

Mercy Corps Europe



A man hugs his child having arrived safely on the Greek island of Lesbos after crossing the sea from Turkey. Over 1 million people crossed the Mediterranean and Aegean seas in search of refuge in 2015. © Mercy Corps

Annual Report and Accounts For the year ended 30 June 2016

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Executive Director's Message

Having now spent 18 months in my role as Executive Director, I continue to feel both gratitude and excitement to be at the helm of Mercy Corps Europe. We are one year into our strategy and vision and I am delighted with the progress we have made towards achieving our stated aims – increasing our influence in key European geographies, diversifying and increasing our revenue streams, expanding our networks and strategic partnerships, strengthening the Mercy Corps Europe team, and becoming more efficient and streamlined in our project administration. At the same time I continue to feel a strong sense of urgency for us to do more at a time of such widespread humanitarian need, fluidity and challenge; one where over 1.5 billion people struggle to survive in states of chronic conflict and fragility and over 65 million people have been forced from their homes by war, violence and oppression – the most for 70 years.

Unprecedented numbers of people have fled to Europe over the past twelve months, escaping from the growing fragility in their home countries caused by poverty, weak governance, instability, conflict and humanitarian crisis. This means that we at Mercy Corps are now operating at a greater scale than ever before, and we have consequently expanded our programming to southern Turkey, Greece and the Balkans. For years, Mercy Corps has worked in the countries many of these people are fleeing from, or moving through – including Syria, Afghanistan, Somalia, Iraq, Jordan and Lebanon – and we continue to do so. Global migration is firmly on the agenda and now, more than ever, we need to both influence and help shape thoughtful, cohesive and coherent policy frameworks that both meet the needs of the people travelling to Europe's shores in search of a better life, along with promoting social cohesion and integration inside Europe, and more equitable access to opportunity across our global portfolio of programmes.

Unfortunately, many of those fleeing the horrors in their home countries have arrived in an increasingly fragmented, fearful and fragile Europe. Britain's decision to leave the European Union revealed disparities and disaffection within our society, and paradoxically at a time of such widespread humanitarian need and global complexity, foreign aid continues to be under attack. We in the international NGO sector have an important part to play in ensuring more widespread understanding of the UK's role in international relief and development. At Mercy Corps we recognise that there is need for reform amongst NGOs and that inefficiencies do exist. We want to be upfront and honest about how development works - about the challenges, risks and costs - and change the way many view aid, creating a narrative of optimism and inclusiveness, working with government, civil society and the private sector.

In today's interconnected world, the outcomes of our actions are increasingly shared beyond our borders. With issues such as the refugee crisis and Syria taking such prominence in the UK, the continued increase in our profile has felt both immensely positive and important. Early in 2016, we took a major role at the Syria conference in London. Following this, we engaged strategically and visibly at the World Humanitarian Summit – notably pledging to scale up cash-transfer programming in 25% of our humanitarian assistance programmes by 2018.

The last year has also seen the closure of our office in Kosovo. Mercy Corps is proud of all that we have accomplished in supporting the people of Kosovo over the past two decades during such a momentous period in their history and we are delighted to have left behind numerous examples of sustainable impact and a robust partnership network. The country and people will always hold a special place in Mercy Corps' history and story.

Finally, I want to note my sincere thanks and gratitude to Jock Encombe who stepped down as Board Chair of Mercy Corps Europe in November 2015 after eight and a half years at the helm. Jock contributed immensely to Mercy Corps Europe and the wider organisation, combining calm wisdom with an incredible generosity of spirit, and to me personally during the first 10 months of my tenure as Executive Director. I am delighted to welcome Tom Murray to the role of Chair. At a time of increased integration with the global organisation and expansion of our European platform, I am confident that Tom and the Board will continue to guide the organisation to the next level of impact and influence, and I am looking forward to the challenges and triumphs the coming year will bring.

Simon O'Connell
Executive Director, Mercy Corps Europe



Message from the Chair of the Mercy Corps Europe Board

As I sit down to write my first Chairman's report, inevitably I reflect on the world we inhabit. The problems in the Middle East, particularly Syria, remain as intractable as ever; many parts of the planet have experienced their hottest year on record and there are more people than ever before seeking refuge from the disasters that have beset their own homes. The need for Mercy Corps is as acute now as it has ever been and as an organisation we need to be smart, innovative and to organise ourselves to maximise the impact that we can make to build peaceful, just, stable societies in the places we work.

Earlier this year I visited Jordan to see the work being done there by our regional and Jordan country teams. I last travelled to Jordan three years ago and on both occasions I went to the Za'atari refugee camp. Three years ago it was a rapidly growing camp receiving 5,000 new refugees each day. Water was restricted to 6 litres per person per day; the roads were rutted sand tracks and there was a real sense of brooding resentment with people having nothing to do and children wandering aimlessly around the camp.

This time I saw a very different place. There are now nine schools operating two shifts a day. Most children under 12 are now in education. Many adolescents are still in education and there is also support being provided for young people who have been traumatised by what they have seen. Mercy Corps is providing safe places for young people to learn and is ensuring that children with learning difficulties are having their needs met.

Thanks to wells drilled by Mercy Corps, water is now being provided at 38 litres per day per person, electricity is available in the evening and tents have been replaced by cabins. Shops have sprung up along tracked streets and the camp is supporting a \$14 million economy.

The picture still cannot exactly be described as rosy. Child labour is prevalent, there is still little for most people to do and fundamentally no one wants to be there. Much work remains to be done. The international response is now moving on from an emergency response to a long term development one and the global community needs to think accordingly; long term funding is needed for schools so that the generation who must one day re-build Syria is not lost. I was encouraged by developments earlier this year at the Supporting Syria conference in London, where Mercy Corps was present. A new compact was agreed between the international community and Jordan. Jordan will create 100,000 new jobs for Syrians and in return European markets will be opened up to Jordanian goods.

This year I was also lucky enough to visit programmes in the West Pokot region of Kenya, where Mercy Corps runs a variety of projects; from helping to resolve local tribal conflicts, to giving girls a greater say in their communities and empowering local entrepreneurs to build a better future for the area.

These visits to see our field programmes, coupled with my working more closely with the teams in our London and Edinburgh offices over the past year have shown me that there is a common thread running throughout this organisation; the incredible dedication, enthusiasm and sense of common endeavour that enthuses everyone working for Mercy Corps is inspiring, and being part of such an organisation is a truly humbling experience. I have nothing but admiration for all our people, many of whom work tirelessly in some of the world's most challenging places.

I would like to finish by thanking my fellow Board members for the huge wealth of experience that they bring to the organisation, and Simon O'Connell, our Executive Director for his outstanding leadership of the European operations and all the staff for their support.

Finally, on behalf of the whole of Mercy Corps I would like to thank my predecessor, Jock Encombe for all that he achieved with Mercy Corps. Under his leadership Mercy Corps Europe evolved into an organisation with a strong Scottish presence and growing influence in London, Geneva and the wider continent.

Tom Murray
Chair, Mercy Corps Europe



Who We Are

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

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

When we refer to “Mercy Corps” throughout this report we are referring to the global agency which is supported by headquarter offices in Europe and North America, our unified global programmes employ over 5,000 staff worldwide. Last year our work saved and improved the lives of 30 million people in more than 40 countries.

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

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

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

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

Our charitable objectives are:

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

Mercy Corps Europe has also joined a new governance structure to better reflect the integrated global agency. As part of this process a Joint Board Executive Committee (JBEC) has been established, with membership from both the MCG and MCE Boards, its remit, structure and interaction with both US and European Boards has been formalised. In addition a Joint Finance Committee (JFC) and a Joint Audit & Risk Committee (JARC) now operate to better reflect a global review of these key governance areas.

Our Approach

Mercy Corps' Mission

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

Mercy Corps' Vision and Strategy

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

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

What we do

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

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

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

Where we work

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

MCE - Our Capacity

As 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:

- 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, and were short-listed and commended for prestigious awards – Third Sector Business Awards, Institute of Fundraising, and Charity Awards.

This year we have:

- Operationalised the new governance structure with the development and agreement of joint committee charters and the signature of the new Memorandum of Understanding between MCG and MCE.
- Worked jointly with the legal team to raise awareness on fraud prevention and mitigation.
- Set up a new corporate risk register template and process.
- Expanded Europe operations with team members now based in Edinburgh, London, Brussels, Geneva and Ireland.
- Produced a multi-year finance strategy focusing on cash management and internal efficiencies.
- Improved donor reporting tools, incorporating a new FX exposure analysis for each project.
- Improved our cash position to allow us to support awards which are funded in arrears.
- Built a strong advocacy team with expertise on key policy issues, building Mercy Corps' reputation as thought leaders on economic development, youth and violence and on how to respond to complex crises.
- Increased engagement with, and funding from, continental European donors.
- Recruited Strategic Institutional Partnerships team.
- Continued to increase our profile through media coverage.

In the coming year we will:

- Develop Consortium Agreements tailored for specific programme and donor requirements
- Build strategic relationships and collaboration which reach beyond specific projects.
- Continue to support an efficient risk process linking it to agency wide Enterprise Risk Management.
- Focus on operating efficiencies, agreeing and monitoring internal Key Performance Indicators and Service Level Agreements.
- Continue to improve our cash position through active management of donor debtors.
- Build a network to support our advocacy work and build links with policy makers in other European governments.
- Develop a communications strategy to influence the UK public's understanding of aid and development.
- Increase our visibility in continental Europe and align a new, integrated fundraising strategy with the global organisation's priorities.
- Continue to build strategic partnerships with key European institutional donors and diversify our portfolio of funding partners in continental Europe and open up new networks.

Mercy Corps Europe Board of Directors:

Viscount Jock Encombe, Chair (resigned November 2015)
Tom Murray, Chair (appointed November 2015)
Adrienne Airlie
Nick Blazquez
Roberto Bocca
Rear Admiral Michael Gregory OBE (resigned March 2016)
Allen Grossman
Paul Dudley Hart
Elsie Kanza (appointed July 2016)
Neal L. Keny-Guyer – CEO MCE & MCG
Debu Purkayastha
Howard Taylor (appointed November 2015)

Mercy Corps Europe Audit and Risk Committee:

Adrienne Airlie (Board member) (Chair)
Bob Cowan
Rear Admiral Michael Gregory OBE (Board member) – (resigned March 2016)
Alison Warden

Mercy Corps Europe Executive Committee (Ceased on July 2015.)

