independent Auditors' Report to the Trustees of Mercy Corps Europe

We have audited the financial statements of Mercy Corps Europe for the year ended 30 June 2015 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

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

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 30 June 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



James Davidson (Senior Statutory Auditor)

For and on behalf of Henderson Loggie Statutory Auditors

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

Edinburgh, 19 November 2015

Mercy Corps Europe - Registered Company SC208829

Financial Statements

Statement of Financial Activities and Income and Expenditure Account for the year ending 30 June 2015

	Note	Unrestricted Funds £	Restricted Grants £	Restricted Donations £	Total 2015 £	Total 2014 £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary Income	2	448,568	-	863,998	1,312,566	828,763
Investment Income		37,645	-	-	37,645	26,466
Other Income		856	11,643	-	12,499	11,819
Incoming resources from charitable activities						
Civil Society, Education and Conflict Management	2	494,662	7,239,728	-	7,734,390	8,380,417
Economic Development	2	633,239	9,990,071	-	10,623,310	10,685,733
Public Health, Water and Environment	2	467,835	6,754,536	-	7,222,371	8,347,174
Disaster Risk Reduction and Emergency Response	2	1,770,932	25,352,488	-	27,123,420	18,429,139
Gains on Exchange		-	-	-	-	306,361
Total incoming resources		3,853,737	49,348,466	863,998	54,066,201	47,015,872
RESOURCES EXPENDED						
Costs of generating voluntary income	4	388,217	-	170,263	558,480	304,453
Resources expended on charitable activities						
Civil Society, Education and Conflict Management	4	305,403	7,359,351	-	7,664,754	8,199,802
Economic Development	4	426,107	10,268,000	-	10,694,107	10,565,826
Public Health, Water and Environment	4	285,190	6,872,280	-	7,157,470	8,064,145
Disaster Risk Reduction and Emergency Response	4	1,054,732	25,416,112	-	26,470,844	17,951,515
Governance	5	217,785	-	-	217,785	161,512
Other outgoing resources						
Loss on exchange		362,078	-	17,591	379,669	1,994
Total resources expended		3,039,512	49,915,743	187,854	53,143,109	45,249,247
Net incoming/(outgoing) resources before transfers		814,225	(567,277)	676,144	923,092	1,766,625
Unrestricted Funds from Restricted Donations	12,13	89,152	-	(89,152)	-	-
Unrestricted Funds to Restricted Grants	12,13	(455,385)	455,385	-	-	-
Restricted Donations to Restricted Grants	13	-	111,892	(111,892)	-	-
Total incoming/(outgoing) resources after transfers		447,992	-	475,100	923,092	1,766,625
Balances brought forward at 1 July 2014		5,071,201	-	195,753	5,266,954	3,500,329
Balances carried forward at 30 June 2015		5,519,193	-	670,853	6,190,046	5,266,954

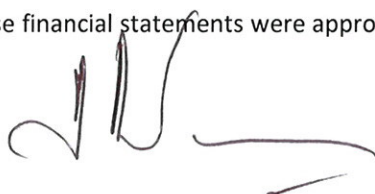
The charity has no recognised gains and losses other than the results for the year as set out above. All of the activities of the charity are classified as continuing. The notes on pages 31 to 47 form part of these financial statements.

Mercy Corps Europe - Registered Company SC208829
Balance Sheet as at 30 June 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	7	14,735	20,080
CURRENT ASSETS			
Debtors	8	6,328,858	3,713,246
Cash at bank and in hand	9	17,302,296	15,331,442
		<u>23,631,154</u>	<u>19,044,688</u>
CREDITORS: amounts falling due within one year	10	<u>(17,455,843)</u>	<u>(13,797,814)</u>
NET CURRENT ASSETS		6,175,311	5,246,874
NET ASSETS		<u>6,190,046</u>	<u>5,266,954</u>
FUNDS			
Restricted	13	670,853	195,753
Designated	12	3,546,711	3,921,357
Unrestricted	12	1,972,482	1,149,844
		<u>6,190,046</u>	<u>5,266,954</u>

The notes on pages 31 to 47 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 November 2015 and signed on their behalf by:



Viscount Encombe
Director [Chairman]

Mercy Corps Europe – Registered Company SC208829

Cash Flow Statement for the year ended 30 June 2015

		2015	2014
	Note	£	£
Net Cash Inflow from Operating Activities	19	1,938,603	2,542,802
Returns on Investments and Servicing of Finance			
Interest (paid) / received		37,645	26,466
Net cash inflow from returns on investments and servicing of finance		1,976,248	2,569,268
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		(5,394)	-
Net cash outflow from capital expenditure		(5,394)	-
Increase in Cash	20	1,970,854	2,569,268

The notes on pages 31 to 47 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice – Accounting and Reporting by Charities 2005 (SoRP).

