

Annual Report 2007



merlin

medical relief, lasting health care

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Cover: Nora Bachar has brought her 17-month-old son to Merlin's clinic in Um Gunya, South Darfur, to be treated for a cough and an eye infection. Two years ago, Nora fled her home in Marla when the village was attacked by armed men. "All our houses were burned, and three members of my family were killed," says Nora.

Inside cover: In Hijer, South Darfur, dozens of patients wait under the shade of a tree outside Merlin's clinic. Around 14,000 people currently live in Hijer, 10,000 of whom have been displaced by fighting and are living in makeshift shelters under extremely harsh conditions. More than two million people across Darfur have been forced to flee their homes since the conflict began in 2003.

Medical Emergency Relief International Charitable Trust

Report and Accounts for the year ended 31st December 2007

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Photo: Jacqueline Koch

In March, Merlin opened a newly constructed pharmacy complete with doctor's quarters in Periyaneelayanai, Ampara District, Sri Lanka. The construction for the new facility cost £100,000 and will provide 6,500 local residents with access to much-needed medical care.



Lord Jay visits Kindu hospital, Democratic Republic of Congo.



Lord Jay observes a malaria test at Kindu Hospital.

Message from the Chair

Merlin's Chair, Lord Jay, reflects on our work in 2007.

"Four years ago this hospital was in ruins" says the doctor who oversees Merlin's operations in Kindu in the Democratic Republic of Congo (DRC). "The rebel soldiers had destroyed it, doctors and patients - if they could - had fled. Trees were sprouting from the buildings."

Four years on, the hospital still looks primitive. But Merlin's work has made a huge difference. The hospital is operating at full capacity, mortality rates are falling, drug supplies are assured.

Shortly after I was appointed Chair of Merlin in May 2007, I visited eastern DRC with Merlin's Chief Executive, Carolyn Miller. After years of conflict, the health system in DRC is very fragile indeed. In one of the regions where Merlin operates, there were only three doctors for over 146,000 people.

This support for Kindu hospital is characteristic of Merlin's work - providing emergency help after conflict or natural catastrophe, and working closely with local health authorities and communities to rebuild shattered health services. So that when Merlin leaves a country, its work will continue - as it did in the former Soviet republics of Georgia and Tajikistan when Merlin closed its programmes in 2007. Merlin can only achieve all this by maintaining a professional approach and being accountable to its beneficiaries and donors through the effective use and management of resources.

Our priority for the year ahead is to finalise Merlin's three-year strategy for 2009-2012 so that the organisation can continue to develop its own ambitious plans, which include exploring funding opportunities in the US and launching programmes in new countries, such as Zimbabwe. Merlin will also continue to increase its influential policy work in 2008, persuading others to help safeguard the long-term health of some of the most vulnerable people in the world.

As I write this, I am greatly looking forward to seeing some of Merlin's operations very shortly in the challenging region of South Sudan.

Lord Jay of Ewelme
Chair of Merlin

Our global impact

In 2007, Merlin made a significant impact in both its more immediate response work and in building up health services and systems.



In January 2007, Merlin's health team carried out immunisations in Som Darreh and other remote villages in Badakhshan Province, north-eastern Afghanistan.

Merlin responded to emergencies in Bangladesh and Pakistan. We launched a new programme in the Central African Republic (CAR) and expanded our programme in the Democratic Republic of Congo (DRC) and Sudan.

We responded to two natural disasters – a devastating cyclone in southern Pakistan in June that caused massive flooding over an area of 400 miles and a powerful cyclone that hit Bangladesh's coastline in November. Merlin's emergency teams were able to mobilise support to the worst affected areas within days to get help to the people who needed it most.

In Pakistan, Merlin worked alongside the World Health Organisation (WHO) and UNICEF to ensure that people had access to essential health services as quickly as possible in the aftermath of Cyclone Yemyin. For the first three weeks the team used boats to set up emergency floating

clinics and provide health care to many of the most severely affected villages in Balochistan, where 80 per cent of the district was submerged under water (see case study, page 16).

In Bangladesh, Merlin worked in partnership with a local NGO to treat more than 32,000 people

within three weeks of Cyclone Sidr, which wreaked devastation along the country's coastline (see case study, page 17). This led to Merlin leading a health assessment in the recovery period alongside WHO and our local partner.

"Conditions and facilities are very basic. Now add a roaming population of tens of thousands of displaced people and you begin to get an idea of just how bad the situation is. It's one of the worst I've seen."

Sarah Terlouw, Merlin's Operations Co-ordinator in DRC

Merlin also responded to a neglected health crisis in the CAR – setting up a programme in October 2007 to help people get medical care in a system on the verge of collapse. Our first response was to provide essential medical supplies for people who had no access to health services (see case study, page 11).

Merlin's aim is to help rebuild health services over the long term in CAR in the same way as we are doing in other African states like DRC, where we have been working since 1997.

Ten years after we began our work in DRC, we made the strategic decision to expand our programme in North Kivu in the east of DRC to include two new project areas: Rutshuru and Birambizo where acute humanitarian needs remain. Merlin is one of only two international medical NGOs operating there and health services are very basic.

Merlin's programme supported 50,000 people in these two areas with free health care and clean water and sanitation. We supported eight Ministry of Health facilities, supplying drugs, staff incentives, supervision and training. And we also began a programme to address the health effects of sexual and gender-based violence.

In 2007, we also undertook a comprehensive review of our work in DRC. The focus of our work there has been in the eastern provinces, where levels of fighting and subsequent population displacements have been at their highest. In accordance with Merlin's approach of strengthening health systems and working alongside existing national structures, our programmes have been directed at improving access to services and meeting the emergency and long-term health needs of the populations.



Voluntary counselling and testing in Nimule, South Sudan. In 2007, we tested 4,500 people for HIV.



Baby Isabella with a midwife in Gereida camp, Darfur. Her mother, Fatima, suffered two miscarriages before visiting a Merlin clinic for regular check-ups during her third pregnancy.

The review found that Merlin is now well placed to bring about positive change in DRC in the longer term, whilst responding to new crises as they arise.

Merlin also scaled up its operations in Darfur, Sudan in May 2007 in response to increasingly desperate health needs there. The move followed a period of several months in which escalating violence had forced aid

agencies to suspend many projects that were providing a lifeline to displaced people. Two million people lost their homes during the violent four-year conflict in this province of Sudan. Most are now living in makeshift camps with little or no access to health care.

Merlin was one of the few agencies providing health care in the south of the region during 2007. From its base in the town of Nyala, medical teams reached out to more than 400,000 people through a network of permanent clinics at sites such as Sanyafundu, Seleah, Gereida and Hijer. Mobile clinics travelled out to more remote camps where people face malnutrition and are at high risk from diseases such as diarrhoea, malaria, meningitis, and pneumonia.

Rebuilding health services

As well as expanding our programmes, we also made the strategic decision to close two programmes in 2007. After helping to rebuild fragile health services in the former Soviet republics of Georgia and Tajikistan, we handed our programmes back to the Ministries of Health there.

Merlin's work in Tajikistan began in 1997, when the collapse of the Soviet Union and an ensuing civil war had destroyed the nation's health system. Merlin's presence in Tajikistan made a significant contribution to rebuilding and improving health

care. Our most significant impact has been the dramatic improvement of the control of infectious diseases like malaria and typhoid. We trained more than 1,100 health workers in surveillance and referral of cases.

Since launching our programme in Georgia in 2002, Merlin has forged strong relations, at every level, with local government authorities, donors, national and international NGOs and the communities with whom we have

worked so closely. Through our programmes, Merlin has developed a reputation for integrity and high quality service provision. Our pilot tuberculosis control programmes have now been adopted by the government as a model for other regions – demonstrating the long-term sustainability of Merlin's work.