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

Mercy Corps Joint Board Executive Committee (JBEC) Effective from July 2015

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

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

Biographies for Board and Committee members:

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

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

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

Roberto Bocca: Senior Director 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 a Deputy General Treasurer of the Church of Scotland. He has been a member of the Audit and Risk Committee of Mercy Corps Europe since 2007.

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 Advisor, has held a number of executive positions at Mercy Corps over the last 15 years including Interim Executive Director of Mercy Corps European Headquarters [July-December 2015]. Throughout his tenure at Mercy Corps much of Paul's efforts were focused on Mercy Corps' evolution to a more diversely funded global agency. After starting his career in marine science, he brings over 35 years of NGO senior management experience to the board.

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.

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

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.

David Mahoney: is a private equity investor and CEO of iMcKesson LLC. He serves on the boards of a number of companies and trusts. He has a bachelor's degree from Princeton University and an MBA from Harvard Business School.

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

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

Biographies for Board and Committee members (continued):

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.

Howard Taylor: Vice-President and Managing Director of the Nike Foundation. Prior to joining Nike in 2012, he held senior roles across the UK Government, including at the Department for International Development (DFID) and the Prime Minister's Performance and Innovation Unit.

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 23 years with the firm

Melissa Waggener Zorkin: is CEO, President and Founder of Waggener Edstrom Worldwide an independent communications agency. Melissa has been recognized for her contributions initiatives that lift women out of poverty through education and entrepreneurial training, notably in Ethiopia, and together with her family has supported women and children in Ghana through a school library and an orphanage. Working in partnership with Mercy Corps, Melissa supports the organisation's global imperative on gender inequality through the ACT for Impact program.

Our European HQ staff

Executive

Simon O'Connell – Executive Director
Jessica Ryder

Finance

Elizabeth Sams – Director
Sandra Brindley (nee Duggan)
Gillian Gordon
Beate Heinemann
PuiYue Lee
Christopher Matthews
Paul Patrick
Pawel Pieczonka
Aaron Platt
Natascha Stephenson
Leanne Thompson
Mihaela Tistu
Louise Whyte
Jacqueline Wright

Fundraising and Marketing

Henri Van Eeghen – Senior Director
Jennifer Adams
Samuel Collis
Amy Fairbairn
Emma Goldsmith
Charlotte Minvielle
Paul Nichol
Patrick Rafferty
Victoria Telford

Human Resources

Louise Barber – Director
Delphine Barringer-Mills
Eilidh Crawford

Compliance, Governance and Risk

Alexandra Angulo – Director
Jennifer Royston
Liana Waclawski (nee Park)

Programmes and Strategic Partnerships

Michael McKean – Director
Grace Ashley
Sandy Biggar
Mark Chadwick
Cicely Clarke
Craig Cowan
Roberto Fallini
Hannah Gracher
Katie Hau
Daniel Herrera-Kelly
Zoe Hopkins
Graham Niven
Denise Rocks
Lisa Seymour-Doughty
Martje van Raamsdonk
Joanne Walshe
Jenny Walter
Imogen Westfield

Policy and Advocacy

Selena Victor – Director
Miranda Hurst
Elizabeth Turabi (nee Macleod)

TSU, PALM & PDX Programmes

William Baron
Andras Beszterczey
Thierry Lecoq
Emma Proud
Lisa Robbins-Garland
Janaka Seram
Alexa Swift
Julisa Tambunan

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.

MCE operates as the European headquarters for Mercy Corps, with Mercy Corps Global (MCG) as the US headquarters based in Portland, Oregon. Together this gives us the ability to secure resources and advocate policies on a global scale. Both organisations have separate Boards of Directors who are responsible for the operation of the respective companies. MCE & MCG operate globally under the agency reference of “Mercy Corps” and the formalisation of this operational structure was completed in July 2015 and is detailed below.

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

In July 2015, MCE and MCG entered into a Governance Agreement. As per this Agreement, the two entities amended their Articles and Bylaws to become a member corporation, made up of 9 Members and the current Members are listed on page 8. The 9 Members consist of those persons currently serving on the Joint Board Executive Committee (JBEC).

The JBEC was also set up in the Governance Agreement. It is made up of the Board Chair of MCG, the Board Chair of MCE, the Chief Executive Officer (CEO) common to both MCE and MCG, four Members of the Board of MCG and two members of the Board of MCE. The JBEC exercises the full power of the Board of MCE and of the Board of MCG as delegated to it by the Boards. Conversely the Boards of the two organisations will remain in overall control of their respective organisation.

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

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

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

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

Remuneration policy has been overhauled during the year. An extensive job evaluation exercise was carried out by independent consultants Hunter Adams and a new grading system developed with all MCE roles mapped into a specific grade, closely aligned with MCG’s grading system. Based on the benchmarking information, bandings were created for each grade and an individual compensation review carried out. This review has now provided a robust structure for the future and will ensure that MCE can attract and retain talent. The remuneration of the European Senior Leadership Team, who are the key management of MCE are covered by this process.

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;
- Observe the methods and principles in the Charities SORP;
- 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; and
- 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 Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice – Accounting and Reporting by Charities FRS102 (SoRP), 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 2015 to 30 June 2016

Our Strategic Report provides a snapshot of our activity from 1 July 2015 to 30 June 2016. 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 in previous years, 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.

Our key charitable activities are covered under these headings:

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

Our Strategic Report includes the following sections:

- 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 following conflict or disaster

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. In a year that saw one million people flee to Europe, this year Mercy Corps’ response included start-ups in Greece, Serbia and Macedonia to meet the urgent needs of this moving population, as well as continuing to meet the needs of many enduring the bitter conflict in north Syria, and thousands of displaced people and vulnerable host communities in north east Nigeria.



Mercy Corps has the largest NGO response inside Syria, providing life-saving aid to 680,000 people every month.
© Mercy Corps.

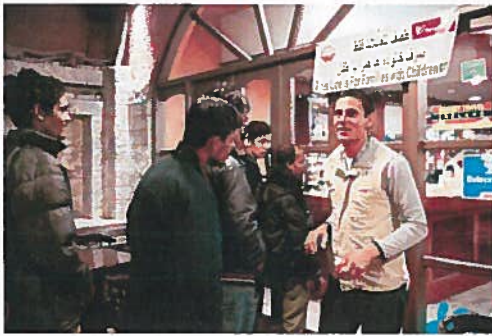
Expanding our programmes to respond to the European Refugee Crisis

2015 saw over one million people arrive on Europe’s shores seeking refuge. While many millions of refugees have been hosted in Syria’s neighbouring countries since the outbreak of war, this was an unprecedented movement of people to Europe, and Europe was unprepared.

Since the start of the Syrian war, Mercy Corps has responded to the needs of Syrian refugees in Lebanon, Jordan, Turkey and Iraq, helping over 7.4 million people affected by the crisis to date. With such a large scale migration of people moving towards Europe, Mercy Corps quickly expanded our programmes to meet the needs of refugees on the southern shores of Turkey, the Greek islands and The Balkans.

In Greece, Macedonia and Serbia, Mercy Corps helped half a million people with food, non-food urgent items, information support and cash distributions. We also recognised early on into the crisis that one of the largest gaps in support was information, and access to available services in multiple languages.

Mercy Corps partnered with Google and other agencies to develop the website www.refugeeinfo.eu to provide relevant information and services in four languages to refugees. This was supported by the establishment of Wi-Fi hotspots in many camps and temporary living spaces. To date, www.refugeeinfo.eu has been accessed by over 70,000 refugees.



Hot evening meals for refugees on Lesbos, Greece

Mercy Corps is operating in 17 different locations in Greece. At the height of the crisis on Lesbos in 2015, when 6,000 to 7,000 people were arriving each day, Mercy Corps was providing food, shelter and information to refugees. We formed a partnership with local businesses, including the Boomerang Restaurant where we served hundreds of meals to hungry families each night. This not only ensured that families were able to sit down at a table and have a warm meal together, but also supported local businesses who themselves were suffering from the dip in tourist revenue on the islands.

Meeting urgent needs in North East Nigeria

The humanitarian crisis in North East Nigeria and the Lake Chad Basin is continuing to grow in scale and geographic spread. Overall, some 9.2 million people - out of a population of around 20 million living in areas affected by Boko Haram violence across the region - are in need of humanitarian assistance. Mercy Corps is focusing our crisis response in the two states of Gombe and Adamawa where we are providing direct food assistance, shelter and urgent needs support to those displaced and their host communities, as well as economic recovery and income generation opportunities, water supply programming including hygiene and nutrition and protection focused on sexual and gender based violence.

Mercy Corps supported over 30,000 people in Adamawa, including vulnerable displaced people outside of camps as well as host community members. This included two rounds of cash transfers so that people could meet their household needs, as well as rehabilitating the water supply in seven communities to reach over 2,000 households.



Supporting families to start again in north-east Nigeria

When Jummah fled Boko Haram, she did not leave alone. She took five children who were cowering in the bush with her. They spent days looking for safety. Reunited with her husband and her own children, they are now a family of 11 and are heavily dependent on the support Mercy Corps provides as they try and rebuild their lives. Each month, Jummah receives an e-voucher card, which is topped up with 9,600 Naira (just under £30) to buy maize, rice, beans, salt and palm oil to feed her family. She can use this card at one of the many vendors with which Mercy Corps has a partnership.

Providing ongoing lifesaving support to people in war-torn Syria

In a year that saw the fifth anniversary of the war in Syria, Mercy Corps is still one of the largest organisations working inside the country. We have staff in 12 Governorates in Syria and we support communities in besieged and hard to reach areas through a network of local partners. Our work means we can meet the needs of around 680,000 people every month with food and urgent non-food items, as well as livelihoods initiatives such as cash for work programmes, vocational training and the distribution of seeds and livestock, and capacity development trainings to local partners to enable them to deliver humanitarian assistance effectively and efficiently. 2015-16 saw the beginning of our Whole of Syria (WoS) partner capacity building programming.