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

Fund accounting

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

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

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

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

Incoming resources

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

Restricted income

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

Revenue donations

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

Incoming resources from charitable activities

This comprises grants and contracts. Many projects are funded on the basis of claims made for actual expenditure incurred and are subject to post-project operational and financial reports. There remains the probability that certain expenditure may be disallowed and all income may not be spent.

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

In such circumstances advance receipts are credited to deferred income until matched against actual expenditure. The donors have the right to repayment of disallowed expenditure and/or unused funds. Consequently such income remains deferred until used or repaid, rather than being treated as unspent funds.

Interest receivable

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

Analysis of expenditure

Wherever possible, expenses are attributed to the cost of generating voluntary income, governance or to the charitable activities directly. Where this is not possible, they are apportioned among the functions to which they relate on the basis of time allocation.

Pensions

The company operated two defined contribution pension schemes during the year, one of which has been closed to new entrants.

The assets of both are held separately from those of the company. Contributions are charged to the income and expenditure account and the statement of financial activities in the period in which they are incurred.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease.

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against the income and expenditure account as incurred.

Fixed assets

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

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

Depreciation

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

Equipment	25% straight line
Computers	33% straight line

Overseas Operations/Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date with all foreign currency transactions for the year being translated at the official EC monthly rate. The exchange difference resulting from the restatement of the opening reserves denominated in foreign currencies, as at 30 June 2015, has been taken to the appropriate reserves.

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

Taxation status

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

Value Added Tax

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

2. Incoming resources

Voluntary income

	Unrestricted		Restricted		Totals	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Donations in cash	433,068	505,643	863,998	323,120	1,297,066	828,763
Donations in kind	15,500	-	-	-	15,500	-
	<u>448,568</u>	<u>505,643</u>	<u>863,998</u>	<u>312,120</u>	<u>1,312,566</u>	<u>828,763</u>

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. Donations in kind represented pro bono support given in connection with the development of the digital content strategy.

Incoming resources from charitable activities

By charitable activity	2015	2014
	£	£
Civil Society, Education and Conflict Management	7,734,390	8,380,417
Economic Development	10,623,310	10,685,733
Public Health, Water and Environment	7,222,371	8,347,174
Disaster Risk Reduction and Emergency Response	<u>27,123,420</u>	<u>18,429,139</u>
Total	<u>52,703,491</u>	<u>45,842,463</u>

Incoming resources from charitable activities

Note – definitions of acronyms reported in the following section are explained in full on page 48

		2015 £	2014 £
European Commission	European Commission	3,294,555	6,629,519
	ECHO	8,239,940	5,797,282
		<u>11,534,495</u>	<u>12,426,801</u>
United Nations	CHF	238,678	72,422
	UNDP	1,235,852	2,176,818
	UNICEF	164,992	10,497
	UNOPS	1,144,560	1,086,309
		<u>2,784,082</u>	<u>3,346,046</u>
UK Government	British Council	332,605	395,248
	DFID	25,740,278	18,438,605
	FCO	3,956,995	3,472,024
	Scottish Government	172,366	124,048
		<u>30,202,244</u>	<u>22,429,925</u>
Non-UK Government	Faroe Islands, Ministry of Foreign Affairs	-	13,261
	French Government (AFD)	291,914	341,616
	German Government (GIZ)	-	256,838
	Irish Aid (DCI)	157,802	-
	Japanese Government	-	655
	Jersey Government (JOAC)	1,031	28,862
	Kosovo Ministry of Communities and Returns (MCR)	28,362	4,871
	Ministry of Foreign Affairs of Denmark	1,509	-
	Norwegian Agency for Development (NORAD)	401,475	129,864
	Oceania – Governments for Sustainability (ICLEI)	-	794
	Royal Netherlands Embassy	143,349	18,282
	Swedish International Development Agency (SIDA)	1,064,338	994,198
	Swiss Agency for Development and Co-operation (SDC)	2,461,130	2,183,530
		<u>4,550,910</u>	<u>3,972,771</u>
Other	ACF	55,173	-
	Aga Khan Foundation	1,025,337	1,499,624
	Artemis	-	9,430
	Adam Smith International	133,602	251,583
	Bavaria	-	2,860
	CARE	(7,615)	22,546
	Cherie Blair Foundation	9,515	100,164
	Cofra	523,102	233,813
	The Economist Trust	1,442	8,130
	Farm Africa	27,933	55,712
	Futures Group Europe Limited (GRM)	207,413	43,941
	Integrity	-	16,420
	International Relief and Development (IRD)	9,153	34,827
	KMT	400,331	162,561
	NIRAS	127,981	127,073
	Practical Action	(30,991)	291,488
	Private	12,606	36,261
	REEEP	3,527	90,974
	ROTA	-	132,284
	Salama Foundation	650,144	2,635
	Shell	28,973	45,519
	Silatech	53,317	9,916
	Swedish University of Agriculture (SLU)	8	6,330
	Swisscontact	9,675	2,297
	Technical Centre for Agriculture and Rural Cooperation	12,517	-
	Twinings	17,186	36,181
	Urgent Action Fund for Africa	3,033	-
	Vitol	178,385	233,579
	World Vision	19,759	-
	Welt Hunger Hilfe	160,254	210,772
		<u>3,631,760</u>	<u>3,666,920</u>
	Total	52,703,491	45,842,463