And in 2007, we did not just focus on delivering services. We also turned our efforts and expertise to developing strategic partnerships to influence policy at the highest levels – to make our impact felt far beyond the countries where we deliver medical aid. We used our influence to encourage the British government to increase levels of funding to Myanmar. We jointly organised an international conference on the best ways to finance and deliver health services in fragile states that was attended by 130 of the sector's most influential stakeholders. We worked with the WHO to jointly develop and implement a highly successful course on Analysing Disrupted Health Systems. And we commissioned several reports designed to share learning and best practice across the sector.

"Before Merlin's work began, nearly a third of patients in the region dropped out of TB treatment. Now nearly 90 per cent of people complete the full course – a considerable achievement."

Bill Adams, Merlin trustee speaking about our work in the former Soviet republic of Georgia

Our global impact

This table gives the number of people helped by Merlin, either directly or indirectly, during 2007.

	Country	Direct	Indirect
1	Afghanistan	909,852	1,190,300
2	Central African Republic	59,334	127,057
3	Democratic Republic of Congo	749,525	1,453,376
4	Ethiopia	29,413	106,969
5	Georgia	22,426	4,371,500
6	Indonesia	104,831	117,717
7	Kenya	291,318	1,758,899
8	Liberia	950,879	646,124
9	Myanmar	261,138	421,312
10	Nepal	64,860	69,941
11	North Sudan	398,432	357,710
12	Palestinian Territories	197,030	296,221
13	Pakistan	491,981	364,800
14	Somalia	144,287	3,987,163
15	South Sudan	402,931	861,438
16	Sri Lanka	417,915	1,247,000
17	Tajikistan	91,776	2,401,488
	TOTAL	5,587,928	19,779,015

- **Direct beneficiary:** anyone who has received direct assistance from Merlin-supported services. For example, by accessing health care at clinics or hospitals, receiving a bed net, attending a training session.
- **Indirect beneficiary:** anyone within the target population who has the option of accessing Merlin-supported services should they choose to do so.

Beneficiaries do not show where Merlin undertakes construction projects only, for example, Ivory Coast.



Training midwives at Merlin's health centre in Takhar. So far, a total of 43 students have graduated and are now providing essential maternal health care to over 84,000 women.

Delivering change in Afghanistan

Fauzia's story

When Fauzia first became pregnant during the Taliban period in Afghanistan she had to walk two days through the mountains to reach the nearest provincial hospital that could help treat her high blood pressure. She gave birth to her first three children at home with only an untrained birth attendant by her side. It was her own experiences that prompted Fauzia, now 29, to help other women in her situation.

"I wished to become a midwife, to help other women, so that they would not have experienced the same difficulties as me," she says.

Today, Fauzia is one of the first midwives to graduate from Merlin's Community Midwife Education (CME) programme in the remote Takhar Province of Afghanistan. Originally from the capital Kabul, Fauzia moved to the mountainous province of Takhar when she married her husband, a religious leader. The students come from some of the most remote areas of Takhar and Baghlan Provinces and go back to work there, once they have qualified.

During the selection process to choose the students for the first midwife programme, community members put Fauzia forward as a candidate. She had the full support of her husband and rest of the family to start the training - although in general the programme found it difficult to gain community acceptance for the training of women, particularly from religious leaders. Fauzia was an extremely diligent and hard-working student throughout the programme, which ran for 18 months from October 2004 to April 2006. She passed the training successfully and is one of 21 students (out of an original 22) who graduated from Merlin's programme and found placements as midwives.

When she first started her work in Farkhar District Hospital in May 2006, Fauzia felt frightened to be alone with so much responsibility. But the training had prepared her well: "It feels all the time that my trainers are still looking over my shoulders [at] what I am doing, which gives me confidence."

For the first two months, Fauzia was the only midwife in the district hospital, the same hospital that had been unable to offer her any support when she was pregnant. After a few months, another qualified midwife joined Fauzia in her work. Together, they care for the many women and children of Farkhar district. Fauzia reports that, since she started her work, the number of babies delivered in hospitals has increased significantly. She carries out health education sessions with local women, to encourage them to come to the district hospital to give birth.

She also organises a monthly meeting with the female Community Health Workers (CHWs) and some of the practising, but untrained, Traditional Birth Attendants (TBAs) to discuss their activities, especially their referrals to the district hospital. In this way, she is helping to reduce the very high levels of maternal mortality in the region.

Since she graduated, Fauzia has delivered 65 babies in the hospital and three at home. She had dealt with all sorts of complications, from breech births to twin deliveries, and the treatment of women with pre-eclampsia.

"I am so happy to eventually have become a midwife, and now offer the women from my community a service, which can prevent them from dying unnecessarily," she says.

As Afghanistan still has one of the highest maternal mortality rates in the world - 1,600 women die for every 100,000 live births - the road is still long. But with the introduction of Merlin's midwife programmes across the country, women's chances for survival have now become a reality.

Merlin's country programme team compiled a detailed report about the first midwife training programme, which is available to download at www.merlin.org.uk.



Afghanistan has one of the highest rates of maternal mortality in the world.



Organisational development

Merlin's Three Year Plan set out nine core objectives through which the scale and impact of its work should be increased. During 2007, the charity made good progress on all of these objectives.

1 Set a strong international strategy to increase global impact

In 2007, Merlin increased our global impact on a number of levels. We worked hard to influence national and international policy and practice by engaging in high-level debates on the global stage.

More than 130 people from multilateral agencies, bilateral donors, non-government organisations (NGOs) and academic institutions, attended a conference Merlin jointly organised with the London School of Hygiene and Tropical Medicine in October 2007. This conference, "Health Service Delivery in Fragile States for \$US5 per person per year: Myth or Reality?", promoted discussion on how health service delivery in fragile states can be strengthened to assure the right to health for all.

Merlin worked with the UN and other NGOs to tackle humanitarian crises through the "Cluster Approach", which was created to strengthen partnerships in key sectors. Our engagement with the Health Cluster increased as we took on co-leadership of the health cluster in Puntland and Somalia and we also joined and worked with the Nutrition Cluster.

We also focused on gathering evidence to show the global impact of our work. In January 2007, an in-depth assessment of Merlin's support to human resources for health in Kenya and Liberia was carried out. The resulting report – followed by editorials in the British Medical Journal and The Lancet – demonstrated a long-term commitment on Merlin's part to tackling the current crisis in human resources for health through its policy and influencing work.

A cornerstone of Merlin's approach is working in partnership with Ministries of Health to strengthen existing health services. To support this, we commissioned an independent review of these crucial partnerships to help inform Merlin's work, to contribute to wider policy development and to influence best practice.

2 Establish individual country strategies and improve programme quality

Merlin focused on developing a more strategic portfolio of country programmes in 2007. We launched a new programme in the Central African Republic (CAR) to help rebuild the health service, which was in a state of collapse. We also expanded our programme in the Democratic Republic of Congo (DRC) and in Sudan. In six of the countries where we work, we rolled out an enhanced nutrition strategy – developed by a nutrition adviser.

After helping to rebuild fragile health services in the former Soviet republics of Georgia and Tajikistan, we transferred full responsibility back to the Ministries of Health in 2007.

We also continued to learn lessons from our work, undertaking reviews of key programme areas in 2007. This included a review of our Community Midwifery Education (CME) Programme in Afghanistan and our ten-year programme in DRC.

A three-country evaluation of Merlin's Tsunami response looked at the activities, processes and impact of our work in Sri Lanka, Indonesia and Myanmar. The evaluation has provided key learning across a broad range of programmes and contexts – and has been used as an evidence base for future planning.



Mothers exchange new ideas on the best ways to care for infants at community sessions in Myanmar.



Merlin's Dr Shahid in consultation following Cyclone Yemyin in Pakistan.



Photo: Jacqueline Koch

In 2007, Merlin began undertaking major renovations of Navakadhu clinic in Sri Lanka after years of looting and neglect.

Merlin enhanced its monitoring and evaluation (M&E) culture during 2007 and continued to improve our organisational capacity to use the lessons learned from our work to improve the efficiency and delivery of our programmes.