Providing choice and dignity in Syria



Fakreah, 50, lives in Al-Malikeyyeh, in Al-Hasakah Governorate in northeast Syria. She is looking after her daughter who is disabled, unable to speak, walk or chew food. Fakreah also cares for her grandson who is eight years old. Previously Fakreah was unable to meet her basic needs and was reliant on her neighbour for support, but Mercy Corps has now provided her with assistance four times through food e-vouchers which means she is a little more self-sufficient and can make choices about what she needs.

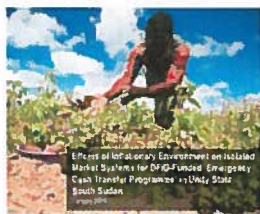
"Because of this card which is very dear to me, I am able to sustain my basic needs instead of relying on neighbours and waiting for food everyday" – Fakreah

Increasing food security in South Sudan

Since violent conflict erupted in December 2013, the economic situation of South Sudan has left many people in a very desperate state. Mercy Corps set out to increase food security in some of the most vulnerable areas which had access to markets, in order to complement food distributed via airdrops and allow other agencies, such as the World Food Programme, to focus on more inaccessible areas.

We achieved this through cash transfers to both business owners and vulnerable households focussing specifically on Greater Ganlyiel, Greater Nyal and Panyijar areas. Because markets are currently facing a two-fold crisis with both traders and consumers having reduced purchasing power, it was necessary to stimulate the markets from both sides initially. Traders were assisted with an initial stocking up. Once fully stocked, traders were then able to restock through business provided by increased consumer spending. Consumers' purchasing power will be restored through cash transfer programming to allow vulnerable households to access food and other urgent, basic needs.

Mercy Corps provided cash transfers to over 9,000 households in multiple increments. During the distribution, households were interviewed to gain an understanding of how they planned to spend the money. The following are the main stated purposes for the money: non-food items (soap, slippers), food (dried tilapia, biscuits, soup), buying medicine, buying school uniforms and paying school fees and buying building materials.



Prepared For



The programme also included a research study – “Effects of Inflationary Environment on Isolated Market Systems for DFID-funded ‘Emergency Cash Transfer Programme’ in Unity State, South Sudan.”

The study researched cash programming in the context of a rapidly changing, highly inflationary economic environment – both local and national - and demonstrated what works, what is replicable and what works at scale.

In 2016-17, we will implement a programme in Yemen focussed on increasing the incomes of those who live in rural areas through agricultural training, and investments in the sesame value chain. Mercy Corps will continue to raise its voice about stabilising the Central Bank of Yemen as the depletion of the Central Bank of Yemen's foreign currency reserves is hampering its ability to guarantee critical food imports. Mercy Corps will continue to engage with donors to propose humanitarian programmes that tackle the lack of income and people's inability to pay for food, which are the biggest challenges they face.

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.



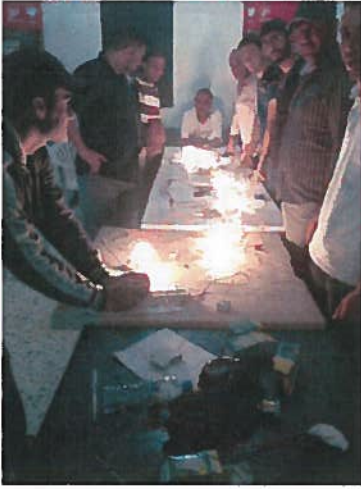
Syrian refugee and host community children in Turkey design murals and paint them on the walls of a Mercy Corps community centre. For refugees in particular the centre provides a safe environment to deal with the trauma of their experiences and begin to recover. © Mercy Corps

Improving stability in communities in Lebanon

Mercy Corps aimed to achieve stability and resilience in target communities in Lebanon by working on unemployment and improving economic prospects for businesses and communities. We believed that allowing vulnerable Lebanese communities and Syrian refugees in the Beqaa and North Lebanon to address their economic needs could help address negative perceptions between these groups related to economic competition, while at the same time building economic confidence in the future to support greater stability in Lebanon.

During the pilot phase which was run in 2015-16, Mercy Corps trained 443 people with employability skills, with nearly half reporting to having secured additional employment to date and many reporting an increase in their income. We also provided technical assistance and in-kind support to 21 SMEs (five woman-owned businesses). 14 reported an increase in profitability and 15 reported an increase in production. Additionally, 17 businesses reported that they plan to hire 76 new employees following the support.

Finding employment for Syrian refugees in Lebanon



Mootaz (43) is a Syrian/Palestinian refugee who is the head of his household with eight children, including the children of his deceased brother. He was a journalist in Syria and arrived in Lebanon without his papers and certificates. He retrained and learned new skills during the Electrical Maintenance training and has subsequently been hired by a municipality as their appointed freelancer for various electrical maintenance needs in the village where he lives.

Bassel (28) is from Damascus in Syria. After he successfully completed the Mobile Repair and Maintenance training, the Aramta municipality facilitated a three-month internship for him. Through this programme he gained experience in mobile maintenance and programming new devices. He is currently employed at the same repair workshop where he interned.

Helping Afghan refugees in Pakistan to go home

This programme began this financial year in Baluchistan, Pakistan and Kandahar, Afghanistan and will continue to 2018. The overall objective of this project is to provide Afghans with the skills, capital and connections necessary to allow their voluntary repatriation and reintegration in their homeland.

So far in Pakistan, 460 Afghans and host community members (including 200 women) have successfully completed vocational training, and a further 460 enrolled (carpentry, plumbing, welding, tailoring, embroidery, beautician, dress design). All have been placed in two-month internships providing them with the experience of a real business environment and practical exercise of technical skills. The internship involved trainees in communication skills; workplace ethics, planning or opening their own businesses, and market awareness. 151 have already started their own business or found jobs in the local market.

In Afghanistan, 200 trainees have graduated (including 100 women) and all have participated in Ready to Earn Club training sessions, including business & transferable skills curricula rather than internships, given that the market environment in Afghanistan means that most are likely to be self-employed or working at their respective homes. The curriculum includes life skills that will support graduates to enter the workplace regardless of whether this is in employment or self-employment, such as time management, negotiation, problem-solving and communication. 27 have already started their own businesses.

Making markets work in Myanmar

As Myanmar's economy opens from years of isolation and restrictive sanctions, the country will need help to develop quality produce to compete effectively. Agriculture in particular faces significant challenges in terms of yield and quality levels as there has been limited modernisation of traditional farming practices and inefficient export markets. Mercy Corps programming is looking to address these constraints within the vegetable market in Myanmar to improve farm incomes from vegetable production, and subsequently household livelihoods, of 15,000 smallholder farmers. Our programmes are focussing on five townships of Southern Shan State (Pindaya, Kalaw, Pinlaung, Naungshwe, and Taunggyi) and five townships of Rakhine State (Sittwe, Kyauktaw, Pauktaw, Ponnagyun, and Mrauk U). In addition, Mercy Corps is working on a national level to reform policy in order to create an enabling environment for market growth.

This year, Mercy Corps and partners have established 247 demonstration plots across Southern Shan and Rakhine States and trained 3,522 farming households. Through the use of e-vouchers issued through mobile phones, farmers have redeemed 7,133 vouchers to purchase subsidised agricultural equipment to encourage them to adopt new farming technologies. 864 entrepreneurs have been trained in basic business skills. We conducted land law awareness-raising with 4,609 farmers. In addition 11 women's savings groups have been established with a total membership of 169 women.

In 2016-17, the Whole of Syria Consortium (of which Mercy Corps Europe is a member and includes CARE International, Handicap International, the Danish Refugee Council, the Norwegian Refugee Council and International Rescue Committee) will begin the implementation of two programmes, funded by the European Commission and the Swedish International Development Agency.

As part of this consortium Mercy Corps will support vulnerable Syrians to improve their livelihoods by developing cash-for-work projects, provide skills development training and award grants for small businesses to strengthen their ability to generate income and employ more workers. These two programmes will increase livelihood opportunities for conflict-affected Syrian families and help them better adapt to and cope with the shocks and stresses of the war.

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 providing long-term and sustainable livelihoods opportunities and helping communities manage the impacts of climate change.



Youth girls participate in Mercy Corps' ENGINE programme in Nigeria which aims to empower vulnerable girls and improve their educational outcomes and employment prospects so they can build stronger futures. © Mercy Corps

Gaza Sky Geeks: Giving Potential Entrepreneurs a Leg Up

Mercy Corps launched Gaza Sky Geeks (GSG) in 2011 to transform Gaza's most talented youth into the Middle East's tech business leaders and realise Gaza's potential as an internationally competitive hub for tech products and services. GSG's strategy of outreach, community building, incubation and acceleration is designed to cultivate a pipeline of startups, with the top prospects securing external investment.

This year, GSG finished its work with its second ever cohort of incubated start-ups (with over 200 teams applying for incubation), resulting in five investment offers from regional investment funds, and three companies receiving investment disbursements upon meeting their milestones, with several more in process or in negotiations. GSG moved into an expanded co-working hub in downtown Gaza City, providing an improved venue for community building, incubation programming, educational workshops, tech talks, and revenue sources from subleasing desk space and managing a café. This vibrant, artistic venue has increased GSG's visibility in the Gazan community resulting in many new volunteers leading workshops on technology topics.

GSG is also investing heavily in expanding skills training and professional experiences in newer, in-demand technologies. We are doing this by running coding clubs, hackathons, tech meet-ups, and outsourcing projects with real clients under the GSG umbrella. Meanwhile, GSG is expanding work initiated in 2015 to increase the pace of job creation activities by connecting young people with non-IT expertise (such as translation, design, or data skills) to online freelancing opportunities in order to accelerate the growth of income generating opportunities in Gaza.

This year Gaza Sky Geeks has:

- Held Gaza’s first ever hackathon in partnership with a Silicon Valley accelerator;
- Run professional development training for 15 startup founders; and
- Secured investment commitments for two more Gaza Sky Geeks startups;
- Seen the first ever Gazan tech startup reach half a million downloads.



Abeer Al-Shaer, CEO of Dietii

Abeer completed Gaza Sky Geek’s incubation and acceleration programme that ended in May 2016. She arrived as a college senior who had no previous exposure to business, entrepreneurship, or working on a group project.

