

Charity registration number 1122922

Company registration number 06380231 (England and Wales)

MERCY MISSION UK
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

PEARLMAN ROSE
Chartered Accountants & Statutory Auditors
Suite 1, First Floor
Jack Dash House
2 Lawn House Close
London E14 9YQ

MERCY MISSION UK

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Mr M S Ikram Ms F Mohammad Mr I Mansha Ms Z A Kidwai (Appointed 23 January 2023)
Secretary	Ms A Imran Mr M S Ikram
Charity number	1122922
Company number	06380231
Registered office	203 Westgate Bradford England BD1 3AD
Auditor	Pearlman Rose Chartered Accountants & Statutory Auditors Suite 1, First Floor Jack Dash House 2 Lawn House Close London E14 9YQ

MERCY MISSION UK

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MERCY MISSION UK

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) FOR THE YEAR ENDED 31 DECEMBER 2023

The trustees present their annual report and financial statements for the year ended 31 December 2023.

Introduction

We extend our heartfelt thanks to all our donors, volunteers, and partner organisations for their unwavering support and commitment to our mission. Your contributions have made a significant difference in the lives of many. Specific thanks go to our enterprise partner, the Collective Continuum, with whom we have worked on designing some super innovative projects.

As we reflect on the past year, we are grateful for the opportunities to serve and uplift communities. We are committed to continuing our efforts in alignment with Islamic values and principles, ensuring that our work contributes to a more just and equitable society. 2023 has been a very tough year for Muslim charities that are responding to global challenges. The war on Gaza has been hard to watch, not only the mass killings since October, but also the many incidences throughout the year, especially in Ramadan. We call for peace and justice for the fallen and are proud to enable our donors and partners have a well governed and legal means by which to support good causes across the world.

2023 has been tough, and we are hopeful our 2024 activities play some role in dealing with the mass challenges people face in the world. This year we hosted Sir Keir Starmer, leader of the Labour Party to discuss some of these realities and pray for a peace and a new government in which the dignity of human life is put before commercial and political interests.

Objectives and activities

Our charity is guided by Islamic principles and is committed to enhancing civil society through grants to organisations that promote social justice, education, health, and community development, both in the UK and selected international locations.

We aim to support initiatives that empower communities, promote well-being, and foster social cohesion in accordance with our values, the legislative rules of Zakat and principles of good community service. We have three key drivers as we continue our growth as a donor advised fund, and are seeking to ensure every pound we spend is in line with our strategic priorities, which we have identified as:

- Support Civil Society: Provide financial assistance to civil society organisations working in areas such as education, health care, and social services.
- Promote Social Justice and Development: Fund projects that address inequality, discrimination, and promote human rights, while enabling humanitarian assistance where needed.
- Encourage Community Engagement: Empower local communities through initiatives that foster collaboration and participation.

During the year, we focused on the following key activities:

- Grantmaking: We have distributed over £15m to organisations that are working tirelessly to make the world a better place. Our grant making is unique, as we are committed to recognising and supporting talent, and as such happily invest in early stage organisations to be able to benefit from their youth, vigour and hunger for change.

- Capacity Building: Conducted workshops and training sessions for young leaders to enhance their operational effectiveness and ability to serve in civil society organisations across the country. Our Future Leaders Program which is our chosen channel for capacity building has had a wonderful response with its participants demonstrating an unprecedented commitment to community service.

- Community Outreach: Engaged with local communities through events and seminars to raise awareness about our mission and the organisations we support. Through a small number of private stakeholders events we have been able to capture the imagination of a small but important number of donors and stakeholders working for a brighter future for all. We even hosted the Labour leader, Sir Keir Starmer for a Ramadan iftar to try and share some of the many concerns we hear from our partners.

MERCY MISSION UK

TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Structure, governance and management

The charity is a company limited by guarantee and incorporated under the Companies Act 2006. The company's governing document is its Articles of Association. The company's charity number is 1122922 with its company number of 06380231.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Mr M S Ikram

Ms F Mohammad

Mr I Mansha

Ms Z A Kidwai

(Appointed 23 January 2023)

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

The charity is governed by a board of Trustees who meet regularly to oversee operations, ensure compliance with regulatory requirements, and guide the strategic direction of the organisation. The board seeks to meet on a quarterly cycle and seeks to ensure more regular oversight through a monthly Chairman-CEO engagement. This enables optimal agility and for the organisation to take a balanced approach to taking advantage of opportunities that emerge while staying focussed on its strategic plan.