Improve capacity to respond to humanitarian emergencies

Emergency response plays a major role in Merlin's organisational identity, its reputation and its operational methodology. Merlin works with existing health structures and national organisations rather than in parallel to them – as well as working with local communities to build their resilience.

In 2007, Merlin responded to emergencies in Bangladesh and Pakistan, and health system collapse in CAR. The Merlin Response Team – made up of experts in health care, management and logistics – has been pivotal in enhancing Merlin's capacity to respond to emergencies quickly and efficiently. In 2007, we strengthened this team and also put in place an enhanced internal and external emergency register.

3 Improved collaboration with organisations and government agencies working in the humanitarian movement

During 2007, Merlin increased its collaborative work.

We worked with the World Health Organisation to jointly develop and implement a highly successful pilot training course, "Analysing Disrupted Health Systems in Countries in Crises", which took place in Tunisia in November.

Merlin was also one of the founding members of the Steering Committee of the DFID-supported Health and Fragile States Network, which was set up in June 2007. This followed a two-day workshop at which Merlin presented an NGO perspective on health policy and its relation to humanitarian and development transition in fragile states.

We also had other opportunities to work closely with the UK government. We were invited to give evidence to the UK government's International Development Committee enquiry into DFID's assistance to Burmese internally displaced people and refugees on the Thai-Myanmar border. As a result of the enquiry, DFID agreed that the levels of aid to Myanmar should be significantly increased.

We increased our engagement with UNICEF during 2007 and we also developed links and collaborated with partners in the UK, Europe and further afield – including Oxfam, Help Age International, and CHF International.

4 Strengthen Merlin's public profile in the UK and amongst other key audiences

We secured considerable coverage in newspapers, magazines, on television and online during 2007. Regional newspapers covered our emergency work in Bangladesh and Pakistan. We also gained coverage for our long-term work, which helped to raise the profile of our non-emergency programmes. For example, both ITV and BBC News 24 reported on Merlin's work for World AIDS Day in December, reaching an audience of 3.5 million people.

5 Increase proportion of income from private funds to allow for greater flexibility and independence in activity

We were active and successful in developing funding partnerships with private trusts, corporates and individuals and attracting new funding streams within the institutional donor spectrum.

We recruited a programme funding coordinator, whose main task was to diversify Merlin's funding base by securing funding for longer term contracts with our institutional donors.

Organisational development

On the direct marketing side we expanded our new media activities by testing direct response television advertising on satellite channels and e-fundraising via our own website and other internet forums.

Our efforts to attract private funding were a resounding success, exceeding targets set on lower than expected costs.

6 Implement strong and effective management

Merlin's emphasis during 2007 was to promote strong leadership skills in order to enhance our management capacity and capability. We completed a highly successful pilot phase of our new leadership management development training and coaching programme, which benefited 80 per cent of senior managers in Merlin's head office and country programmes during 2007. We also carried out training in other key priorities at our Annual Conference for head office and country staff.

The appointment of the former Head of the Diplomatic Service, Lord Jay of Ewelme, as the new Chair of Merlin in May 2007 has also provided significant additional leadership to our board.

7 Improve the recruitment and retention of quality staff

Merlin's growing reputation as a high quality employer, enhanced management capability, better human resources systems and processes, and more competitive pay for field staff have vastly improved levels of recruitment and retention of experienced and well-qualified staff across the organisation. By the end of 2007, the vacancy rate had fallen to 1.5 per cent for head office and 18 per cent for international vacancies. In the field, more than 60 per cent of senior managers and 40 per cent of field staff now have contracts of more than 12 months.

In order to attract prospective employees, Merlin held a series of highly successful information evenings throughout the year. These were attended by more than 400 potential job applicants.

Our internship programme offers a unique and carefully structured training programme for appropriately skilled people wishing to move into the humanitarian sector. Two-thirds of the 24 interns completing our internship programme in 2007 are currently working for Merlin or within the sector.

The introduction of a new human resources database has greatly improved Merlin's human resources management information and systems, and in future will enable online job applications to further streamline the recruitment process.

8 Improve the efficiency and effectiveness of administration

In 2007, Merlin strengthened controls and procedures in order to improve the efficiency of our operations. To that end, we carried out four major field audits in Pakistan, Indonesia, Sri Lanka and DRC. We revised our Security Guidelines in order to reflect the increasingly dangerous conditions under which we are operating, and our logistics section was revamped to ensure our work is more responsive and cost effective.

Saving lives in the Central African Republic



"The wards were furnished with nothing more than empty bed frames, and it was clear the hospital's only ambulance wasn't going to bring in any more cases."

"Afterwards he added up the cost of the treatment, which included drugs, syringes, suture material, soap, and even the fuel for the generator, and the bill came to £45. That's several months' salary for a government employee and as much as a farmer might earn in a year. There are no organisations in town to help treat those who can't afford these fees."

"But it's not just the cost of treatment that's keeping people away. Most of the wards and consultation rooms I saw were filthy and bare of equipment. In the 'emergency unit', a lone stretcher was propped up in the corner of the otherwise empty room. The wards were furnished with nothing more than empty bed frames. And it was clear the hospital's only ambulance wasn't going to bring in any more cases. It lay on the ground outside, its bodywork slowly rusting away and its four wheels long since disappeared."

"None of the sites we inspected had properly trained staff or functioning equipment and all were short of up-to-date drugs. The high costs, and poor quality, of services provided at these clinics mean that people only go there as a last resort. They rely instead on 'bush medicines' which are ineffective against malaria and HIV. It's no wonder that one in five children in CAR die of preventable illnesses, and one in 15 women die in childbirth."

Merlin decided to address this health crisis by launching a programme in CAR in 2007 to help people get the medical care they so desperately needed. Our first response was to provide essential medical supplies for people who had no access to health services. For the longer term, we are raising funds to provide more intensive support for a number of rural health centres. This includes providing free antenatal care, setting up training programmes for health staff and improving conditions at clinics.

Merlin's aim is to help rebuild health services in CAR in the same way as we have done in other African states like Liberia. It's been ten years since we began our work in this former war-torn nation. Our commitment to provide lasting health care services there is having a huge impact. And it is already saving lives in CAR.

When Merlin's assessment team visited the Central African Republic (CAR) in June 2007, we found a health service in a state of collapse. Ndélé hospital highlights only too starkly the crisis that is slowly crippling this forgotten country. CAR is the fifth poorest country in the world, where, according to the United Nations, one million people are in need of emergency help. Many thousands have been driven from their homes by sporadic rebellion. Yet as David Wightwick from Merlin's Assessment Team walked around the semi-derelict hospital compound, he found only four patients. This is what David told us:

"We found one patient who was suffering from a strangulated hernia. His name was Samuel. A nurse there was able to perform a basic operation that saved Samuel's life."



Central African Republic has one of the most neglected health systems in the world. Clinics are often understaffed and under-equipped.



Merlin medical assessment team, June, 2007.

Financial review

Merlin receives significant funds directly from institutional donors, including the British Government, US Government, the European Union and the United Nations. The grants are typically for programmes in a country or region for periods between six months and two years. Merlin also receives funds, on a significantly smaller scale, from individual donors, private trusts and corporations. The vast majority of the organisation's expenditure is undertaken directly on its in-country project activities. The remainder is used to ensure that these projects are adequately supported, that the charity is governed appropriately and that adequate investment is made into the fundraising base.

Incoming resources

In 2007, total income increased by 13.7% to £31.0m (2006: 27.3m). It should be noted that the figure for the current year does not include the amounts raised by the charity through its public Tsunami appeal as these were fully recognised in the accounts in 2005.

Charitable expenditure

Charitable expenditure increased by 11.98% to £30.16 (2006: 26.95m). Although as noted above, the income from Merlin's Tsunami appeal was accounted for in 2005, the organisation continued to spend in the disaster affected region throughout 2007. Accordingly, with increased project income raised for other initiatives, the level of medical aid delivered has increased significantly throughout the year.