For many people in Gaza it would be impossible to launch a start-up because they do not have the basic resources necessary to sustain themselves while they build their products. Families are often reluctant to support their children working on a business

venture that does not immediately generate income. Typically, people need at least a year to develop a product, launch it and validate that there is a true market for it before investors will invest. Many of our entrepreneurs can barely afford the cost of transportation to and from our offices for a month, let alone doing that for a year or buying vital equipment like a computer.

Abeer is part of a special programme at Gaza Sky Geeks in which she receives a fellowship stipend, which means that she is essentially hired to work on her start-up. This addresses these two problems we see so often. She now has a job and the soft skills learning experience that comes from it, and she has a stipend that covers her costs.

Abeer went from knowing very little about business to negotiating a \$25,000 seed investment for her start-up – which is a mobile app called Dietii that helps women in the Arab world diet while eating familiar foods like hummus. Gaza Sky Geeks has connected her to one of the top tech companies in the region, Bayt.com a leading job search website for the MENA region.

A New Approach to Rural Development in Georgia

2015-16 saw the first year of a two-year pilot project which is the first ever partnership with a Scottish organisation directly exchanging skills and approaches to rural development in Georgia. Angus Council in Scotland is helping to build the capacities of the Georgian municipality, Borjomi, to bring the private and public sector together to develop a bottom-up approach to local development. The project will bring together representatives from both sectors to form a Local Action Group (LAG) to help determine development priorities and then to financially support community-driven applications that will assist the development of the municipality, in terms of addressing social, economic, cultural and environmental needs.

In the first year of the project, a LAG has been established with 28 members and a strategy produced. 15 Georgian delegates attended a 5-day study tour in Angus, Scotland and 88 applications have already been received for local sub-projects around Borjomi municipality.

Enhancing resilience to climate extremes in northern Kenya and Uganda

Climate extremes, drought and climate variability are impacting the people of Wajir in Kenya and Karamoja in Uganda. To combat the impact, Mercy Corps is putting in place approaches, practices and technologies based on six cross-cutting methodologies successfully employed across East Africa to build resilience to these changes. Developed around empowerment and governance perspectives, the programme brings together communities, the private sector and governments to effect behaviour change. This year, a broad range of activities were completed which include awareness raising campaigns through print media and radio to provide communities with improved climate and weather information, and technical trainings for government offices for gender sensitive budgeting training. Mercy Corps also provided financial support for six small infrastructure projects in Kenya and eight in Uganda designed to improve resilience at the local level while laying the groundwork for future investment by government, and developed mobile services so that male and female pastoralists can be reached with necessary medical information and supplies.

Successful transfer from Mercy Corps Kosovo to local organisation

This year saw the culmination of Mercy Corps' work in Kosovo, from its humble beginnings, as one of the very first INGOs in the country in 1993. Following these years of humanitarian and development assistance which also saw Kosovo moving along a path to integration in the European Union, Mercy Corps considers its mission completed. Just one of Mercy Corps' legacies in Kosovo is the Agency for Finance in Kosovo (AFK) which is a microfinance institution that grants loans to micro and small enterprises. Established by Mercy Corps in 1999, AFK became an independent Kosovar NGO in 2002.

In 2015, existing and former Mercy Corps Kosovo staff joined together to establish another local NGO, the CREATE Foundation, whose mission is to carry on the economic development work of Mercy Corps, particularly in marginalised communities.



Long-term resettlement solutions for internally displaced families in Kosovo

Ruzhdi Paqkolli, is a 54 year-old head of a family of 13 members, including his wife, daughter, three sons, three daughters-in-law and four nieces and nephews. With support from Mercy Corps, the Paqkolli family was one of the 97 families resettled from Cesmin Lug and Osterode displacement camps to Roma Mahalla/Fidanishte.

"For 10 years we lived in Zitkovac and Osterode Camps in terrible conditions and without water with a single bathroom and toilets for all camp residents," said Ruzhdi. With tears in his eyes, he continued, "When we almost lost our hopes that one day we will return home and live like human beings, the Mercy Corps workers knocked on our door ensuring us that our dreams of having a home for our children will come true. At the beginning we could not believe what we were hearing, but later..."

Mercy Corps helped the Paqkolli family to settle into their new home and community, and helped find employment for Ruzhdi's sons Elvis, Ahmet and Sedat, which has provided a firm financial basis for the family to support themselves. The Mercy Corps program also helped link Ruzhdi's daughter Benida and his two daughters-in-law Shyhrete and Habibe to an apprentice hairdressing scheme in a salon in Roma Mahalla/Fidanishte. In addition to employment opportunities, the families were helped with school support for children, health tests and treatment for blood lead levels, guidance for obtaining legal documents and several community initiatives with the host community to assist social resettlement.

The Paqkolli family, along with 180 displaced families were able to re-establish the lives they lost in 1999.

In 2016-17, Mercy Corps will begin a programme in Afghanistan which will strengthen the capacity and voice of civil society organisations on agricultural and water policy. With this programme Mercy Corps will support a broad-based and inclusive civil society in Afghanistan, which is capable and willing to engage with communities and government authorities on relevant policy, economic and social issues, with an aim to promoting dialogue and accountability.

Also in 2016-17 in Pakistan, Mercy Corps will help to enhance local development planning processes to become more accountable and responsive to community needs. The programme will also link to youth networks affording them a greater voice in decisions that affect them.

In Iraq in 2016-17, Mercy Corps will also implement a programme focussed on integrating Iraqi youth into civil society by linking them with existing civil society organisations, providing them with mentorship, and opportunities to design and implement projects that respond to community-identified priorities and needs.

Risk Management Agency-wide

Mercy Corps globally 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 that risks are inherent in how we operate. The problems we seek to address are often entrenched and require innovative approaches which inherently carry risks. However, we believe the potential opportunities are worth the risks, so managing opportunities and risk must permeate everything we do. In order to operate effectively, bring about the changes we aim for, and safeguard our 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. Our approach to risk helps us decide which risks we take and how those risks are managed. 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.

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

The open and robust discussions around Corporate Level risks that have taken place this year at both Mercy Corps Europe and all agency level (at the Enterprise Risk Management Group) have continued to support the changes in approach and have improved collective understanding at Senior Management Level. However whilst risk management is increasingly part of the vocabulary of the organisation, consistent processes around capturing and communicating risk still require continuous work and reinforcing.

Risk Management MCE

In 2015-16 we completed the review of the MCE Corporate Risk Register (CRR) not only in terms of content but also in terms of how the communication of risks and their management could be improved. The MCE Corporate Risk Register was reviewed to ensure that it only included high-level risks. The template of the CRR was also changed with the same template used by the Departments to make it easier to monitor and escalate risks to the CRR if appropriate.

The MCE Corporate Risk Register is grouped by Risk Categories – Strategic/Commercial/Business, Financial/Economic/Market, Legal and Regulatory, Organisational/Management/Human Factors, Political, Environmental, and Technical/Operational/Infrastructure. Below are some of the key risks identified over the last year.

A key Organisational/Management/Human Factors risk is child and adult safeguarding both for MCE and the agency overall. During the year a new global policy and procedure was developed and a full time position now exists which is responsible for the roll-out of the policy. Emphasis has been put on training staff and linking this to the Community Complaint mechanism.

Another important Organisational/Management/Human Factors risk is around the recognition that our employees are placed at risk because of the nature of our work and the fact that we continue working in increasingly dangerous locations. We continue to work on developing appropriate processes and procedures to keep our people safe whilst delivering challenging, and in some cases life-saving work. This includes having robust and up-to-date security policies and procedures in place, a new training initiative around this, better induction of staff and employers liability insurance at appropriate levels in place.

A key Strategic/Commercial/Business risk that had been identified 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 crisis is an example of this challenge and risk. As such the agency is continuing to carefully monitor and manage its impact.

Another key risk is ensuring that our global structure is fit for purpose. A new MOU between Mercy Corps Europe and Mercy Corps Global was agreed and approved by the two Boards and a new governance set up was put in place, both to ensure that together Mercy Corps Europe and Mercy Corps Global can function effectively as one world-wide organisation, Mercy Corps, sharing the same mission, vision, core values, and charitable objects.

A key political risk identified was the change in the political status of the UK in the EU and the potential impact on our work and funding. Measures to mitigate some of the impact were identified, researched and documented. The agency is carefully monitoring the impact of Brexit and will action any of the measures identified when it is deemed appropriate.

Two key Financial/Economic/Market risks identified are around cash flow and a reduction in unrestricted income. The former continues to be an increasing strain for the agency as some funding modalities move to payment in arrears or payment by results. To mitigate this, the designated fund established has been cash backed and a new process by which funds are sent to the field has been agreed, which should reduce our exposure to exchange rate variations. Unrestricted income contraction is another risk which the organisation is attempting to mitigate through a refreshed fundraising 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) representing at least 6 months operating expenditure, currently being £1,654,191 (2015: £1,736,031). 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 £3,657,243 (2015: £1,972,482) represents 13 months (2015: 7 months) operating expenditure.

Whilst unrestricted funds exceed the target, the Directors are mindful of current global economic conditions and instability, particularly in foreign exchange markets. Consequently, they wish to adopt a prudent approach to reserves.

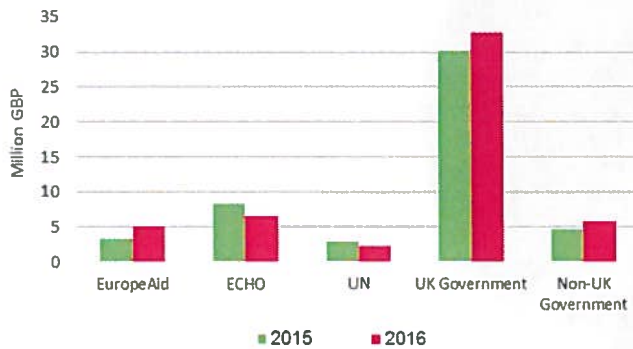
Financial Review

Income

Income (excluding FX gains) reached £58.6m, its highest ever level and an increase of 8% on the previous year. This increase was driven largely by activity in the Middle East and the Mediterranean Refugee crisis.

Income from institutional donors remains the main source of Mercy Corps Europe (MCE) income. The funds generated and spent from these sources increased 6% on the previous year from £49.1m in 2015 to £52.2m in 2016.