Incoming resources from charitable activities – continued

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

Country	Donor	2015 £	2014 £
Afghanistan	Aga Khan Foundation	1,025,337	1,499,624
	British Council	98,564	16,478
	DFID	744,971	1,763,689
	EuropeAid	39,196	954,324
		1,908,068	4,234,115
Central African Republic	DFID	1,183,324	252,017
	The Economist Trust	1,441	8,130
	ECHO	413,171	-
	EuropeAid	159,066	337,116
	Urgent Action Fund for Africa	3,033	-
		1,760,035	597,263
China	EuropeAid	8	107,360
		8	107,360
Colombia	Bavaria	-	2,860
	EuropeAid	13,840	70,980
	ECHO	-	288,389
		13,840	362,229
Democratic Republic of Congo	DFID	2,075,216	1,156,819
	EuropeAid	(28,429)	478,113
	Vitol	11,757	76,083
		2,058,544	1,711,015
Egypt	Care	(7,615)	22,546
	DFID	146,820	266,037
		139,205	288,583
Ethiopia	DFID	-	101,398
	Farm Africa	27,933	55,712
	Royal Netherlands Embassy	-	18,282
		27,933	175,392
Timor Leste	EuropeAid	54,520	317,190
	Faroe Islands, Ministry of Foreign Affairs	-	13,261
	Norwegian Agency for Development (NORAD)	401,475	129,864
	Shell	28,973	45,519
		484,968	505,834
Georgia	EuropeAid	602,233	616,358
	NIRAS	127,981	127,073
	Swiss Agency for Development and Cooperation	1,621,466	1,553,329
		2,351,680	2,296,760

Guatemala	ACF	55,173	-
	EuropeAid	117,067	272,446
	ECHO	-	154,704
		172,240	427,150
Indonesia	Cherie Blair Foundation	9,515	100,164
	Cofra	523,102	221,220
	EuropeAid	125,455	395,295
	Oceania – Governments for Sustainability	-	794
	REEEP	3,527	90,974
	Swiss Agency for Development and Cooperation	190,663	177,063
		852,262	985,510
India	ECHO	620,729	207,822
	Scottish Government	-	2,003
	Twinings	17,186	36,181
	Private	(12,563)	937
		625,352	246,943
Iraq	DFID	1,723,251	102,167
	ECHO	3,872,908	5,518
	FCO	290,497	454,237
	Irish Aid	157,802	
		6,044,458	561,922
Jordan	ECHO	-	2,429,121
	DFID	405,886	-
	Dutch Embassy	143,349	-
	FCO	-	1,731,519
	Swedish University of Agriculture	8	6,330
		549,243	4,166,970
Kenya	DFID	432,714	112,060
	EuropeAid	90,217	-
	Futures Group Europe Limited (GRM)	9,931	-
	KMT	400,330	162,561
		933,192	274,621
Kosovo	ECHO	975,326	-
	EuropeAid	374,257	821,896
	Jersey Government	1,031	28,862
	Kosovo Ministry of Communities and Returns	28,362	4,871
		1,378,976	855,629
Lebanon	Artemis	-	9,430
	Denmark Ministry of Foreign Affairs	1,509	-
	DFID	(28,873)	355,213
	EuropeAid	482,783	156,949
	ECHO	-	353,048
	FCO	-	408,803
		455,419	1,283,443