Governance and administration

Expenditure on charity governance and fundraising amounted to £0.3m, or 0.97% of total expenditure.

Fundraising

Voluntary income from individual givers and donors increased to £2.7m (2006: £2.2m); a rise of 23% on 2006.

The cost of generating these funds increased proportionally to £1.2m (2006: £1.0m). As with previous years, the investment in fundraising is carefully balanced with the level of investment and expenditure in country programming.

1 Risk and Internal Control

The trustees continue to review and assess the risks that the charity faces and the potential impact they may have on the organisation.

Merlin has continued to enhance its approach to organisational risk in 2007. The senior management team co-owns the organisational risk register, which operates as a working document. The register is formally reviewed each quarter and presented by the senior management team to all the trustees via the Finance, Risk and Audit Sub-Committee.

Merlin's internal auditor measures and controls the various risks it faces. This role undertakes independent audits of the procedures and standards by which the charity's activities in head office and the field are managed.

2 Reserves

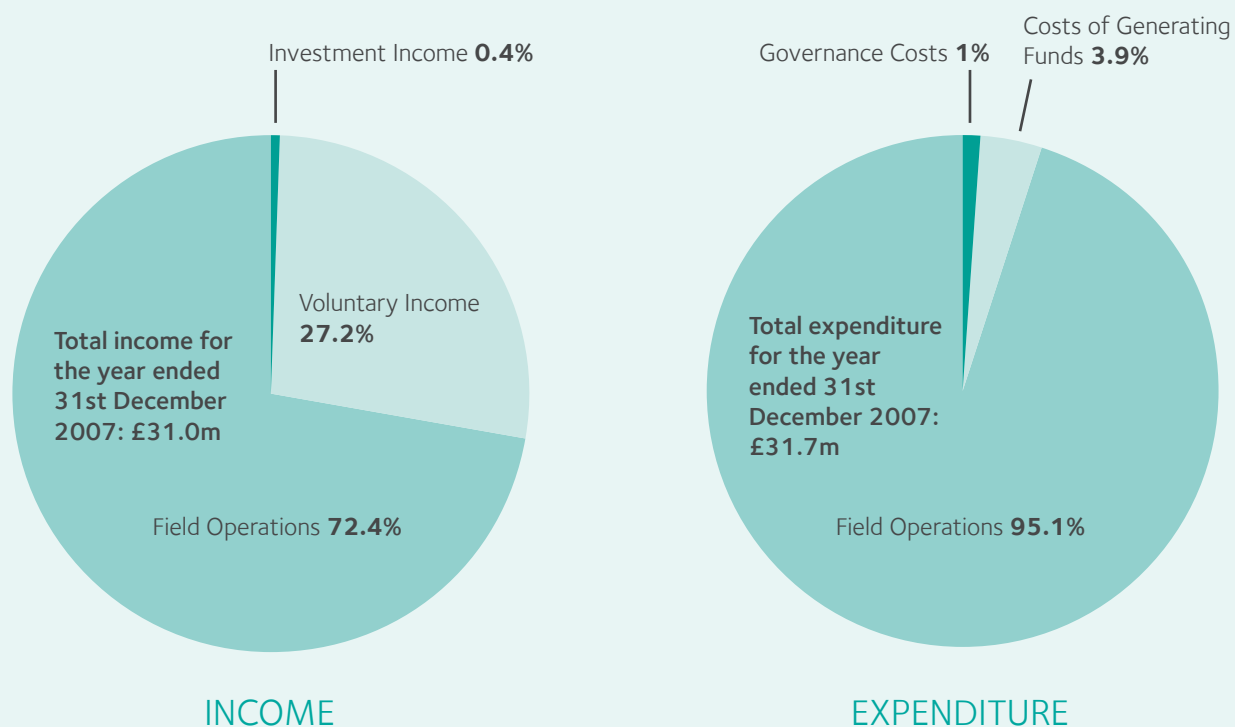
Merlin's total funds as at 31 December 2007 are £5.6m (2006: £6.3m) of which £0.77m are classified as restricted funds.

Restricted Funds

The majority of Merlin's income comes from donors who require the organisation to use their funds on specific contracts and initiatives. Accordingly, these monies are categorised as restricted funds. Each award is administered separately to ensure accurate allocation and compliance with the donor's requirements.

Unrestricted Funds

The level of income from the unrestricted sources that Merlin received in 2007, as with previous years, is less than restricted income. However, the General Funds as at 31 December 2007 are £3.3m. The increase of £1.8m is due to a transfer from designated funds of £1.6m and a small increase in reserves prior to transfers of £0.2m.



Merlin is committed to raising the level of unrestricted reserves that it holds. The Trustees reviewed the level and categories of reserves in 2007 and will develop a revised reserves policy during its development of the financial models underpinning the next three year strategy currently being developed. A main objective of this planning is to enable the level of unrestricted reserves to reach a more sustainable platform allowing the organisation to plan more effectively for its strategic needs.

As a result of the Daily Telegraph Appeal in December 2004 which coincided with the Asian tsunami, the Trustees agreed to designate the £18 million in donations for the affected region. With this fund Merlin set up new programmes in Indonesia, Sri Lanka, Myanmar and Somalia. After three years of work to rebuild health infrastructure and retrain medical staff, the major part of Merlin's response to the tsunami will have been completed by the end of 2007. Merlin's total expenditure on tsunami-affected regions up until the end of 2007 is projected to be over £15 million.

In 2008, Merlin will continue to work in eastern Sri Lanka, where internal conflict has made the task of rebuilding tsunami affected health facilities more difficult, and has also increased the number of displaced people in need of medical aid.

Merlin is also continuing to work in Somalia and Myanmar. These projects are focused on wider health care needs building on issues that we identified as a result of our tsunami response in 2004.

In addition to activities in these three countries, Merlin will use the remaining funds to strengthen its emergency response fund, so that it can carry

out more rapid response missions in both existing and new countries. The fund will also support programmes in other countries in which Merlin operates, and build up a necessary minimum level of reserves for the organisation as a whole. This is reflected in the slight changes to the categorisation of reserve funds in 2007:

- 1 Strategic Baseline Reserve:** This unrestricted reserve enables Merlin to react to fundamental changes in its long-term financing position. It is intended to be at a level of between two and six months of head office expenditure in order to ensure that Merlin can meet such commitments should a sudden, unexpected and fundamental event occur. This reserve will only be used under clear and unambiguous instruction from the Trustees. The balance of the reserve at 31 December 2007 is £1.2m.
- 2 Emergency Fund:** This reserve covers the funding of assessments and initial programming where donor funds have not yet been secured. The reserve, which is recyclable from future unrestricted funds, will be reviewed as the organisation's capacity to undertake emergency responses increases. The balance as at 31 December 2007 is £0.388m. The name of this fund has changed in 2007 from the Emergency Response and Assessment Fund although its purpose remains the same.
- 3 Tsunami Designated Fund:** As detailed above the balance of this fund at 31 December 2007 has been reallocated to continue its work in the tsunami effected areas and enhance Merlin's ability to respond to emergencies.

Corporate governance

The Medical Emergency Relief International Charitable Trust has a sole corporate trustee, Merlin Board Limited, a company limited by guarantee. The governors of Merlin are the Directors of Merlin Board Limited. They act as trustees, are known as the 'Board of Trustees' and meet quarterly to agree Merlin's overall policy and direction in all areas of its work.

The Board delegates responsibility to a number of sub-committees. These each have specific terms of reference, and are chaired by a member of the Board of Trustees, and are as follows:

- Finance, Risk and Audit Sub-Committee: This group oversees all aspects of the management of Merlin's finances, risk and internal audit function. This will typically include analysis and discussion of quarterly management accounts, analysis and monitoring of the organisational risk map, monitoring of the Three Year Plan implementation and any audit issues that have been identified
- People and Programmes Sub-Committee: This group considers the technical and quality approach of the programmes, as well as the ongoing management and strategy of the organisation's interventions. Furthermore, the group discusses and considers recruitment and retention issues for staff both in head office and in the field
- Funding Committee: This committee considers all aspects of the organisation's funding strategy, which includes both programme income and the fundraising plan

The day-to-day management of Merlin is delegated to the Chief Executive and the senior management team at the head office in London. Close links are maintained between each department in the head office in London and the relevant sub-committee.