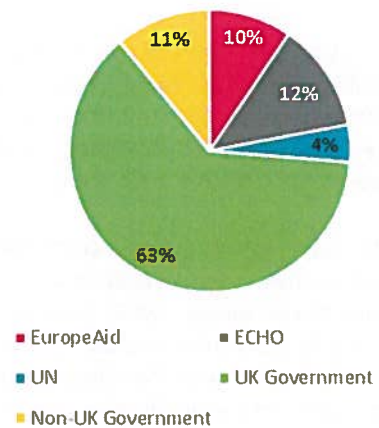
Institutional Donors 2015 v's 2016



The graph (left) compares institutional donor income over the last two financial years. Income from the UK Government showed the largest increase due mainly to work related to the Syrian refugee crisis and the IMAGINE water infrastructure project in the Democratic Republic of the Congo. Non-UK Government income also showed an increase and developing these donors remains a key part of the MCE strategy.

Donor diversification is both a strategic objective and an area of focus in MCE's risk management discussions. Donor dependency on UK Government sources is now 63% (57% in 2015). MCE has a strategic initiative to expand our work with European donors and the United Nations in order to reduce our reliance on the UK Government. To facilitate this initiative we have opened an office in Geneva and have invested in a new Strategic Institutional Partnerships team.

Institutional Donor Sources 2015-16



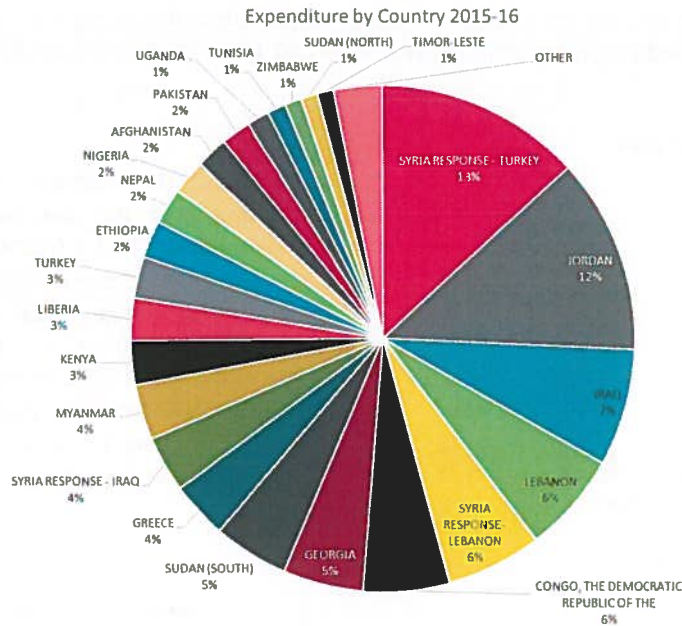
Approaching donors for restricted donations as co-finance for major projects yielded £1.4m (£1.5m in 2015). Due to the conditions attached to some donations, £1.1m has been treated as deferred income and will be released to the income and expenditure account in future years as projects spend out. Unrestricted voluntary income was significantly up on last year with funds of £935.k (Gross) being generated compared to £448.k in 2015.

Interest rate levels meant that investment income continued to yield low returns at £45.k (2015 £33k).

Following the vote to leave the European Union on 23rd June 2016 the value of the GBP against the major currencies fell significantly which affected the year end position. Overall MCE recorded a gain in unrealised foreign exchange as the balance sheet contains unrestricted non-GBP holdings which outweighed the realised foreign exchange losses caused by settling foreign denominated debts. The net gain of £2.3m resulted in a final position on the foreign exchange designated fund of £3.7m (2015: £1.4m).

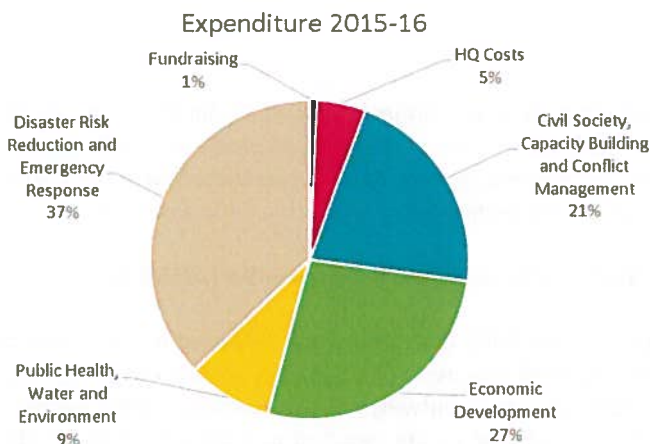
Expenditure

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). MCE was active in 36 countries with Syria being the main recipient of income. Activities started in Greece and Turkey and ceased in China, Egypt, Libya, and Mali.



Consistent with the full cost recovery methodology, costs incurred at headquarters have been attributed as far as possible to the charitable activities which they support. This year, in line with new reporting requirements, costs relating to governance activities have been rolled up with other headquarter costs. 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 headquarters support costs have increased by £630.0k (23%) on 2015. Executive costs increased by £109.0k as the Executive Director position was in post for a full year. Staffing costs increased in Finance and in Programmes and Mercy Corps Global (MCG) technical support costs incurred on behalf of MCE were increased as well. Human Resources costs increased £172.0k as the department was re-structured and the remit widened. Fundraising costs increased in line with the donor acquisition strategy. Office Administration costs increased as the London Office was expanded and a new office was set up in Geneva.



Despite this increase in headquarter support costs and as can be seen from the chart left, 94% of spend can be attributed to charitable activities with projects contributing to our areas of strategic focus. As in previous years, MCG assumed additional costs which are necessary to running our projects.

Grants relating to emergency response, that we have taken on, carry co-financing requirements. The potential co-financing gap on our projects is £614.0k. If we are unable to meet the co-financing requirements, it would be met by MCG.

Balance Sheet

The cash position at year end showed an increase of £13.8m on the previous year. The increase was due mainly to the timing of up front instalments of programme monies, and payments to the field which are in arrears with MCG. The Mercy Corps Global intercompany balance (see note 11) was £5.9m at the end of 2016, a 15% decrease on last year. The bulk of the cash funds continue to be restricted and the related deferred income (note 11) of £21.9m reflects the extent of these up front instalments payments.

Many donors withhold final payments on grants pending satisfactory evidence of financial and programmatic delivery. As MCE's growth continues the cash flow impact of these increases. However in 2016 some larger grants had more favourable cash flow terms and as a result the amount owed from donors was £5.4m at the end of 2016 – an 8% decrease 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, MCE continues to investigate options with its bankers to ease the cash flow pressures.

The unrestricted general reserves position (detailed in note 13), has increased during the year by £1.7m due to actual expenditure being lower than anticipated and income exceeding expectations. The support we received from MCG has been partially recognised in the accounts based on costs of £300k, and is reviewed annually to assess the funding structure and revise as needed.

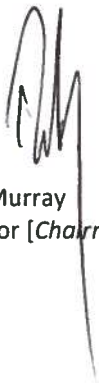
The foreign exchange reserves have increased to £3.7m. There were heavy realised losses this year due to having to sell Euro and Pounds to Dollars to settle inter-company creditors at rates 10% lower than when the debt was incurred. There was mitigation however as a large percentage of the balance sheet is not held in GBP so the devaluation at the end of June lead to a large unrealised gain. Moving monies from donor currency into functional currency would lead to realised exchange exposure so current MCE's policy is to naturally hedge by keeping funds in donor currency until the last possible moment.

Restricted reserves have decreased due to appeal monies raised in previous years being allocated against project spending. These sums remain held until they are allocated against expenditure.

The unrestricted reserves position, referred to previously, covers operating costs for 13 months – in excess of our reserves policy. The designated funds created last year remain intact with the exception of the co-financing gap fund which has reduced by £83k as funds were applied from it to support projects with a co-financing gap as intended.

MCE is able to operate with extremely lean operational costs and we pride ourselves on our efficiency. After all expenditure directed by the SORP for inclusion under programme operations, over 94% of our European costs are programme related.

This Report was approved by the Board of Directors on 20 October 2016 and signed on their behalf by:

A handwritten signature in black ink, appearing to read "Tom Murray", written over a vertical line that extends downwards.

Tom Murray
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 2016 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 13), 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 2016 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, 20 October 2016

Mercy Corps Europe - Registered Company SC208829
Financial Statements

Statement of Financial Activities and Income and Expenditure Account for the year ending 30 June 2016

	Note	Unrestricted Funds	Unrestricted Contracts	Designated Funds	Restricted Grants	Restricted Donations	Total 2016	Unrestricted Funds	Unrestricted Contracts	Designated Funds	Restricted Grants	Restricted Donations	Total 2015
		£	£	£	£	£	£	£	£	£	£	£	£
INCOME													
Donations and Legacies	2	935,171	-	-	-	322,131	1,257,302	448,568	-	-	-	863,998	1,312,566
Income from Investments		45,338	-	-	-	-	45,338	37,645	-	-	-	-	37,645
Other income		208	-	-	-	-	208	856	-	-	11,643	-	12,499
Income from Charitable activities													
Civil Society, Education and Conflict Management	2	901,987	23,780	-	12,103,018	-	13,028,785	494,662	-	-	7,239,728	-	7,734,390
Economic Development	2	967,799	756,878	-	14,716,935	-	16,441,612	633,239	-	-	9,990,071	-	10,623,310
Public Health, Water and Environment	2	338,840	226,130	-	4,796,446	-	5,361,416	467,835	-	-	6,754,536	-	7,222,371
Disaster Risk Reduction and Emergency Response	2	1,503,365	-	-	20,974,886	-	22,478,251	1,770,932	-	-	25,352,488	-	27,123,420
Gains on Exchange	3	-	-	2,265,053	-	14,507	2,279,560	-	-	-	-	-	-
Total income		4,692,708	1,006,788	2,265,053	52,591,285	336,638	60,892,472	3,853,737	-	-	49,348,466	863,998	54,066,201
EXPENDITURE													
Expenditure on Raising Funds	5	424,953	-	-	-	1,208	426,161	388,217	-	-	-	170,263	558,480
Expenditure on Charitable activities													
Civil Society, Education and Conflict Management	5	653,690	23,780	-	12,191,973	-	12,869,443	337,512	-	-	7,359,351	-	7,696,863
Economic Development	5	829,245	446,911	-	15,049,475	-	16,325,631	470,907	-	-	10,268,000	-	10,738,907
Public Health, Water and Environment	5	262,799	226,130	-	4,684,902	-	5,173,831	315,174	-	-	6,872,280	-	7,187,454
Disaster Risk Reduction and Emergency Response	5	1,136,443	-	-	21,237,150	-	22,373,593	1,165,624	-	-	25,416,112	-	26,581,736
Loss on exchange	3	-	-	-	-	-	-	-	-	362,078	-	17,591	379,669
Total expenditure		3,307,130	696,821	-	53,163,500	1,208	57,168,659	2,677,434	-	362,078	49,915,743	187,854	53,143,109
Net income/(expenditure)		1,385,578	309,967	2,265,053	(572,215)	335,430	3,723,813	1,176,303	-	(362,078)	(567,277)	676,144	923,092