Our financial management practices ensure transparency and accountability. The charity's accounts are independently audited, and we adhere to the principles set forth by the Charity Commission. At the end of 2023 it was also decided to ensure in the next round of trustee recruitment we secure another finance/ investment professional to join the board as the scale of our finances continue to grow rapidly.

Financial review

The Statement of Financial Activities on page 11 shows a net surplus of £3,903,237 (2022: £1,963,576).

The trustees consider the state of the charity's affairs to be satisfactory.

At the year end, overall reserves totalled £6,476,500 (2022: £2,573,263). The charity retains reserves as a contingency against operational risks and for investment in strategic projects.

Reserves policy

It is the policy of the charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to between three and six month's expenditure. The trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised. This level of reserves has been maintained throughout the year.

Plans for future periods

Looking ahead, we aim to:

- Expand our grant-making capabilities to reach more communities in need
- Develop new partnerships with local and international organisations
- Enhance our monitoring and evaluation processes to better assess the impact of our funded projects
- Coordinate and where possible enable partnerships between our grantees
- Expand our activities into new territories, namely, the USA Canada, Indonesia and Australia
- Fund strategic initiatives which support the emergence of a more engaged British Muslim community
- Add to our DAF client base so as to further our grant making capacity
- Explore how best to support and empower the student community beyond those attending our FLP
- Support a new British Muslim Civil Society report, building on the great inaugural piece of work launched in Parliament in January 2023.

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TRUSTEES' REPORT (INCLUDING DIRECTOR'S REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

We have successfully added some key talent to the board advisory and through 2023 we were able to see the amazing benefit of some of the country's leading talent.

- Augustus Della-Porta: An experienced charity lawyer, in 2023 provided us wonderful insights in the sector, the opportunities and the challenges and strengthened our risk assessment apparatus.
- Ibrahim Khan: An experienced lawyer and investment professional, enabled us to consider new opportunities in 2023 beyond our initial real estate only position.

We are committed to adding at least two new trustees to the board in 2024 who are highly skilled and strengthen our board competency in technology, human resources and finances/ investments.

Statement of Trustees' responsibilities

The trustees, who are also the directors of MERCY MISSION UK for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees 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. 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.

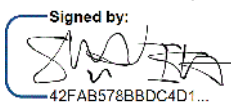
Auditor

In accordance with the company's articles, a resolution proposing that Pearlman Rose be reappointed as auditor of the company will be put at a General Meeting.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The Trustees' report was approved by the Board of Trustees.

Signed by:

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Mr M S Ikram
Trustee

29 October 2024

MERCY MISSION UK

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCY MISSION UK

Opinion

We have audited the financial statements of MERCY MISSION UK (the 'charity') for the year ended 31 December 2023 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 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 requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

MERCY MISSION UK

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERCY MISSION UK

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the Trust and the charitable sector in which it operates, and considered the risk of acts by the Trust that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK Charity legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal professionals. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

MERCY MISSION UK

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERCY MISSION UK

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mohammad Jilani (Senior Statutory Auditor)
for and on behalf of Pearlman Rose

30 October 2024

Chartered Accountants & Statutory Auditor

Suite 1, First Floor
Jack Dash House
2 Lawn House Close
London
E14 9YQ

MERCY MISSION UK

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2023

		Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total 2023 £	Total 2022 £
	Notes					
Income from:						
Donations and legacies	3	701,593	15,614,336	50,010	16,365,939	11,705,866
Charitable activities	4	237,249	171,331	-	408,580	1,106,777
Investments	5	54,108	-	-	54,108	13,645
Total income and endowments		992,950	15,785,667	50,010	16,828,627	12,826,288
Expenditure on:						
Raising funds	6	-	25,951	-	25,951	178,392
Charitable activities	7	717,312	12,126,083	-	12,843,395	10,684,320
Other expenditure	12	-	56,044	-	56,044	-
Total expenditure		717,312	12,208,078	-	12,925,390	10,862,712
Net income and movement in funds		275,638	3,577,589	50,010	3,903,237	1,963,576
Reconciliation of funds:						
Fund balances at 1 January 2023		327,410	2,245,853	-	2,573,263	609,687
Fund balances at 31 December 2023		603,048	5,823,442	50,010	6,476,500	2,573,263