The appointments and inductions of new trustees are overseen by the Board of Trustees with support from the Chief Executive. A needs analysis of the Board's skill base is undertaken at regular intervals and once a position has been identified, targeted advertising and a thorough interview process are completed to ensure a successful recruitment.

The induction process consists of general information relating to the duties of a trustee, as well as a set of customised briefings with the relevant key staff, which will cover the particular areas on which the trustee will be expected to focus. As part of their ongoing training and understanding of the organisation and the context of its operations, trustees are expected to visit the field programmes.

The Board of Trustees gives its time and expertise voluntarily and receives no remuneration or any other emoluments from Merlin.



Without Merlin's clinics, expectant mothers like Hawa Musa Adam (right) would have to travel for hours to Nyala, the capital of South Darfur, to receive antenatal care.



A baby is treated at a mobile clinic in Nepal.

The Trustees are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of its financial activities for the year. In preparing those accounts, the trustees have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether the policies are in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 and with other applicable Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- Prepared accounts on the going concern basis

The trustees are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the charity and ensure that the accounts comply with the Charities Act 1993.

The trustees are also responsible for safeguarding the assets of the charity and, accordingly, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kingston Smith LLP were appointed as auditors in 2002. As standard good practice, the Trustees are currently re-tendering for audit services. Kingston Smith LLP have been invited to tender and have indicated their willingness to continue in office. The Trustees will appoint auditors at the end of September 2008.

Mr Jay

Lord Jay of Ewelme

On behalf of Merlin Board Limited on:

9 September 2008



Photo: Jacqueline Koch

Merlin trained shopkeepers in Nyanza Province, Kenya, to prescribe effective medicines for people suffering from malaria and to identify severe symptoms. We started working in Kenya in 1998, working closely with local authorities to reduce and prevent malaria.

Tackling emergencies

In 2007, Merlin responded to two emergencies in Asia – a devastating cyclone in southern Pakistan in June that caused massive flooding in an area covering 400 miles and an equally deadly cyclone that hit Bangladesh in November. Merlin's emergency teams were able to mobilise support to the worst affected areas within days to get help to the people who needed it most.

Floods in Pakistan

Jhal Magsi district in Balochistan was one of the areas that was most severely affected by floods in the aftermath of Cyclone Yemyin that hit Pakistan in June – 80 per cent of the district was under water, affecting up to 140,000 people. When Merlin's emergency response team first arrived, everything was under water – houses, roads, bridges, schools, mosques, clinics, and hospitals – an entire district submerged. With such large areas covered in stagnant water, coupled with the lack of clean water and shelter, the threat of disease outbreaks, including malaria, was real and imminent. The situation became even more serious when cases of cholera were reported. Our team mobilised immediately.

Working alongside the World Health Organisation (WHO) and UNICEF, Merlin ensured that people had access to essential health services as quickly as possible.

For the first three weeks the team used boats to set up emergency floating clinics and provide health care to many of the villages in Jhal Magsi, treating skin infections, acute watery diarrhoea, dehydration, sunstroke, as well as vaccinating children and looking after pregnant women. At the height of the emergency, we treated hundreds of people in our clinic every day – people like Karima.

Karima's story

When the cyclone hit, it completely destroyed the home of 39-year-old Karima in Panjuk, a small village in Jhal Magsi. Heavily pregnant, Karima – whose husband died a few months before the cyclone came – was forced to take refuge with her seven children in nearby bushes.

Our mobile team made weekly visits to Karima's village, providing her with regular antenatal check ups. The team also gave her children complete medicals, vaccinations and nutritional supplements. Like all pregnant women who are treated by Merlin, Karima received soap, shampoo, towels, washing powder, three months supply of iron and folic acid, a plastic sheet, razor blade, gloves, an umbilical tie and a swaddling cloth. Thanks to our mobile teams, families like Karima's were able to survive in the aftermath of the floods. And Merlin's work didn't stop once the flood waters receded.



Karima and family: The cyclone completely destroyed their home.

Our work continues

In the 12 months since the cyclone, Merlin treated over 50,000 people in Balochistan. We have trained Ministry of Health staff to help them better cope with future emergencies. We have completely rehabilitated two clinics, including stocking them with a two months' supply of medicines. We have highlighted the issue of malnutrition in Jhal Magsi to UN and government agencies, advocating for a better nutrition intervention, which we are now implementing. We have worked with volunteer health promoters and community representatives to improve people's health and hygiene. And we will continue until local health services are up and running again.



Rebuilding lives in Bangladesh

Merlin also continues to rebuild lives in Bangladesh, where Cyclone Sidr battered the coastline for more than eight hours in November 2007, sending 20-foot waves crashing down and flooding coastal areas.

Working alongside a local NGO called GK – which stands for Gonoshasthaya Kendra (literally, “people, health and centre” in Bangla) – Merlin helped treat more than 32,000 people less than three weeks after the cyclone struck. We helped to deliver mobile medical teams to the people made homeless and vulnerable by the cyclone.

Johora's story

We supported people like 50-year-old Johora Nahar whose home in the village of Boro Potkakhali in the Barguna District was destroyed in the cyclone along with her livelihood – a small shop that sold tea and basic groceries. She also lost her father-in-law in the 200 mile an hour winds that battered the village during the storm.

Johora and her family were in their homes when the cyclone struck. As it became progressively worse, they realised they were putting themselves in danger by staying in their flimsy huts. Although there was no cyclone shelter nearby, a rice mill factory a short walk away offered more protection. Along with neighbouring villagers, Johora and her family made their way to the factory. Storm conditions were hazardous outside with the high winds felling trees and whipping up debris. It was during this journey that Johora's elderly father-in-law was struck by flying debris. Sadly he died from his injuries.

Johora, her family and other villagers broke into the rice mill factory, ramming the front door down and taking shelter in rooms on the first floor. When our emergency medical team reached Johora, she and her family were camping outside their house, trying to rebuild and protect their land and what was left of their home – a few pieces of crumbled wood and tin. Everything they owned was swept away by the 20-foot tidal wave – including ten chickens, clothes, cooking utensils, photographs and all their identity papers.

Alongside the local NGO GK, Merlin helped people like Johora and her family with their immediate medical needs. And over the longer term, Merlin and our partners in the Health Cluster identified an urgent need to carry out an assessment of the impact of the cyclone on the health system over the entire region.



Merlin and our partners assessed the health impacts of the cyclone across the entire region.



Johora Nahar: Everything her family owned was swept away.

Future plans



Aye Aye Khine brought her two-month-old son to Merlin's mobile clinic in a village in the Irrawaddy region of Myanmar, where Merlin has been working since 2004.

Merlin has ambitious plans for 2008. We will retain our focus on crisis response and building up health systems and deliver quality programmes with a clear demonstration of impact whilst investing in initiatives and systems to increase Merlin's profile, position and effectiveness both within and outside the sector.

We aim to be launching programmes in new countries, such as Zimbabwe and Sierra Leone and exploring the potential in Angola. We plan to continue expanding our programmes in the Democratic Republic of Congo and Sudan.

Another key priority will be the strengthening of our emergency preparedness both internationally and in country.

We will continue to monitor and evaluate key programmes to demonstrate the impact of our work and learn lessons. These will be used to feed into international policy work and debate in areas such as global health worker shortages and maternal mortality.

We will continue to engage with international bodies and forums and to strengthen key operational partnerships with international NGOs such as Oxfam and MercyCorps. We will work with the UN, major donors and academic bodies in expanding our policy and influencing work, making sure that the impact of our work is felt beyond the countries where we strengthen health systems.