Mercy Corps Europe - Registered Company SC208829
Financial Statements

Statement of Financial Activities and Income and Expenditure Account for the year ending 30 June 2016 (Continued)

	Note	Unrestricted Funds		Unrestricted Contracts		Designated Funds		Restricted Grants		Restricted Donations		Total 2016		Unrestricted Funds		Unrestricted Contracts		Designated Funds		Restricted Grants		Restricted Donations		Total 2015		
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Transfers between Funds																										
Unrestricted Funds from Restricted Donations	13,14	-	-	-	-	-	-	-	-	-	-	-	-	89,152	-	-	-	-	-	-	-	-	-	-	(89,152)	-
Unrestricted Funds to Designated Funds	13	(12,000)	-	-	-	12,000	-	-	-	-	-	-	-	12,568	-	-	-	-	(12,568)	-	-	-	-	-	-	-
Designated Funds to Restricted Grants	13,14	-	-	-	-	(82,716)	-	82,716	-	-	-	-	-	(455,385)	-	-	-	-	-	-	455,385	-	-	-	-	
Restricted Grants to Unrestricted	13,14	1,216	-	-	-	-	-	(1,216)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unrestricted Contracts to Unrestricted Funds		309,967	-	-	-	-	-	-	-	-	-	-	-	-	-	(309,967)	-	-	-	-	-	-	-	-	-	
Restricted Donations to Restricted Grants	14	-	-	-	-	-	-	490,715	-	(490,715)	-	-	-	-	-	-	-	-	-	-	111,892	-	(111,892)	-	-	
Net movement in funds		1,684,761	2,194,337	-	-	2,194,337	-	-	-	(155,285)	3,723,813	822,638	-	(374,646)	-	-	-	-	-	-	-	-	-	475,100	923,092	
Balances brought forward		1,972,482	3,546,711	-	-	3,546,711	-	-	-	670,853	6,190,046	1,149,844	-	3,921,357	-	-	-	-	-	-	-	-	-	195,753	5,266,954	
Balances carried forward		3,657,243	5,741,048	-	-	5,741,048	-	-	-	515,568	9,913,859	1,972,482	-	3,546,711	-	-	-	-	-	-	-	-	-	670,853	6,190,046	


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 36 to 53 form part of these financial statements.

Balance Sheet as at 30 June 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	8	13,487	14,735
CURRENT ASSETS			
Debtors	9	7,160,468	6,328,858
Cash at bank and in hand	10	31,157,993	17,302,296
		<u>38,318,461</u>	<u>23,631,154</u>
CREDITORS: amounts falling due within one year	11	<u>(28,418,089)</u>	<u>(17,455,843)</u>
NET CURRENT ASSETS		9,900,372	6,175,311
NET ASSETS		<u>9,913,859</u>	<u>6,190,046</u>
FUNDS			
Restricted	14	515,568	670,853
Designated	13	5,741,048	3,546,711
Unrestricted	13	3,657,243	1,972,482
		<u>9,913,859</u>	<u>6,190,046</u>

The notes on pages 36 to 53 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 October 2016 and signed on their behalf by:



Tom Murray
Director [Chairman]

Statement of cash flows for the year ended 30 June 2016

	2016 £	2015 £
Cash flows from Operating Activities		
Net income	3,723,813	923,092
Income from investments	(45,338)	(37,645)
Depreciation	12,766	10,739
(Increase) in debtors	(831,610)	(2,615,612)
Increase in creditors	10,962,246	3,658,029
Cash provided by operating activities	13,821,877	1,938,603
Cash flows from investing activities		
Interest received	45,338	37,645
Purchase of fixed assets	(11,518)	(5,394)
Cash provided by investing activities	33,820	32,251
Increase in cash and cash equivalents at the end of the year	13,855,697	1,970,854
Cash and cash equivalents at the beginning of the year	17,302,296	15,331,442
Total cash and cash equivalents at the end of the year	31,157,993	17,302,296
Cash and cash equivalents comprise:		
Cash in hand	1,465	3,328
Bank accounts	31,156,528	17,298,968
	31,157,993	17,302,296

The notes on pages 36 to 53 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

The charity is a "Public Benefit Entity".

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice – Accounting and Reporting by Charities (revised 2015) and in accordance with Financial Reporting Standard 102 (FRS 102).

The 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.

Reconciliation with previously Generally Accepted Accounting Practices

In preparing the financial statements, the directors have considered whether in applying the accounting policies required by FRS102 and the Charities SORP FRS102, the restatement of comparative items was required. No change was required to net income/ (expenditure) and the opening balances remained as previously stated:

	1 July 2014	30 June 2015
Total Funds	£ 5,266,954	£ 6,190,046

Fund accounting

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

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

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

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

Income

Income in general is recognised in the period in which there is legal entitlement, the amount can be quantified with reasonable accuracy and there is probability of receipt.

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

Restricted income

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

Revenue donations

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

Income from charitable activities

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

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

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

Interest receivable

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

Analysis of expenditure

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

Pensions

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

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives. 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 2016, has been taken to the appropriate reserves.

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

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

Debtors

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

Cash and Cash Equivalents

Cash and Cash equivalents comprise cash at bank and monies held in short term deposits.

Creditors and Provisions

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

Financial Instruments

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

Redundancy and Termination payments in the period

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

Taxation status

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

Value Added Tax

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

2. Income

Donations and legacies

	Unrestricted		Restricted		Totals	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Donations in cash	928,671	433,068	322,131	863,998	1,250,802	1,297,066
Donations in kind	6,500	15,500	-	-	6,500	15,500
	935,171	448,568	322,131	863,998	1,257,302	1,312,566

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 an online campaign.

Income from charitable activities

By charitable activity	2016 £	2015 £
Civil Society, Education and Conflict Management	13,028,785	7,734,390
Economic Development	16,441,612	10,623,310
Public Health, Water and Environment	5,361,416	7,222,371
Disaster Risk Reduction and Emergency Response	22,478,251	27,123,420
Total	57,310,064	52,703,491

Income from charitable activities by Donor

		2016 £	2015 £
European Commission	European Commission	4,983,106	3,294,555
	ECHO	6,534,221	8,239,940
		11,517,327	11,534,495
United Nations	CHF	87,837	238,678
	UNDP	829,091	1,235,852
	UNFAO	55,625	-
	UNICEF	166,229	164,992
	UNMIL	41,396	-
	UNOPS	1,038,622	1,144,560
	2,218,800	2,784,082	
UK Government	British Council	97,015	332,605
	DFID	32,227,398	25,740,278
	FCO	235,005	3,956,995
	Scottish Government	230,987	172,366
	32,790,405	30,202,244	
Non-UK Government	French Government (AFD)	359,070	291,914
	Irish Aid (DCI)	-	157,802
	Jersey Government (JOAC)	-	1,031
	Kosovo Ministry of Communities and Returns (MCR)	34,431	28,362
	Ministry of Foreign Affairs of Denmark	108,760	1,509
	Norwegian Agency for Development (NORAD)	589,828	401,475
	Royal Netherlands Embassy	545,746	143,349
	Swedish International Development Agency (SIDA)	1,887,287	1,064,338
	Swiss Agency for Development and Co-operation (SDC)	2,209,867	2,461,130
		5,734,989	4,550,910

Income from charitable activities by Donor (Continued)

Other	ACF	49,769	55,173
	Aga Khan Foundation	619,464	1,025,337
	Artemis	2,924	-
	Adam Smith International	25	133,602
	AREU	4,934	-
	Asfari	56,860	-
	CARE	-	(7,615)
	CTA	3,752	-
	Cherie Blair Foundation	-	9,515
	Cofra	96,249	523,102
	DKH	187,513	-
	The Economist Trust	-	1,442
	Farm Africa	664,494	27,933
	Futures Group Europe Limited (GRM)	145,579	207,413
	HIVOS	20,689	-
	Initiative France	1,135	-
	International Relief and Development (IRD)	-	9,153
	KMT	140,189	400,331
	Landell Mills	206,245	-
	NIRAS	149,005	127,981
	Orange	19,451	-
	Peace Support Fund	22,382	-
	Porticus	272,359	-
	Practical Action	8	(30,991)
	Private	-	12,606
	REEEP	-	3,527
	Refugee International Japan	13,418	-
	Salama Foundation	(6,615)	650,144
	Shell	(4)	28,973
	Sheikha	318,008	-
	Silatech	13,497	53,317
	Start Network	1,500,282	-
	Swedish University of Agriculture (SLU)	-	8
	Swisscontact	68	9,675
	Technical Centre for Agriculture and Rural Cooperation	-	12,517
	Twinings	103,475	17,186
Urgent Action Fund for Africa	-	3,033	
Vitol	182,351	178,385	
World Vision	114,506	19,759	
Welt Hunger Hilfe	74,522	160,254	
Zurich	72,009	-	
	5,048,543	3,631,760	
Total	57,310,064	52,703,491	

Income 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	2016 £	2015 £
Afghanistan	Aga Khan Foundation	619,464	1,025,337
	AREU	4,933	-
	British Council	97,015	98,564
	DFID	81,848	744,971
	EuropeAid	182,096	39,196
	Landell Mills	206,245	-
		1,191,601	1,908,068
Central African Republic	DFID	(94)	1,183,324
	The Economist Trust	-	1,441
	ECHO	7	413,171
	EuropeAid	230,194	159,066
	Urgent Action Fund for Africa	-	3,033
		230,107	1,760,035
China	EuropeAid	-	8
		-	8
Colombia	EuropeAid	30,763	13,840
		30,763	13,840
Democratic Republic of Congo	DFID	3,181,264	2,075,216
	EuropeAid	-	(28,429)
	Vitol	-	11,757
		3,181,264	2,058,544
Egypt	Care	-	(7,615)
	DFID	-	146,820
		-	139,205
Ethiopia	DFID	692,272	-
	Farm Africa	664,493	27,933
		1,356,765	27,933
Timor Leste	EuropeAid	-	54,520
	Norwegian Agency for Development (NORAD)	589,828	401,475
	Shell	(4)	28,973
		589,824	484,968