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

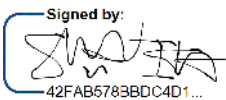
MERCY MISSION UK

BALANCE SHEET

AS AT 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Intangible assets	14		20,433		20,433
Tangible assets	15		1,501,953		1,403,775
Investments	16		325,010		-
			<u>1,847,396</u>		<u>1,424,208</u>
Current assets					
Debtors	17		19,810		37,584
Cash at bank and in hand			6,033,679		2,118,116
			<u>6,053,489</u>		<u>2,155,700</u>
Creditors: amounts falling due within one year	19		410,377		165,797
			<u>5,643,112</u>		<u>1,989,903</u>
Net current assets					
Total assets less current liabilities			7,490,508		3,414,111
Creditors: amounts falling due after more than one year	20		(1,014,008)		(840,848)
Net assets			<u>6,476,500</u>		<u>2,573,263</u>
The funds of the charity					
Endowment funds	22		50,010		-
Restricted income funds	23		5,823,442		2,245,853
Unrestricted funds			603,048		327,410
			<u>6,476,500</u>		<u>2,573,263</u>

The financial statements were approved by the trustees on 29 October 2024

Signed by:

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Mr M S Ikram
Trustee

Company registration number 06380231 (England and Wales)

MERCY MISSION UK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from operations	27		4,123,935		1,951,489
Investing activities					
Purchase of intangible assets		-		(7,847)	
Purchase of tangible fixed assets		(110,000)		(1,744)	
Purchase of investments		(325,010)		-	
Investment income received		54,108		13,645	
Net cash (used in)/generated from investing activities			(380,902)		4,054
Financing activities					
Proceeds from new bank loans		237,321		-	
Repayment of bank loans		(64,791)		(64,791)	
Net cash generated from/(used in) financing activities			172,530		(64,791)
Net increase in cash and cash equivalents			3,915,563		1,890,752
Cash and cash equivalents at beginning of year			2,118,116		227,364
Cash and cash equivalents at end of year			6,033,679		2,118,116

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Charity information

MERCY MISSION UK is a private company limited by guarantee incorporated in England and Wales. The registered office is 203 Westgate, Bradford, BD1 3AD, England.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds are subject to specific conditions by donors or grantors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Income that is generated in Ramadan and not expended during the accounting period is carried forward as a surplus and expended in the following accounting period.

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	No amortisation
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1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Not depreciated
Fixtures and fittings	20-33% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

1.9 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.10 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.13 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Income from donations and legacies

	Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total 2023 £
Donations and gifts	701,593	15,614,336	50,010	16,365,939

	Unrestricted funds 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total 2022 £
Donations and gifts	433,251	11,272,615	-	11,705,866
	433,251	11,272,615	-	11,705,866

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4 Income from charitable activities

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Services provided under contract	237,249	-	237,249	957,671	-	957,671
Charitable rental income	-	171,331	171,331	-	149,106	149,106
	<u>237,249</u>	<u>171,331</u>	<u>408,580</u>	<u>957,671</u>	<u>149,106</u>	<u>1,106,777</u>

5 Income from investments

	Unrestricted funds 2023 £	Unrestricted funds 2022 £
Licence income	-	10,847
Interest receivable	54,108	2,798
	<u>54,108</u>	<u>13,645</u>

6 Expenditure on raising funds

	Restricted funds 2023 £	Restricted funds 2022 £
Fundraising and publicity		
Fundraising agents	<u>25,951</u>	<u>178,392</u>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7 Expenditure on charitable activities