In 2008, Medical Emergency Relief International (Merlin) USA Inc, a separate legal entity from Merlin UK, will strengthen its operations by opening an office in Washington DC. We hope to benefit from the funding, policy and influencing opportunities this development for Merlin USA will bring. We will also continue growing our voluntary income base from UK sources.

We are also committed to strengthening management and financial systems including the roll out of management training for senior staff and piloting a new financial system in the country programmes.

These are all key building blocks as during the year we finalise our three-year strategy for 2009 - 2012 so that we can continue to increase our scale and impact.

Independent Auditors' Report to the Trustees of Merlin

We have audited the financial statements of Merlin for the year ended 31st December 2007 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity's trustee, as a body, in accordance with regulations made under section 43 of the Charities Act 1993. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's trustee those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's trustee as a body, for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of Trustee and Auditors

The Trustee's responsibilities for preparing the Trustee's Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustee's Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Trustee's Report and consider whether it is consistent with the audited financial statements.

We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

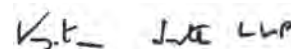
Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming an opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31st December 2007 and of their incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.



Kingston Smith LLP
Chartered Accountants
Registered Auditor

Devonshire House
60 Goswell Road and
London EC1M 7AD

Date: 9 September 2008

Statement of Financial Activities

for the year ended 31st December 2007

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2007 £	Total Funds 2006 £
Incoming Resources					
<i>Incoming Resources From Generated Funds</i>					
Voluntary Income	2	2,695,074	5,755,934	8,451,008	7,923,780
Activities for Generating Funds					194,461
Investment Income		136,921	-	136,921	240,654
<i>Incoming Resources From Charitable Activities</i>					
Field Operations	3	1,493,970	20,930,739	22,424,709	18,943,137
Other	3	3,931	30,240	34,171	-
Total Incoming Resources		4,329,896	26,716,913	31,046,809	27,302,032
Resources Expended					
Cost of Generating Funds					
Costs of Generating Voluntary Income	4	965,436	277,254	1,242,690	998,025
Charitable Activities					
Field Operations	4	3,800,821	26,357,535	30,158,356	26,951,212
Other		-	21,700	21,700	-
Governance Costs	4	325,879	-	325,879	195,956
Total Resources Expended		5,092,136	26,656,489	31,748,625	28,145,193
Net Incoming/(Outgoing) Resources before Other Gains and Losses		(762,240)	60,424	(701,816)	(843,161)
Transfer between funds	14	-	-	-	-
Net Incoming/(Outgoing) Resources before Other Gains and Losses		(762,240)	60,424	(701,816)	(843,161)
Unrealised gain on Investments		1,100	-	1,100	9,500
Net Movement in Charity Funds for the Year		(761,140)	60,424	(700,716)	(833,661)
Total funds brought forward at 1st January		5,627,967	691,564	6,319,531	7,153,192
Total funds carried forward at 31st December	14	4,866,827	751,988	5,618,815	6,319,531

All of the activities represent continuing activities of the charity.

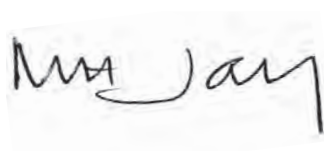
The statement of financial activities includes all gains and losses recognised in the year.

Balance Sheet

as at 31st December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed Assets					
Tangible fixed assets	8		244,551		423,716
Investments	9		39,600		38,500
			284,151		462,216
Current Assets					
Stock		33,341			
Debtors	10	9,915,635		8,629,405	
Cash at bank and in hand - HQ		1,324,594		3,177,338	
Cash at bank and in hand - Field		1,818,586		1,198,702	
		13,092,156		13,005,445	
Creditors: Amounts falling due within one year	11	(7,757,492)		(7,148,130)	
Net Current Assets			5,334,664		5,857,315
Net Assets			5,618,815		6,319,531
Funds					
General fund	14		3,261,910		1,500,709
Designated funds	14				
Tsunami Fund			-		3,420,792
Emergency Fund			389,117		190,666
Strategic Baseline Reserve			1,215,800		515,800
Unrestricted funds	14		4,866,827		5,627,967
Restricted funds	14		751,988		691,564
			5,618,815		6,319,531

Approved on behalf of Merlin Board Limited



Lord Michael Jay
9 September 2008

Cash Flow Statement

for the year ended 31st December 2007

	Note	2007 £	2006 £
Net Cash Outflow from Operating Activities	a	(1,341,109)	(3,570,323)
Returns on Investments and Servicing of Finance			
Bank interest received		136,921	240,654
Interest paid		-	-
Capital Expenditure			
Payments to acquire tangible fixed assets		(28,672)	(392,757)
Decrease in Cash		<u>(1,232,860)</u>	<u>(3,722,426)</u>
a) Reconciliation of Excess of Expenditure over Income to Net Cash Inflow from Operating Activities		2007 £	2006 £
Net incoming resources		(701,816)	(843,161)
Depreciation charges		207,837	155,521
Increase in stock		(33,341)	-
Increase in debtors		(1,286,230)	(3,529,001)
Increase in creditors		609,362	886,972
Interest paid		-	-
Interest received		(136,921)	(240,654)
Net cash outflow from operating activities		<u>(1,341,109)</u>	<u>(3,570,323)</u>
b) Analysis of Net Cash Resources	Opening Balance £	Cash Flow £	Closing Balance £
Cash	4,376,040	(1,232,860)	3,143,180
c) Location of Cash Resources		2007 £	2006 £
HQ bank accounts		1,324,594	3,177,338
In-country bank accounts		1,818,586	1,198,702
Bank loans & overdrafts		-	-
		<u>3,143,180</u>	<u>4,376,040</u>

Notes to the Accounts

for the year ended 31st December 2007

1 Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Charities Act 2003, and applicable accounting standards.

(b) Fund Accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and that have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been put aside at the discretion of the trustees for particular purposes. The aim and purpose of each designated fund is shown in the notes to the financial statements.

Restricted funds are funds subject to special conditions imposed by the donor. The aim and purpose of each restricted fund is shown in the notes to the financial statements. Grants include contributions to HQ costs which are shown in the Statement of Financial Activities as Unrestricted income and expenditure.

(c) Incoming Resources

All incoming resources are included in the SOFA when the Charity is legally entitled to them, it is reasonably certain of receipt, and the amount can be measured with sufficient reliability.

Voluntary Income

Voluntary income is recorded when received during the year and comprises donations from individuals, corporates and trusts.

Gifts in Kind

Gifts in kind for revenue activity are valued at market value and are included as a donation. An equal amount of expenditure is included in the SOFA under an appropriate

heading. Fixed Assets received as Gifts in Kind are capitalised in accordance with Policy 1e. No amounts are included in the financial statements for services donated by volunteers: in line with the charity SORP, volunteers' donated services are not counted.

Grants Receivable for Field Operations

Grant income is recognised in line with activity represented by the expenditure incurred according to the conditions of the grant. Entitlement to the grant income only arise as these conditions are met. Expenditure in excess of cash received is included in the balance sheet as a debtor (as accrued income), with cash received in excess of expenditure being included as a creditor (as deferred income).

(d) Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Costs of Generating Voluntary Income

Costs of generating funds are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Support Costs

Support costs include the HQ office functions, such as general management, payroll administration, budgeting and accounting, information technology, human resources, and financing. These are apportioned to the three cost categories of charitable expenditure, governance costs and the costs of generating funds on the basis of the time spent by HQ office staff in supporting those activities.

Governance Costs

Governance costs are the costs associated with the Charity's governance arrangements. They relate to the general running of the Charity as opposed to those costs directly associated with fundraising or charitable activity. Included within this category are only those costs associated with the strategic as opposed to day-to-day management of the charity's activities.