Liberia	Adam Smith International	87,619	139,022
	EuropeAid	6	-
	SIDA	753,348	994,198
		840,973	1,133,220
Libya	DFID	-	311,754
	EuropeAid	2,768	888,367
		2,768	1,200,121
Mali	IRD	9,153	34,827
		9,153	34,827
Mongolia	Swiss Development Corporation	157,207	216,672
		157,207	216,672
Myanmar	DFID	41,879	-
	EuropeAid	89,361	60,361
	UNOPS	1,144,560	1,086,309
	Swisscontact	48	2,297
	Vitol	37,490	12,776
		1,313,338	1,161,743
Nepal	Adam Smith International	45,983	112,561
	DFID	1,951,473	953,151
	EuropeAid	271,076	348,692
	Practical Action	(30,991)	291,488
	ROTA	-	132,284
		2,237,541	1,838,176
Niger	Cofra	-	12,593
	Vitol	98,055	352
		98,055	12,945
Nigeria	DFID	977,335	541,884
		977,335	541,884
West Bank Gaza	EuropeAid	(3,562)	111,101
	Vitol	31,084	49,650
		27,522	160,751
Pakistan	British Council	234,041	378,770
	EuropeAid	254,486	153,933
	FCO	145,663	157,520
	Futures Group Europe Limited (GRM)	186,494	43,941
	Scottish Government	172,366	122,045
		993,050	856,209
Sierra Leone	DFID	50,747	-
		50,747	-
Somalia	FCO	3	122,391
	UNCHF	238,678	72,422
	UNDP	6	158,586
		238,687	353,399

South Sudan	DFID	864,605	-
	ECHO	-	559,956
	Private	25,169	35,324
	UNDP	844,080	1,127,068
		1,733,854	1,722,348
Sudan	EuropeAid	1,272	94,285
	UNDP	391,766	891,164
		393,038	985,449
Syria Response	DFID	15,154,155	12,468,103
	ECHO	2,357,806	1,660,867
	EuropeAid	237,088	-
	FCO	3,071,356	-
	Integrity	-	16,420
		20,820,405	14,145,390
Tajikistan	German Government	-	256,838
	Welt Hunger Hilfe	160,254	46,323
		160,254	303,161
Tunisia	AFD	291,914	341,616
	FCO	255,851	294,782
	Silatech	53,317	9,916
	Swiss Contact	9,627	-
		610,709	646,314
Uganda	DFID	16,774	54,313
	EuropeAid	(30,258)	280,035
	Swiss Development Corporation	337,665	87,865
	SIDA	310,990	-
	Technical Centre for Agriculture	12,517	-
	Vitol	-	94,718
		647,688	516,931
Yemen	ECHO	-	137,857
	EuropeAid	436,650	164,718
	FCO	193,625	302,772
	Salama Foundation	650,144	2,635
	SDC	-	1,787
		1,280,419	609,769
Zimbabwe	EuropeAid	5,457	-
	Futures Group Europe Limited (GRM)	10,988	-
	Japanese Embassy	-	655
	Swiss Agency for Development	154,129	146,814
	UNICEF	164,992	10,497
	Wealth Hunger Life	-	164,449
	World Vision	19,759	-
		355,325	322,415
Total		52,703,491	45,842,463

3. Employee staff numbers and costs

	2015	2014
The average monthly number of staff employed by the charity was:	83	63

The above figures do not include staff seconded to the charity from Mercy Corps.

	2015 £	2014 £
Wages and salaries:		
Employed by the charity	3,365,811	2,528,876
(Less seconded to Mercy Corps)	(1,283,334)	(845,577)
Field staff seconded from Mercy Corps	8,135,577	7,575,910
	<u>10,218,054</u>	<u>9,259,209</u>
Social security		
Employed by the charity	210,041	149,472
(Less seconded to Mercy Corps)	(55,401)	(23,046)
Field staff seconded from Mercy Corps	3,168,486	2,816,564
	<u>3,323,126</u>	<u>2,942,990</u>
Pension costs		
Employed by the charity	130,995	103,047
(Less seconded to Mercy Corps)	(51,080)	(37,692)
Field staff seconded from Mercy Corps	-	-
	<u>79,915</u>	<u>65,355</u>
	13,621,095	12,267,554

Twelve employees (2014: nine) received remuneration in excess of £60,000, six (2014: two) in the band between £60,000 and £70,000, two (2014: five) in the band £70,000 to £80,000, three (2014: two) in the band £80,000 to £90,000 and one (2014: none) in the band £90,000 to £100,000. Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £47,581 (2014: £29,620).