Georgia	EuropeAid	1,016,217	602,233
	NIRAS	149,005	127,981
	Swiss Agency for Development and Cooperation	1,782,317	1,621,466
		2,947,539	2,351,680
Greece	DKH	187,513	-
	Porticus	272,359	-
	Scottish Government	134,200	-
	Start Network	1,500,282	-
	2,094,354	-	
Guatemala	ACF	49,769	55,173
	EuropeAid	79,965	117,067
	ECHO	-	-
	129,734	172,240	
Indonesia	Cherie Blair Foundation	-	9,515
	Cofra	96,249	523,102
	EuropeAid	35,420	125,455
	REEEP	-	3,527
	Swiss Agency for Development and Cooperation	-	190,663
	Zurich	72,009	-
	203,678	852,262	
India	ECHO	308,765	620,729
	Twinnings	103,475	17,186
	Private	-	(12,563)
	412,240	625,352	
Ivory Coast	DFID	7,774	-
		7,774	-
Iraq	DFID	184,471	1,723,251
	ECHO	4,113,488	3,872,908
	FCO	-	290,497
	Irish Aid	-	157,802
	4,297,959	6,044,458	
Jordan	EuropeAid	176,669	-
	DFID	6,428,190	405,886
	Dutch Embassy	545,746	143,349
	Swedish University of Agriculture	-	8
	7,150,605	549,243	
Kenya	DFID	1,074,305	432,714
	EuropeAid	356,364	90,217
	Futures Group Europe Limited (GRM)	25,444	9,931
	KMT	140,189	400,330
	Swiss Agency for Development and Cooperation	15,554	-
	1,611,856	933,192	

Kosovo	ECHO	-	975,326
	EuropeAid	35,205	374,257
	Jersey Government	-	1,031
	Kosovo Ministry of Communities and Returns	34,431	28,362
		69,636	1,378,976
Lebanon	Denmark Ministry of Foreign Affairs	108,759	1,509
	DFID	2,963,695	(28,873)
	EuropeAid	620,442	482,783
		3,692,896	455,419
Liberia	Adam Smith International	25	87,619
	EuropeAid	8,669	6
	SIDA	1,503,518	753,348
	UNMIL	41,396	-
		1,553,608	840,973
Libya	EuropeAid	-	2,768
		-	2,768
Mali	IRD	-	9,153
		-	9,153
Mongolia	Swiss Development Corporation	1,885	157,207
		1,885	157,207
Myanmar	DFID	177,788	41,879
	EuropeAid	736,269	89,361
	Peace Support Fund	22,382	-
	UNOPS	1,038,622	1,144,560
	Swisscontact	-	48
	Vitol	48,186	37,490
		2,023,247	1,313,338
Nepal	Adam Smith International	-	45,983
	DFID	1,186,806	1,951,473
	EuropeAid	132,562	271,076
	Practical Action	8	(30,991)
		1,319,376	2,237,541
Niger	Orange	19,451	-
	Vitol	134,165	98,055
		153,616	98,055
Nigeria	DFID	647,850	977,335
	ECHO	618,017	-
		1,265,867	977,335
Pakistan	British Council	-	234,041
	EuropeAid	989,338	254,486
	FCO	-	145,663
	Futures Group Europe Limited (GRM)	-	186,494
	Scottish Government	96,787	172,366
		1,086,125	993,050

Sierra Leone	DFID	841	50,747
		841	50,747
Somalia	FCO	-	3
	UNCHF	87,837	238,678
	UNDP	-	6
		87,837	238,687
South Sudan	DFID	2,449,354	864,605
	Private	-	25,169
	SDC	18,438	-
	UNDP	286,522	844,080
		2,754,314	1,733,854
Sudan	EuropeAid	60,538	1,272
	UNDP	542,569	391,766
	UNFAO	13,072	-
		616,179	393,038
Syria Response	DFID	13,151,037	15,154,155
	ECHO	4,815	2,357,806
	EuropeAid	(1,551)	237,088
	FCO	-	3,071,356
		13,154,301	20,820,405
Tajikistan	Welt Hunger Hilfe	74,523	160,254
		74,523	160,254
Tunisia	AFD	359,070	291,914
	EuropeAid	52,696	-
	FCO	235,005	255,851
	HIVOS	20,689	-
	Initiative France	1,135	-
	Silatech	13,497	53,317
	Swiss Contact	68	9,627
		682,160	610,709
Turkey	Asfari	17,972	-
	ECHO	1,489,129	-
	Refugee International Japan	13,418	-
		1,520,519	-
Uganda	CTA	3,752	-
	DFID	-	16,774
	EuropeAid	-	(30,258)
	Swiss Development Corporation	388,449	337,665
	SIDA	383,769	310,990
	Technical Centre for Agriculture	2,924	12,517
	UNFAO	42,553	-
		821,447	647,688
West Bank Gaza	Asfari	38,888	-
	EuropeAid	-	(3,562)
	Sheikha	318,008	-
	Vitol	-	31,084
		356,896	27,522

Yemen	EuropeAid	25,608	436,650
	FCO	-	193,625
	Salama Foundation	(6,615)	650,144
		18,993	1,280,419
Zimbabwe	EuropeAid	215,641	5,457
	Futures Group Europe Limited (GRM)	120,135	10,988
	Swiss Agency for Development	3,224	154,129
	UNICEF	166,229	164,992
	World Vision	114,506	19,759
	619,735	355,325	
Total		57,310,064	52,703,491

3. Foreign Exchange Gains and Losses

	2016	2015
	£	£
Realised Gains / (Losses)	(2,027,176)	(4,348,582)
Unrealised Gains/ (Losses)	4,306,736	3,968,913
	2,279,560	(379,669)

4. Employee staff numbers and costs

	2016	2015
The average monthly number of staff was:	89	83
Comprising UK based employees	55	52
Expat employees	34	31

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

	2016 £	2015 £
Wages and salaries:		
Employed by the charity	3,737,192	3,365,811
(Less seconded to MCG)	(1,358,049)	(1,283,334)
Field staff seconded from MCG	9,628,797	8,135,577
	12,007,940	10,218,054
Social security		
Employed by the charity	226,803	210,041
(Less seconded to MCG)	(52,289)	(55,401)
Field staff seconded from MCG	3,948,289	3,168,486
	4,122,803	3,323,126
Pension costs		
Employed by the charity	157,139	130,995
(Less seconded to MCG)	(50,765)	(51,080)
	106,374	79,915
	16,237,117	13,621,095

	2016	2015
Salary Bands	Number of Employees	
60-70k	6	6
70-80k	2	2
80-90k	2	3
90-100k	1	1
Total	11	12

Retirement benefits accrue to these employees under defined contribution schemes. Contributions made by the company on their behalf to secure benefits totalled £43,327 (2015: £47,581).

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

	2016 £	2015 £
Salaries and pension costs	484,949	375,805

Redundancy and Termination payments of £62,475 were made in respect of two members of staff (2015: £13,004, one member of staff).

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). Contributions of £51,403 (2015: £17,818) were outstanding at the year end.

None of the Board of Directors received any remuneration (2015: £0) Two directors are remunerated by MCG as they are employees of MCG a US charity and related party (see note 15). Expenditure of £6,896 (2015: £9,805) relating to all the directors was made during the year, either by the reimbursement of business expenses or payments to suppliers. The charity has third party indemnity insurance on behalf of the directors.

5. HQ support costs allocation – Unrestricted Funds

HQ support costs of £3.3m (2015: £2.6m) comprising Executive, Finance, Programmes, Fundraising, Governance, IT, Human Resources and Office Administration are allocated to the Statement of Financial Activities and Income and Expenditure account as per the following tables.

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

Stage 1	2015 Costs	2016 Costs	Allocate Office Admin	Allocate IT	Allocate HR	Allocate to Governance (note 5)	Remove expenditure on raising funds	To be allocated in stage 2
	£	£	£	£	£	£	£	£
Executive	96,456	206,263	12,067	4,846	19,798	(15,985)	-	226,989
Finance	576,177	638,040	78,436	31,496	128,688	(57,675)	-	818,985
Programmes	813,195	1,011,867	90,503	36,342	148,486	(84,684)	-	1,202,514
Fundraising	670,547	703,064	48,268	19,383	79,192	(55,915)	(424,953)	369,039
Human Resources	187,133	359,251	12,067	4,846	(376,164)	-	-	-
Governance	44,570	50,391	-	-	-	214,259	-	264,650
Office Administration	229,206	247,375	(247,375)	-	-	-	-	-
IT	60,150	90,879	6,034	(96,913)	-	-	-	-
Totals	2,677,434	3,307,130	-	-	-	-	(424,953)	2,882,177

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

Stage 2	Governance £	Executive £	Finance £	Programmes £	Fundraising £	2016 £	2015 £
Civil Society, Education and Conflict Management	60,024	51,482	185,749	272,735	83,700	653,690	305,403
Economic Development	76,144	65,308	235,634	345,981	106,178	829,245	426,107
Public Health, Water and Environment	24,131	20,697	74,676	109,646	33,649	262,799	285,190
Disaster Risk Reduction and Emergency Response	104,351	89,502	322,926	474,152	145,512	1,136,443	1,054,732
Totals	264,650	226,989	818,985	1,202,514	369,039	2,882,177	2,071,432

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

6. Governance costs

	2016	2015
	£	£
External Audit	19,404	16,608
Trustees' indemnity insurance	1,908	1,386
Trustees' expenses	6,896	9,805
Board costs	22,183	16,771
Apportionment of senior staff costs (based on time spent)	214,259	173,215
	<u>264,650</u>	<u>217,785</u>

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

	2016	2015
	£	£
Depreciation	12,766	10,739
Operating lease rentals – land and buildings	117,189	101,283
Operating lease rentals – other	6,201	4,532
Auditors' remuneration – in respect of the audit	19,404	16,608
in respect of programme audits	5,400	5,400
In respect of VAT advice	1,003	-

8. Tangible Fixed Assets

	Computers	Equipment	Total
	£	£	£
Cost			
At 1 July 2015	166,309	14,681	180,990
Additions	7,136	4,382	11,518
At 30 June 2016	<u>173,445</u>	<u>19,063</u>	<u>192,508</u>
Depreciation			
At 1 July 2015	156,855	9,400	166,255
Charge	11,327	1,439	12,766
At 30 June 2016	<u>168,182</u>	<u>10,839</u>	<u>179,021</u>
Net Book Value at 30 June 2016	<u>5,263</u>	<u>8,224</u>	<u>13,487</u>
Net Book Value at 30 June 2015	<u>9,454</u>	<u>5,281</u>	<u>14,735</u>

9. Debtors

	2016	2015
	£	£
Income tax recoverable	21,398	11,000
Other debtors	1,630,779	347,180
Prepayments	84,449	81,067
Accrued project income	5,423,842	5,889,611
	<u>7,160,468</u>	<u>6,328,858</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 2016.