Notes to the Accounts for the year ended 31st December 2007

(e) Tangible Fixed Assets and Depreciation

All assets for use in HQ costing more than £500 are capitalised. Assets for use in overseas operational programmes purchased using Restricted funds are not capitalised but expensed in the period of acquisition. Assets for use in overseas operational programmes purchased from Unrestricted funds, normally Motor Vehicles, are capitalised and depreciated over their useful life.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Leasehold improvements	Over the life of the lease
Computer hardware	3 years
Computer software	3 years
Office furniture and equipment	4 years
Motor vehicles	2 to 3 years dependent on the physical conditions in the country in which the vehicle is operated
Communication equipment	2 years

(f) Cash and Bank Balances

Cash and bank balances, whether at Head Office or Field represent actual balances at the balance sheet date.

(g) Stocks

Stocks of drugs and other materials are valued at cost.

(h) Investment Policy

Investments are included at closing market value at the

balance sheet date. Any gain or loss on revaluation is taken to the Statement of Financial Activities.

(i) Operating Leases

Rentals paid under operating leases are charged to income as incurred.

(j) Taxation

The Charity's income is generally exempt from taxation under the provisions of s505 of the ICTA 1998. The Charity is able to recover VAT on material provided to its field programmes and has agreed a partial exemption scheme with HMRC. Irrecoverable VAT is charged to Finance costs and included in the apportionment of these costs across other activities. Tax recovered from voluntary income received under gift aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

(k) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. All differences are accounted for in the Statement of Financial Activities.

(l) Pension Scheme

The charity has arranged a defined contribution personal pension scheme for the UK-based staff members. As this is a personal pension scheme, the assets of the scheme are held separately from those of the charity. Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

2 Voluntary Income

	General Fund £	Designated Funds £	Restricted Funds £	Total 2007 £	Total 2006 £
Individual Giving	1,437,833	-	37,133	1,474,966	1,170,985
Donor Partnerships	415,341	70,796	785,033	1,271,170	1,061,048
DEC	253,702	-	4,933,768	5,187,470	5,164,969
UK Dept for International Development	500,000	-	-	500,000	500,000
Training	17,402	-	-	17,402	18,398
Gift in Kind	-	-	-	-	8,380
	2,624,278	70,796	5,755,934	8,451,008	7,923,780

3 Incoming Resources from Charitable Activities

	Total 2007 £	Total 2006 £
EU - ECHO and TACIS	9,199,688	6,307,409
UK Dept for International Development	6,747,537	5,114,465
US - OFDA & USAID	2,928,720	3,857,442
Irish Aid	966,661	640,346
United Nations	847,035	829,281
CHF International	408,432	413,790
Global Fund	315,978	257,006
BUZA	233,207	300,597
World Vision	181,005	-
Oxfam	143,896	-
Interhealth	112,755	-
Help Age International	112,084	80,565
Stichting Vluchteling	106,353	90,013
Jpiego	76,988	-
Futures Group	55,348	425,015
Ministry of Foreign Affairs for Finland	-	220,020
Other	23,193	48,488
BandAid	-	183,363
Jersey Overseas Aid	-	89,412
Japanese Embassy	-	55,143
The Rockefeller Foundation	-	30,782
Total	22,458,880	18,943,137

This income funded programmes in the following countries:

	Total 2007 £	Total 2006 £
Democratic Republic of Congo	3,960,419	2,993,125
Liberia	2,781,947	2,527,794
South Sudan	2,358,016	1,579,954
North Sudan	2,118,968	1,841,509
Georgia	2,194,429	1,154,035
Pakistan	1,178,470	1,539,011
Sri Lanka	94,144	(974)
Kenya	1,907,101	2,873,173
Cote d'Ivoire	1,858,707	599,727
Afghanistan	1,601,433	1,049,811
Indonesia	143,896	(3,548)
Myanmar	129,759	(1,339)
Ethiopia	805,169	1,235,669
Palestinian Territories	535,504	628,547
Other	51,907	2,777
Nepal	353,225	181,375
Somalia	200,034	193,312
Central African Republic	86,123	-
Tajikistan	99,629	547,249
Russia	-	1,930
Total	22,458,880	18,943,137

Notes to the Accounts for the year ended 31st December 2007

4 Total Resources Expended

	Note	Staff Costs £	Other Direct Costs £	Support Costs Allocated £	Total 2007 £	Total 2006 £
Cost of Generating Funds						
Costs of Generating Voluntary Income	5	456,484	518,393	267,813	1,242,690	998,025
Charitable Activities						
Field Operations	5	12,310,068	17,010,944	837,344	30,158,356	26,951,212
Other	5	-	21,700	-	21,700	-
Governance Costs	5	98,848	69,404	157,627	325,879	195,956
Total Resources Expended		<u>12,865,400</u>	<u>17,620,441</u>	<u>1,262,784</u>	<u>31,748,625</u>	<u>28,145,193</u>

Governance Costs includes:	£
Salaries	98,848
Trustee Indemnity Insurance	2,520
Audit – current year	15,975
Audit – overseas	40,630
Audit – other	7,260
Legal Fees	3,019
Allocated support costs	157,627
	<u>325,879</u>

5 Allocation of Support Costs

Note	Human Resources £	Direction £	Finance £	IT £	Admin- istration £	Total 2007 £	Total 2006 £
Cost of Generating Funds							
Costs of Generating Voluntary Income	30,674	11,148	126,137	33,347	66,507	267,813	159,980
Charitable Activities							
Field Operations	99,989	33,445	378,411	108,702	216,797	837,344	1,032,995
Governance Costs	4,780	11,148	126,137	5,197	10,365	157,627	88,505
Total Resources Expended	<u>135,443</u>	<u>55,741</u>	<u>630,685</u>	<u>147,246</u>	<u>293,669</u>	<u>1,262,784</u>	<u>1,281,480</u>

Costs have been allocated on the basis of time spent by staff in supporting activities.

Finance costs include irrecoverable VAT of £104,261.13 (2006: £141,695) and unrealised foreign exchange losses of £32,544.03 (2006: £298,421).

6 Employees and Staff Costs

	2007 £	2006 £
Staff costs:		
Wages and salaries	12,656,885	9,510,103
Social security costs	172,759	148,880
Pension costs	35,756	34,729
	<u>12,865,400</u>	<u>9,693,712</u>

The number of staff with emoluments exceeding £60,000 were as follows

	2007 No.	2007 Pension £	2006 No.
£80,000 - £89,999	1	4,306	1
	<u>1</u>	<u>4,306</u>	<u>1</u>

The average number of employees, analysed by function, was:

	2007 No.	2006 No.
Cost of Generating Funds	13	12
Charitable Activities	2,352	2,303
Governance Costs	1	1
	<u>2,366</u>	<u>2,316</u>

7 Trustee's Remuneration

No directors of the Trust received remuneration or reimbursement for expenditure in the year (2006: none).

Notes to the Accounts for the year ended 31st December 2007

8 Tangible Fixed Assets

Cost	Leasehold Improvements £	Computer Hardware £	Computer Software £	Field Motor Vehicle £	Office Furniture and Equipment £	Total £
At 1st January 2007	140,453	80,947	187,228	245,560	22,059	676,247
Additions	-	17,959	10,713	-	-	28,672
Disposals	-	-	-	-	-	-
At 31st December 2007	140,453	98,906	197,941	245,560	22,059	704,919
Depreciation						
At 1st January 2007	40,109	36,934	40,040	129,059	6,389	252,531
Charge for year	46,818	24,665	63,646	67,108	5,600	207,837
Disposals	-	-	-	-	-	-
At 31st December 2007	86,927	61,599	103,686	196,167	11,989	460,368
Net Book Value						
At 31st December 2007	53,526	37,307	94,255	49,393	10,070	244,551
At 31st December 2006	100,344	44,013	147,188	116,501	15,670	423,716
Asset split by location						
Field Operations - Tsunami						
Field Operations - non-Tsunami	-	-	-	49,393	-	49,393
London HQ	53,526	37,307	94,255	-	10,070	195,158
Net Book Value	53,526	37,307	94,255	49,393	10,070	244,551

9 Investments

	2007 £	2006 £
Market value at 1st January	38,500	29,000
Unrealised investment gains	1,100	9,500
Market value at 31st December	39,600	38,500

All investment assets are held in the UK. These investments were donated in 2001, at which time the market value was £8,500.