All pension costs relate to the two pension schemes operated during the year, one of which is a defined contribution scheme and is closed to new members, the other of which was a defined contribution scheme (see note 16 for further disclosure). June 2015 contributions of £17,818 (2014: £15,025) were outstanding at the year end.

None of the Board of Directors received any remuneration, though two were remunerated by Mercy Corps Ltd, a US charity and related party (see note 15). Expenditure of £9,805 (2014: £9,350) relating to the directors was made during the year, either by the reimbursement of business expenses or payments to suppliers.

The Charity has third party indemnity insurance on behalf of the directors.

4. HQ support costs allocation – Unrestricted Funds

HQ support costs of £2.6M (2014: £2.0M) comprising Executive, Finance, Programmes, Fundraising, Governance, IT, Human Resources and Office Administration are allocated to the Statement of Financial Activities and Income and Expenditure account as per the following tables.

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

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

Stage 1	2013/14 Costs	2014/15 Costs	Allocate Office Admin	Allocate IT	Allocate HR	Allocate to Governance	Remove costs of generating voluntary income and governance	To be allocated In stage 2
	£	£	£	£	£	£	£	£
Executive	239,165	96,456	12,063	3,166	11,242	(8,087)	-	114,840
Finance	436,115	576,177	78,413	20,577	73,076	(49,226)	-	699,017
Programmes	482,448	813,195	78,413	20,578	73,076	(64,821)	-	920,441
Fundraising	469,861	670,547	48,254	12,663	44,968	(51,081)	(388,217)	337,134
Human Resources	148,047	187,133	12,063	3,166	(202,362)	-	-	-
Governance	29,835	44,570	-	-	-	173,215	(217,785)	-
Office Administration	177,202	229,206	(229,206)	-	-	-	-	-
IT	48,646	60,150	-	(60,150)	-	-	-	-
Totals	2,031,319	2,677,434	-	-	-	-	(606,002)	2,071,432

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

Stage 2	Executive £	Finance £	Programmes £	Fundraising £	2015 £	2014 £
Civil Society, Education and Conflict Management	16,932	103,060	135,705	49,706	305,403	290,230
Economic Development	23,623	143,793	189,342	69,349	426,107	373,975
Public Health, Water and Environment	15,811	96,239	126,724	46,416	285,190	285,429
Disaster Risk Reduction and Emergency Response	58,474	355,925	468,670	171,663	1,054,732	635,390
	114,840	699,017	920,441	337,134	2,071,432	1,585,024

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

5. Governance costs

	2015 £	2014 £
External Audit	16,608	15,912
Trustees' indemnity insurance	1,386	1,696
Trustees' expenses	9,805	9,350
Board costs	16,771	2,877
Apportionment of senior staff costs (based on time spent)	173,215	131,677
	<u>217,785</u>	<u>161,512</u>

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

	2015 £	2014 £
Depreciation	10,739	10,625
Operating lease rentals – land and buildings	101,283	94,227
Operating lease rentals – other	4,532	3,197
Auditors' remuneration – in respect of the audit	16,608	15,912
– in respect of programme audits	5,400	1,800

7. Tangible Fixed Assets

	Computers £	Equipment £	Total £
Cost			
At 1 July 2014	167,833	9,287	177,120
Additions	-	5,394	5,394
Disposals	(1,524)	-	(1,524)
At 30 June 2015	<u>166,309</u>	<u>14,681</u>	<u>180,990</u>
Depreciation			
At 1 July 2014	147,753	9,287	157,040
Charge	10,626	113	10,739
Disposals	(1,524)	-	(1,524)
At 30 June 2015	<u>156,855</u>	<u>9,400</u>	<u>166,255</u>
Net Book Value at 30 June 2015	<u>9,454</u>	<u>5,281</u>	<u>14,735</u>
Net Book Value at 30 June 2014	<u>20,080</u>	<u>-</u>	<u>20,080</u>

8. Debtors

	2015	2014
	£	£
Income tax recoverable	11,000	1,476
Other debtors	347,180	157,313
Prepayments	81,067	35,447
Accrued project income	5,889,611	3,519,010
	<u>6,328,858</u>	<u>3,713,246</u>

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 2015.