10. Cash at Bank and in Hand

	2016	2015
	£	£
Bank accounts	31,156,528	17,298,968
Cash in hand	1,465	3,328
	<u>31,157,993</u>	<u>17,302,296</u>

11. Creditors: amounts falling due within one year

	2016	2015
	£	£
Deferred income	21,946,874	9,529,731
Mercy Corps Global Intercompany balance	5,887,216	6,906,546
Accruals	42,337	23,506
Taxation and social security	70,078	57,582
Other creditors	471,584	938,478
	<u>28,418,089</u>	<u>17,455,843</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. Mercy Corps Global (MCG) Intercompany balance represents funds owed by the charity to MCG for funding advances to the charity's projects and in respect of the settlement of expenditure between Headquarters.

	£
At 1 July 2015	9,529,731
Transfer from accrued project income	(5,889,611)
Currency	1,815,477
Grant funds received in year	67,561,422
Grant funds spent during year	(56,493,987)
Transfer to accrued project income	5,423,842
At 30 June 2016	<u>21,946,874</u>

12. Operating lease commitments

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

	Land and Buildings £	Other £	2016 £	2015 £
In less than 1 year	92,325	8,856	101,181	83,112
In 2 to 5 years	112,950	13,284	126,234	190,230
Over 5 years	-	-	-	-
	<u>205,275</u>	<u>22,140</u>	<u>227,415</u>	<u>273,342</u>
Lease payments recognised as an expense	117,189	6,201	123,390	105,815

13. Unrestricted funds

	Balance at 1 July 2015 £	Incoming resources £	Resources expended £	Transfers (Out) / In £	Balance at 30 June 2016 £
General Funds					
Unrestricted Reserves	<u>1,972,482</u>	<u>5,699,496</u>	<u>(4,003,951)</u>	<u>(10,784)</u>	<u>3,657,243</u>
Designated Funds					
Dilapidations	78,000	-	-	12,000	90,000
Foreign Exchange	1,393,279	2,265,053	-	-	3,658,332
European Platform	450,000	-	-	-	450,000
Co-financing	125,432	-	-	(82,716)	42,716
New Modalities	1,500,000	-	-	-	1,500,000
	<u>3,546,711</u>	<u>2,265,053</u>	<u>-</u>	<u>(70,716)</u>	<u>5,741,048</u>
	<u>5,519,193</u>	<u>7,964,549</u>	<u>(4,003,951)</u>	<u>(81,500)</u>	<u>9,398,291</u>

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

The net transfer out of general funds of £10,784 comprises an increase in dilapidations fund of (£12,000), and a net reduction in the gap £1,216 funding for projects.

The transfer out of designated funds £82,716 was to support a project with a co-financing gap.

14. Restricted Funds

	Balance at 1 July 2015 £	Incoming resources £	Resources expended £	Transfers In / (out) £	Balance at 30 June 2016 £
Grants	-	52,591,285	(53,163,500)	572,215	-
Donations	670,853	336,638	(1,208)	(490,715)	515,568
	<u>670,853</u>	<u>52,927,923</u>	<u>(53,164,708)</u>	<u>81,500</u>	<u>515,568</u>

Transfer in to Restricted Grants of £572,215 comprises restricted donations used to cover programmatic expenditure of £490,715 and programme expenditure covered temporarily from unrestricted and designated reserves in lieu of co-financing of £81,500.

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 2016 £
<u>To Co-finance projects</u>	
Central African Republic- 1	12,673
Central African Republic- 2	37,446
East Timor	10,229
Lebanon	33,749
Liberia	12,710
Nepal - 1	35,592
Nepal - 2	46,326
Uganda	127,640
<u>Other</u>	
Refugee Crisis	112,984
Nepal Earthquake	13,614
Other funds (under £10,000)	72,605
	<u>515,568</u>

15. Analysis of Net Assets between Restricted and Unrestricted Funds

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Tangible fixed assets	13,487	-	13,487	14,735
Other net assets	9,384,804	515,568	9,900,372	6,175,311
	<u>9,398,291</u>	<u>515,568</u>	<u>9,913,859</u>	<u>6,190,046</u>

16. Related party transactions

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

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

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

Jock Encombe	Chairman of Mercy Corps Europe to November 2015
Tom Murray	Chairman of Mercy Corps Europe from November 2015
Neal Keny-Guyer	Chief Executive Officer of Mercy Corps Global

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

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

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

During the year the following transactions arose:

Expenditure on behalf of Mercy Corps Global by Mercy Corps Europe: £1,606,067; (2015: £1,679,889)

Expenditure on behalf of Mercy Corps Europe by Mercy Corps Global: £378,399; (2015: £275,611)

At the year-end the related party creditors were £5,887,216; (2015: £6,906,546)

17. 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.

18. Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 June 2016 (2015 none).

19. Capital Commitments

The directors have confirmed that there were no capital commitments at 30 June 2016.

20. Ultimate Controlling Party

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

In view of the global nature of work undertaken by Mercy Corps, the agency, to which Mercy Corps Europe contributes and the joint management that is exercised by JBEC it has been agreed that MCG will produce consolidated accounts which include the results of MCE. The first period of consolidation will be the year ended 30th June 2016.

21. DFID – Schedule to Financial Statements

Projects implemented on behalf of DFID during period from 1 July 2015 to 30 June 2016. 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 £
Egypt	90948	PO40061651	69,252	-
Afghanistan	90949	PO40061861	-	81,848
Nigeria	90958	PO40063564	733,109	647,850
Syria Response	91060,91061,91063	PO40085092	13,210,633	13,151,033
Nepal	91000	PO40076514	587,622	403,689
Nepal	91001	6616	355,040	687,775
Democratic Republic of Congo	91006, 91071,91083	203445-109	3,722,063	3,181,264
Central African Republic	91043	PO40081743	148,651	(94)
Iraq	91070	PO40085046	281,912	181,471
South Sudan	91078	PO40087173	2,163,447	2,449,354
Myanmar	91088	951401/082015	101,713	177,788
Kenya	91090	B16	815,032	1,074,305
Sierra Leone	91096	203719-103	51,300	841
Jordan	91099	PO40091849	6,055,880	6,091,822
Nepal	91100	PO40092620	(30,413)	200,214
Lebanon	91119	205075-101	2,696,000	2,614,968
Jordan	91146	ARIES 300030	666,608	336,368
Lebanon	91147	300034-101	1,230,424	348,727

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

Projects implemented on behalf of FCO during period from 1 July 2015 to 30 June 2016. 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	-	19,552
Iraq	90996	PO120237004	157,265	-
Tunisia	91132	-	214,811	215,452

23. British Council – Schedule to Financial Statements

Projects implemented on behalf of British Council during the period from 1 July 2015 to 30 June 2016. We certify that each of the British Council grants below were expended in accordance with the terms agreed with British Council.

Country	Cost Centre	Reference	Instalments received	Expended during the financial year
			£	£
Afghanistan	91032	-	121,507	97,015

Our Supporters

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

Grants and Funders

Adam Smith International
Afghanistan Research and Evaluation Unit (AREU)
Agence Française de Développement
British Council
Danish Government Overseas Aid (DANIDA)
Department for International Development (DFID)
Diakonie Katastrophenhilfe
Dutch Ministry of Foreign Affairs
European Commission (EC)
European Humanitarian Aid and Civil Protection (ECHO)
Financial Sector Deepening (FSD) Africa
Foreign & Commonwealth Office (FCO)
Government of the Netherlands
GRM International
Hivos (Humanist Institute for Cooperation)
Initiative France
Livelihoods and Food Security Trust Fund
Ministry for Communities and Return (MCR) Kosovo
Nordic International Support Foundation (NIS)
PROPARCO
Refugees International Japan
Royal Norwegian Embassy
Scottish Government
Silatech
Swedish Agency for International Development Cooperation (SIDA)
Swiss Agency for Development and Cooperation (SDC)
Technical Centre for Agricultural and Rural Cooperation (CTA)
United Nations (UN)
Office for the Coordination of Humanitarian Affairs (UNOCHA)
Children's Fund (UNICEF)
Food and Agriculture Organization (FAO)
World Vision International

Development Programme (UNDP)

Corporate

Diageo Foundation
GLOCK Ltd
Kelvin Top-Set Ltd
Martin Currie Charitable Foundation
Orange Foundation
Trinity Mechanical Services
Twinings
XP 2016
Zurich

Organisations

Artemis Charitable Foundation
Eldon Charitable Trust
Miss M B Reekie's Charitable Trust
Mrs M Maxwell-Stuart Charitable Trust
Ockenden International
Refugees International Japan
St James's Place Foundation
Texel Foundation
The Asfari Foundation
The Big Heart Foundation
The Ashfield Trust
The E D Charitable Trust
The Evelyn Drysdale Charitable Trust
The Roger and Sarah Bancroft Clark Charitable Trust
The Souter Charitable Trust
The Stephen Clark 1957 Charitable Trust
The Tuttiert Family Charitable Trust
Vitol Foundation
West Hall Charitable Fund

In addition, in FY16 Mercy Corps Europe also thankfully received donations from over 80 community organisations such as schools, community groups and religious communities totalling £61,778.

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