10 Debtors

	2007 £	2006 £
Amounts due from donors	4,724,689	4,210,782
Accrued income	4,799,298	3,841,715
Other debtors	81,893	135,915
Pre-payments	309,755	440,993
	9,915,635	8,629,405

11 Creditors: Amounts falling due within one year

	2007 £	2006 £
Bank loans & overdrafts	-	-
Specific programme creditors	617,247	815,557
Deferred income	5,431,426	4,592,819
Other taxes and social security costs	75,876	65,737
Other creditors	663,321	299,657
Accruals	969,622	1,374,360
	7,757,492	7,148,130

12 Operating Lease Obligations

	Other		Land and Buildings	
	2007 £	2006 £	2007 £	2006 £
On leases expiring:				
Less than one year	-	-	40,500	-
More than one year and less than two years	4,865	2,780	-	81,000
Between two and five years	8,655	-	-	-
	13,520	2,780	40,500	81,000

13 Restricted and Designated Funds

a. Restricted Fund

This fund aggregates the incoming resources and resources expended for each country.

b. Designated Tsunami Fund

Funds received as a result of an appeal in December 2004 were designated for expenditure on projects run by Merlin in countries affected by the tsunami - Indonesia, Myanmar, Sri Lanka and Somalia. During 2007, as the work in the affected areas reduces, the remainder of the designated funds has been undesignated.

c. Designated Emergency Fund

This Fund was established during the year to provide for improved response by Merlin to emergencies. It comprises funds originally designated as the Logistics Fund and other funds set aside for this purpose. This fund will enable Merlin to start its emergency response before funds have been sourced, with replenishment from subsequent income generation. The name of this fund was changed in 2007 from the Emergency Response and Assessment Fund, although its purpose remains the same.

d. Designated Strategic Baseline Reserve

This Fund was established during 2005 to enable Merlin to react to fundamental changes in its long-term financing position.

Notes to the Accounts for the year ended 31st December 2007

14 Funds Statement

	Total Funds £	General Fund £	Total Designated Funds £	Operational Reserve £	Emergency Fund £	Designated Tsunami Fund* £	Total Restricted Funds £
Balance brought forward 1st January 2007	6,319,531	1,500,709	4,127,258	515,800	190,666	3,420,792	691,564
Incoming Resources							
Incoming Resources From Generated Funds							
Voluntary Income	8,451,008	2,624,278	70,796	-	70,796	-	5,755,934
Investment Income	136,921	136,921	-	-	-	-	-
Incoming Resources From Charitable Activities							
Field Operations	22,458,880	1,497,901	-	-	-	-	20,960,979
Total Incoming Resources	31,046,809	4,259,100	70,796	-	70,796	-	26,716,913
Resources Expended							
Costs of Generating Funds	1,242,690	928,897	36,539	-	36,539	-	277,254
Charitable Activities	30,180,056	2,803,364	997,457	-	85,806	911,651	26,379,235
Governance Costs	325,879	325,879	-	-	-	-	-
(Deficit)/surplus before Transfers	(701,816)	200,960	(963,200)	-	(51,549)	(911,651)	60,424
Transfers	-	1,559,141	(1,559,141)	700,000	250,000	(2,509,141)	-
Unrealised gain on investments	1,100	1,100	-	-	-	-	-
Balance Carried Forward	5,618,815	3,261,910	1,604,917	1,215,800	389,117	-	751,988
Represented by:							
Fixed assets	244,551	244,551	-	-	-	-	-
Net current assets	5,374,264	3,017,359	1,604,917	1,215,800	389,117	-	751,988
Total	5,618,815	3,261,910	1,604,917	1,215,800	389,117	-	751,988

* See note 13b

	Opening balance 01/01/06 £	Incoming Resources £	Resources Expended £	Transfers between funds £	Other gains/ losses £	Closing balance 31/12/06 £
Restricted Funds						
Afghanistan	24,771	1,523,421	(1,535,605)	-	-	12,587
Bangladesh		20,544	(18,076)			2,468
Central African Republic		229,215	(215,931)			13,284
Cote d'Ivoire	-	1,737,109	(1,737,109)	-	-	-
Democratic Republic of Congo	32,279	3,701,136	(3,667,513)	-	-	65,902
Ethiopia	112,407	763,003	(875,410)	-	-	-
Georgia	6,313	2,051,723	(2,051,723)	-	-	6,313
Indonesia	32,837	1,427,591	(1,460,428)	-	-	-
Kenya	5,368	1,896,222	(1,846,200)	-	-	55,390
Liberia	213,021	2,827,649	(2,853,464)	-	-	187,206
Myanmar	443	816,472	(816,472)	-	-	443
Nepal	-	373,617	(340,663)			32,954
North Sudan	39,679	2,143,834	(2,149,497)	-	-	34,016
Palestinian Territories	1,757	532,951	(519,893)	-	-	14,815
Pakistan	139,197	2,054,821	(2,053,901)	-	-	140,117
Somalia	-	186,256	(186,243)	-	-	13
South Sudan	42,955	2,339,249	(2,285,132)	-	-	97,072
Sri Lanka	6,931	1,870,973	(1,870,973)	-	-	6,931
Tajikistan	9,471	151,815	(151,814)	-	-	9,472
Other	24,135	69,312	(20,442)	-	-	73,005
Total Restricted Funds	691,564	26,716,913	(26,656,489)	-	-	751,988
Designated Tsunami Funds	3,420,792	-	(911,651)	(2,509,141)	-	(0)
Emergency Response & Assessment Fund	190,666	70,796	(122,345)	250,000	-	389,117
Strategic Baseline Reserve	515,800	-	-	700,000	-	1,215,800
General Fund	1,500,709	4,260,200	(4,058,140)	1,559,141		3,261,910
Total Unrestricted Funds	5,627,967	4,330,996	(5,092,136)	-	-	4,866,827
Total Funds	6,319,531	31,047,909	(31,748,625)	-	-	5,618,815

Trustee and Advisors

Trustee

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London EC2B 4JF

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Chartered Accountants
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London EC1M 7AD

Bankers

The Cooperative Bank plc
80 Cornhill
London EC3V 3NJ

Barclays Commercial Bank
Level 28
1 Churchill Place
London E14 5HP

"Trustees" (Directors of Merlin Board Limited) who served during the year were as follows:

Lord Jay of Ewelme (Chair) (appointed 24/04/2007)	
Sir George Cox (Chair) (resigned 06/06/2007)	
Charles Stewart-Smith	a,b
John Sanderson (resigned 28/02/2008)	
William Adams	c
Samuel Berwick (resigned 09/11/2007)	
Miles Ruffell (resigned 09/11/2007)	
Dr Elizabeth Tayler (resigned 01/05/2007)	
Dr Christopher Whitty	c
Susan Woodman	a
James Darcy	c
Julian Thorne (resigned 04/06/2008)	b
Richard Fenning	c
Susan Ryan	b
Steve Mirfin	a
Alexis Chapman (appointed 09/06/2008)	a

Sub-Committee membership is indicated as follows:

Finance, Risk and Audit Sub-Committee	a
Funding Sub-Committee	b
Peoples and Programmes Sub-Committee	c

The Executive officers were as follows:

Chief Executive	Carolyn Miller
Director of Programmes	Pete Sweetnam
Director of Health	Linda Doull
Director of Human Resources	Bryony Glenn
Director of Marketing and Communications	Imogen Ward
Director of Finance	Vicky Annis
Director of Business Development and Planning	Bernard Trude





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Merlin is the only specialist UK charity which responds worldwide with vital health care and medical relief for vulnerable people caught up in natural disasters, conflict, disease and health system collapse.

Kenya: Merlin is supporting four voluntary HIV testing and counselling clinics amongst the nomadic Turkana population, and one mobile testing clinic in the Rift Valley Province.