9. Cash at Bank and in Hand

	2015	2014
	£	£
Bank accounts	17,298,968	15,330,872
Cash in hand	3,328	570
	<u>17,302,296</u>	<u>15,331,442</u>

10. Creditors: amounts falling due within one year

	2015	2014
	£	£
Deferred income	9,529,731	9,243,242
Mercy Corps Intercompany balance	6,906,546	3,732,146
Accruals	23,506	18,099
Taxation and social security	57,582	45,627
Other creditors	938,478	758,700
	<u>17,455,843</u>	<u>13,797,814</u>

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

	£
At 1 July 2014	9,243,242
Transfer from accrued project income	(3,519,010)
Currency	(31,500)
Grant funds received in year	50,716,539
Grant funds spent during year	(52,769,151)
Transfer to accrued project income	5,889,611
At 30 June 2015	<u>9,529,731</u>

11. Operating lease commitments

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

	Land and Buildings £	Other £	2015 £	2014 £
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	75,300	3,163	78,463	76,092
Over 5 years	-	-	-	-
	<u>75,300</u>	<u>3,163</u>	<u>78,463</u>	<u>76,092</u>

12. Unrestricted funds

	Balance at 1 July 2014 £	Incoming resources £	Resources expended £	Transfers (Out) / In £	Balance at 30 June 2015 £
General Funds					
Unrestricted Reserve	<u>1,149,844</u>	<u>3,853,737</u>	<u>(2,677,434)</u>	<u>(353,665)</u>	<u>1,972,482</u>
Designated Funds					
Dilapidations	66,000	-	-	12,000	78,000
Foreign Exchange	1,755,357	-	(362,078)	-	1,393,279
European Platform	450,000	-	-	-	450,000
Co-financing	150,000	-	-	(24,568)	125,432
New Modalities	1,500,000	-	-	-	1,500,000
	<u>3,921,357</u>	<u>-</u>	<u>(362,078)</u>	<u>(12,568)</u>	<u>3,546,711</u>
	<u>5,071,201</u>	<u>3,853,737</u>	<u>(3,039,512)</u>	<u>(366,233)</u>	<u>5,519,193</u>

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

Transfer out of general funds of £353,665 comprises programme expenditure covered temporarily from general funds in lieu of co-financing of (£432,551), an increase in dilapidations fund of (£12,000), a transfer from restricted funds, in relation to an appeal where emergency needs had been met, of £89,152 and a transfer from a designated fund in £1,734.

The transfer out of designated funds £24,568 was to support a project with a co-financing gap.

13. Restricted Funds

	Balance at 1 July 2014 £	Incoming resources £	Resources expended £	Transfers In / (out) £	Balance at 30 June 2015 £
Grants	-	49,348,466	(49,915,743)	567,277	-
Donations	195,753	863,998	(187,854)	(201,044)	670,853
	<u>195,753</u>	<u>50,212,464</u>	<u>(50,103,597)</u>	<u>366,233</u>	<u>670,853</u>

Transfer in to Restricted Grants of £567,277 comprises restricted donations used to cover programmatic expenditure of £111,892 and programme expenditure covered temporarily from unrestricted reserves in lieu of co-financing of £455,385.

The net transfer out of Restricted Donations of £201,044 comprises restricted donations used to cover programmatic expenditure of £111,892 and a transfer to unrestricted funds in relation to an appeal which could not be utilised in the manner originally intended of £89,152.

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

Nature of restriction	Balance at 30 June 2015 £
<u>By country</u>	
India	10,915
Liberia	12,711
<u>To fund specific projects</u>	
Nepal Earthquake Emergency	385,066
<u>To Co-finance EC projects</u>	
Central African Republic -1	12,673
Central African Republic - 2	37,195
Lebanon	33,749
Nepal	131,751
<u>Other</u>	
Simon Scott Memorial Fund	15,758
Other funds (under £10,000)	31,035
	<u>670,853</u>

14. Analysis of Net Assets between Restricted and Unrestricted Funds

	Unrestricted Funds £	Restricted Funds £	Total 2015 £	Total 2014 £
Tangible fixed assets	14,735	-	14,735	20,080
Other net assets	5,504,458	670,853	6,175,311	5,246,874
	<u>5,519,193</u>	<u>670,853</u>	<u>6,190,046</u>	<u>5,266,954</u>

15. Related party transactions

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

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

Jock Encombe

Chairman of Mercy Corps Europe

Neal Keny-Guyer

Chief Executive Officer of Mercy Corps

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

Mercy Corps Europe and Mercy Corps work closely together under a Memorandum of Understanding. In some instances both organisations will pool administrative and technical resources for the benefit of their respective projects. In such cases a re-charge of the actual costs incurred will be made between Mercy Corps Europe and Mercy Corps. During the year the following transactions arose:

Expenditure on behalf of Mercy Corps by Mercy Corps Europe: £1,679,889; (2014: £1,012,793)

Expenditure on behalf of Mercy Corps Europe by Mercy Corps: £275,611; (2014: £315,866)

At the year-end the related party creditors were £6,906,546; (2014: £3,732,146)

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

16. Pensions

The company operated two defined contribution pension schemes on behalf of its staff. Both funds are held separately from the company, with one being closed to new members.

17. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2015 (2014 none).

18. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2015.

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

	2015	2014
	£	£
Operating surplus	923,092	1,766,625
Income from investments	(37,645)	(26,466)
Depreciation	10,739	10,625
(Increase) / Decrease in Debtors	(2,615,612)	551,471
Increase in Creditors	3,658,029	240,547
Net cash inflow from operating activities	1,938,603	2,542,802

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

	2015	2014
	£	£
Increase in cash held in the period	1,970,854	2,569,268
Net funds at 1 July	15,331,442	12,762,174
Net funds at 30 June	17,302,296	15,331,442

21. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2014 to 30 June 2015. We certify that each of the DFID grants below were expended in accordance with the terms agreed with DFID.

Country	Cost Centre	Reference	Instalments received/ (returned)	Expended during the financial year
			£	£
Afghanistan	90850	PO40041531	403,806	433,967
Nepal	90901	GPAF-IMP-002	(313)	-
Democratic Republic of Congo	90907	GPAF-IMP-007	17,936	28,530
Central African Republic	90908	GPAF-IMP-018	(28,031)	11,375
Egypt	90948	PO40061651	91,888	146,862
Afghanistan	90949	PO40061861	251,964	311,003
Nigeria	90958	PO40063564	790,965	938,407
Libya	90964	PO40064177	(64,269)	-
Syria Response	90997,90998,91040,91041	PO40071567	454,774	868,909
Syria Response	91060,91061,91063	PO40085092	13,739,399	14,281,418
Nepal	91000	PO40076514	1,091,510	1,246,245
Nepal	91001	6616	347,854	386,028
Democratic Republic of Congo	91006, 91071,91083	203445-109	132,402	2,046,687
Kenya/Uganda	91026,91027	PO40080093	(49,292)	48,489
Central African Republic	91043	PO40081743	611,716	1,171,949
Nigeria	91045	PO40080984	47,461	38,928
Iraq	91070	PO40085046	1,600,000	1,698,206
South Sudan	91078	PO40087173	842,060	864,605
Myanmar	91088	951401/082015	99,194	41,879
Kenya	91090	B16	384,000	400,999
Sierra Leone	91096	203719-103	-	50,747
Jordan	91099	PO40091849	443,991	405,886
Nepal	91100	PO40092620	549,293	319,120

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

Projects implemented on behalf of FCO during period from 1 July 2014 to 30 June 2015. We certify that each of the FCO grants below were expended in accordance with the terms agreed with FCO.

Country	Cost Centre	Reference	Instalments received £	Expended during the financial year £
Tunisia	90944	PO40060790	244,815	255,851
Jordan	90974	PO120236112	2,969,391	2,519,113
Iraq	90996	PO120237004	230,722	290,497
Yemen	91004	PO120216889	290,516	193,625
Pakistan	91011	Engaging Youth	165,777	145,663
Somalia	91025	Religious Leaders	12,609	3
Lebanon	91054	PO120236363	560,000	552,243

23. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2014 to 30 June 2015. We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

Country	Cost Centre	Reference	Instalments received/(returned) £	Expended during the financial year £
Pakistan	90993	RAF/FIN/GRANTEE/MC/2013/57	(32,655)	-
Pakistan	91021	RAF/FIN/MC/2014/60	148,572	211,234
Afghanistan	91032	-	81,338	110,165

24. Adam Smith International Limited – Schedule to Financial Statements

Projects implemented on behalf of Adam Smith International Limited during the period from 1 July 2014 to 30 June 2015. We certify that each of the Adam Smith International Limited grants below were expended in accordance with the terms agreed with Adam Smith International Limited.