	Total 2023 £	Total 2022 £
Direct costs		
Staff costs	71,545	66,693
Depreciation and impairment	11,822	11,554
Subcontractor costs	232,476	22,010
Rent and rates	28,777	5,600
Telecommunications	191	433
Travel	52,281	17,883
Information technology	44,683	-
Subscriptions	3,729	3,057
Advertising	368,116	75,615
Printing and stationery	1,988	980
Legal and professional	33,057	105,309
Consultancy	166,645	145,731
Accountancy	7,200	4,550
Audit	10,800	10,764
Admin and finance	162,749	19,882
Programme cost	142,020	-
Research and development	138,188	
Bank charges	2,621	830
General expenses	9,005	13,331
Merchant charges	-	2,361
Exchange rate differences	-	(15,843)
Building insurance	17,314	14,358
Building repairs	17,063	15,965
Property maintenance	14,282	822
	<u>1,536,552</u>	<u>521,885</u>
Grant funding of activities (see note 8)	11,306,843	10,162,435
	<u>12,843,395</u>	<u>10,684,320</u>
Analysis by fund		
Unrestricted funds	717,312	1,267,104
Restricted funds	12,126,083	9,417,216
	<u>12,843,395</u>	<u>10,684,320</u>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

8 Grants payable

	2023 £	2022 £
Grants to institutions:		
Other	11,298,632	10,150,775
Grants to individuals	8,211	11,660

9 Net movement in funds

	2023 £	2022 £
Net movement in funds is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets	11,822	11,554

10 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

11 Employees

The average monthly number of employees during the year was:

	2023 Number	2022 Number
	3	3

Employment costs

	2023 £	2022 £
Wages and salaries	60,083	65,653
Social security costs	9,727	964
Other pension costs	1,735	76
	71,545	66,693

There were no employees whose annual remuneration was more than £60,000.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

12 Other expenditure

	Restricted funds 2023 £	Restricted funds 2022 £
Financing costs	56,044	-
	<u>56,044</u>	<u>-</u>

13 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

14 Intangible fixed assets

	Development costs £
Cost	
At 1 January 2023 and 31 December 2023	20,433
Amortisation and impairment	
At 1 January 2023 and 31 December 2023	-
Carrying amount	
At 31 December 2023	20,433
At 31 December 2022	20,433

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

15 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 1 January 2023	1,360,000	75,031	1,435,031
Additions	110,000	-	110,000
	<hr/>	<hr/>	<hr/>
At 31 December 2023	1,470,000	75,031	1,545,031
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
At 1 January 2023	-	31,256	31,256
Depreciation charged in the year	-	11,822	11,822
	<hr/>	<hr/>	<hr/>
At 31 December 2023	-	43,078	43,078
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2023	1,470,000	31,953	1,501,953
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1,360,000	43,775	1,403,775
	<hr/>	<hr/>	<hr/>

The trustees are of the opinion that the carrying value of the freehold property carried forward is materially correct as at the balance sheet date.

16 Fixed asset investments

	Other investments
Cost or valuation	
At 1 January 2023	-
Additions	325,010
	<hr/>
At 31 December 2023	325,010
	<hr/>
Carrying amount	
At 31 December 2023	325,010
	<hr/>
At 31 December 2022	-
	<hr/>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	9,569	7,399
Other debtors	-	30,010
Prepayments and accrued income	10,241	175
	<u>19,810</u>	<u>37,584</u>

18 Loans and overdrafts

	2023 £	2022 £
Bank loans	<u>1,078,169</u>	<u>905,639</u>
Payable within one year	64,161	64,791
Payable after one year	<u>1,014,008</u>	<u>840,848</u>

The long-term loans contain a negative pledge and are secured by way of a fixed charge over the assets of the company.

19 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans	18	64,161	64,791
Other taxation and social security		18,077	5,505
Trade creditors		185,139	81,161
Other creditors		125,000	76
Accruals and deferred income		18,000	14,264
		<u>410,377</u>	<u>165,797</u>

20 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans	18	<u>1,014,008</u>	<u>840,848</u>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

21 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £1,735 (2022 - £76).

22 Endowment funds

Endowment funds represent assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the assets form part of the fund.