Country	Cost Centre	Reference	Instalments received £	Expended during the financial year £
Nepal	90959	-	9,321	45,983
Liberia	90999	6722	83,986	87,619

25. Ultimate Controlling Party

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

Our Supporters

The work of Mercy Corps would not be possible without the support of our many donors, both private and public. We would like to take this opportunity to thank all those listed below, all those who participated in events on behalf of Mercy Corps and those that supported them. Thank you also to our donors who wish to remain anonymous.

Corporate

BAE Systems Applied Intelligence
CIPR Fifth Estate
Goldman Sachs International
Hunter Real Estate Investment Managers
Ingleby Gallery
Kelvin Top-Set Ltd
Maersk
Silatech
Taylor Wimpey UK Limited
The Greetings Card Company Ltd
The Wood Group PSN
Twinings
V8 International
Warner Bros. Entertainment UK
A T Kearney FZ LLC

Grants and Funders

Action Contra La Faim (ACF)
Adam Smith International
Aga Khan Foundation
Agence Française de Développement (AFD)
British Council
Danish Government Overseas Aid (DANIDA)
Department for International Development (DFID)
European Commission (EC)
European Community Humanitarian Organization (ECHO)
Foreign & Commonwealth Office (FCO)
Government of the Netherlands
Irish Aid
Jersey Overseas Aid (JOAC)
Kenya Markets Trust (KMT)
Ministry for Communities and Return (MCR) Kosovo
Oceania – Governments for Sustainability (ICLEI)
Practical Action
Royal Norwegian Embassy in Timor Leste
Reach Out to Asia (ROTA)
Regional Environmental Education Programme (REEP)
Scottish Government
Swedish Agency for International Development Cooperation (SIDA)
Swiss Agency for Development and Cooperation (SDC)
Swisscontact
Technical Centre for Agricultural and Rural Cooperation
United Nations Children's Fund (UNICEF)
United Nations (UN)
United Nations Common Humanitarian Fund (CHF)
Food and Agriculture Organization (FAO)
United Nations (UNDP) - Darfur Community Peace and Stability Fund
United Nations Office for Project Services (UNOPS)
World Vision International

Organisations

All Saints Church
Allan and Nesta Ferguson Charitable Trust
Argyll & Bute SWRI
Artemis Charitable Foundation
Broughton Team Ministry
Buckstone Primary School
Carrick Knowe Primary School
Christ Church, Morningside
Cloisters Bar
Corstorphine Primary School
Craigour Park Primary
Cramond Primary School
Currie Community High School
Davidson's Mains Primary School
Douglas Smith 1998 Charitable Trust
Dumfries High School
East Craigs Primary School
Echline Primary School
Edinburgh University Student Group
Eldon Charitable Trust
Episcopal Churches of St. James and St. Anne's
Flora Stevenson Primary School
Fodderty & Strathpeffer Parish Church
Gilmerton Primary School
Holy Rood RC High School
Inner Wheel Club of Kettering
Juniper Green Primary School
Just Festival
Kirkliston Primary School
Leith Academy
Lion Walk United Reformed Church
Lord Rosebery Charitable Settlement
Martin Currie Charitable Foundation
Mazars Charitable Trust
Mrs N H Spurway Charitable Trust
Niddrie Mill Primary School
Pentland Primary School
Pitlochry Station Charity Bookshop
Prestonfield Primary School
Prospect Bank School
Roseburn Primary School
The Salama Foundation
Sciennes Primary School
South Morningside Primary School
St Andrew's Trinity Parish Church
St Ebbas Episcopalian Church
St George's School for Girls
St Ninian's Scottish Episcopal Church
St. Ninian's One World Group
Starbucks Waverley Steps
The A Team Foundation

The Ann Jane Green Trust
The Association of Ukrainians in Great Britain
The Austin Bailey Foundation
The Bower Trust
The Bryan Guinness Charitable Trust
The Charitable Assets Trust
The Cotton Trust
The Dorfred Charitable Trust
The Edinburgh Academy
The Fulmer Charitable Trust
The Major M T N H Wills 1961 Charitable Trust
The March Brown Charitable Trust
The Martin Connell Charitable Trust
The Nigel Bruce Trust
The Nomads Tent
The PF Charitable Trust
The Royal High School
The St Mary's Charity
Vitol Foundation
Wardie Primary School
West Hall Charitable Fund

Thank you to all those organisations and individuals who have helped Mercy Corps throughout the year with in-kind support, and all the individuals who donate personally to Mercy Corps. Without these generous donations we would not be able to respond quickly to emergencies and save lives in some of the world's most challenging circumstances.

Our Advisors

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SC030289
Company registered in Scotland no: SC20882