	At 1 January 2023	Incoming resources	At 31 December 2023
	£	£	£
Permanent endowments			
Waqf	-	50,010	50,010

23 Restricted funds

The restricted funds of the charity comprise the unexpended balances of donations and grants held on trust subject to specific conditions by donors as to how they may be used.

	At 1 January 2023	Incoming resources	Resources expended	Transfers	At 31 December 2023
	£	£	£	£	£
Waqf	38,000	-	-	(38,000)	-
FiG	326,832	-	(3,067)	-	323,765
Rasullah	54,908	-	-	(54,908)	-
Shamaazi	1,677,828	15,614,336	(12,179,060)	37,086	5,150,190
Creative lofts - rental income	149,107	171,331	(25,951)	(170,000)	124,487
Restricted funds <50,000	(822)	-	-	822	-
Other venture funds	-	-	-	225,000	225,000
	<u>2,245,853</u>	<u>15,785,667</u>	<u>(12,208,078)</u>	<u>-</u>	<u>5,823,442</u>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

23 Restricted funds

(Continued)

Previous year:	At 1 January 2022	Incoming resources	Resources expended	Transfers	At 31 December 2022
	£	£	£	£	£
Waqf	38,000	-	-	-	38,000
FiG	326,832	-	-	-	326,832
Rasullah	54,908	-	-	-	54,908
Shamaazi	-	11,272,614	(9,594,786)	-	1,677,828
Creative lofts - rental income	-	149,107	-	-	149,107
Restricted funds < £50,000	-	-	(822)	-	(822)
	<u>419,740</u>	<u>11,421,721</u>	<u>(9,595,608)</u>	<u>-</u>	<u>2,245,853</u>

24 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 January 2023	Incoming resources	Resources expended	At 31 December 2023
	£	£	£	£
General funds	<u>327,410</u>	<u>992,950</u>	<u>(717,312)</u>	<u>603,048</u>

Previous year:	At 1 January 2022	Incoming resources	Resources expended	At 31 December 2022
	£	£	£	£
General funds	<u>189,947</u>	<u>1,404,567</u>	<u>(1,267,104)</u>	<u>327,410</u>

25 Analysis of net assets between funds

	Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total 2023 £
Fund balances at 31 December 2023 are represented by:				
Intangible fixed assets	20,433	-	-	20,433
Tangible assets	31,953	1,470,000	-	1,501,953
Investments	-	275,000	50,010	325,010
Current assets/(liabilities)	550,662	5,092,450	-	5,643,112
Long term liabilities	-	(1,014,008)	-	(1,014,008)
	<u>603,048</u>	<u>5,823,442</u>	<u>50,010</u>	<u>6,476,500</u>

MERCY MISSION UK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

25 Analysis of net assets between funds

(Continued)

	Unrestricted funds 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total 2022 £
Fund balances at 31 December 2022 are represented by:				
Intangible fixed assets	20,433	-	-	20,433
Tangible assets	43,775	1,360,000	-	1,403,775
Current assets/(liabilities)	263,202	1,726,701	-	1,989,903
Long term liabilities	-	(840,848)	-	(840,848)
	<u>327,410</u>	<u>2,245,853</u>	<u>-</u>	<u>2,573,263</u>

26 Related party transactions

There were no disclosable related party transactions during the year (2022 - none).

27 Cash generated from operations

	2023 £	2022 £
Surplus for the year	3,903,237	1,963,576
Adjustments for:		
Investment income recognised in statement of financial activities	(54,108)	(13,645)
Depreciation and impairment of tangible fixed assets	11,822	11,554
Movements in working capital:		
Decrease/(increase) in debtors	17,774	(31,632)
Increase in creditors	245,210	21,636
Cash generated from operations	<u>4,123,935</u>	<u>1,951,489</u>

28 Analysis of changes in net funds

	At 1 January 2023 £	Cash flows £	At 31 December 2023 £
Cash at bank and in hand	2,118,116	3,915,563	6,033,679
Loans falling due within one year	(64,791)	630	(64,161)
Loans falling due after more than one year	(840,848)	(173,160)	(1,014,008)
	<u>1,212,477</u>	<u>3,743,033</u>	<u>4,955,510</u>