A CHANCE FOR EVERY CHILD

Annual report 2011

Save the Children

2011 IN NUMBERS

REACHING CHILDREN

8.5 MILLION
children helped directly through our work on the ground

20.6 MILLION
more children reached across the world

SAVING CHILDREN'S LIVES

4.9 MILLION
children helped through our health and nutrition programmes

1.2 MILLION
children with malaria, pneumonia and diarrhoea given life-saving treatment

800,000
hungry children better nourished

21,000
life-saving health workers trained

EMERGENCIES

45
emergency responses

3.3 MILLION
children and their families helped during emergencies

£7 MILLION
donated by the UK public to our East Africa Appeal

EDUCATION

1.2 MILLION
children reached through our education programmes

200,000
children given schooling during emergencies

CHILD PROTECTION

500,000

children helped to stay safe from harm and abuse

ENDING UK POVERTY

80,000

more families receiving childcare support

3,640

children and parents getting a brighter start through our Families and Schools Together programme

INCOME

£333 MILLION

our highest-ever annual income

88p IN EVERY £1

spent on saving children

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Cover photo: Two-year-old Nimra is about to be examined by a health worker in Pakistan. In 2011 Save the Children won vital commitments to train and equip more health workers as part of our No Child Born to Die campaign.
(Photo: CJ Clarke/Save the Children)


PHOTO: MAGDA RAKITA/SAVE THE CHILDREN

As President of Save the Children, I am very proud of the organisation's achievements in 2011, saving children's lives and helping them fulfil their potential. In particular, I would like to pay tribute to the remarkable work of our staff around the world.

Nowhere was this more evident than in East Africa, where millions of children faced starvation. In a region afflicted by hunger, drought, displacement and conflict, Save the Children launched the biggest-ever emergency response in its 90 year history.

Thanks to the courage and commitment of our staff, the response reached 2.5 million people with food, clean water and healthcare, saving the lives of many thousands of children. This unprecedented response was only made possible by the overwhelming generosity and compassion of our supporters, who donated £7 million – the most we have ever received for an emergency appeal, despite financial austerity at home.

In 2011, on visits to Bangladesh and Sierra Leone, I was privileged to witness the work of Save the Children's frontline staff. Their efforts are part of a global campaign to save children's lives, which has made great progress in its first year, as the following pages describe.

I believe we are in a strong position to build on a remarkable year of success and I take this opportunity to thank all our staff, volunteers and supporters.

Anne

HRH The Princess Royal
President, Save the Children

PHOTO: LUCIA ZORO/SAVE THE CHILDREN

One-year-old Gujwar at a Save the Children clinic in New Delhi, India, where she was treated for a fever.

PASSION, PARTNERSHIPS, PROGRESS – AND THE PUSH TO DO MORE

This year has been one of significant change and progress. Save the Children has achieved an enormous amount across every area of our operations, from development work and emergencies to advocacy and fundraising.

A highlight of the year has been the launch of our No Child Born to Die campaign. This was a bold and energising initiative to raise awareness and money for the plight of newborn babies and the tragic deaths of children under five.

The campaign so far has been something of a breakthrough. It has led us to have a much greater impact on critical life-saving initiatives such as vaccines, through the agreements at the Global Alliance for Vaccines and Immunisations pledging conference. It has meant that more people than ever have joined Save the Children as supporters, and it helped us raise our sights in a number of ways, such as working with ITV on our *Born to Shine* series.

Working with the other Save the Children members around the world through the new Save the Children International structure, we are able to deliver more for children on the frontline globally and do it more effectively than ever. We are also partnering with more organisations to deliver long-term sustainable change. This includes other non-governmental organisations on the ground and major foundations and companies. Working together we can create more significant breakthroughs for children both in the UK and all over the world.

We are focusing more and more on the hardest-to-reach and most vulnerable children. This means our people are increasingly innovative in the way they deliver programmes and support in some of the toughest places in the world.

We have made big strides forward this year, but as an organisation we are going through a period of genuine renewal. We believe that, more than ever, significant and long-lasting changes are possible. The leadership and the organisation as a whole are determined to make Save the Children an outstanding charity, so that we are best able to rise to the opportunity ahead of us. We are responding to a record number of emergencies around the world and at the same time we are seeking to make our long-term development programmes better than ever.

We hope we can earn the support, respect and loyalty of our donors by doing outstanding work. It is a privilege to watch Save the Children staff and supporters set about the challenge with total enthusiasm and I believe that we can make even more progress in the year ahead.

Alan Parker
Chair of Trustees, Save the Children

One year after floods devastated Pakistan, Save the Children staff in the country stack emergency supplies in case of future flooding.

A BREAKTHROUGH YEAR

Last May, in the heat of west Africa's midday sun, I stood by the side of a tiny grave on the edge of a remote village in Liberia.

Bendu Smith, a mum who works tirelessly on a rubber plantation to provide for her family, told me how she'd lost her precious four-month-old baby boy, Ricardo, to pneumonia. I was speechless as she explained how Ricardo's twin brother, Jeremiah, had now been struck down by the same illness and was fighting for his life.

No child is born to die of a disease like pneumonia. A simple, inexpensive vaccine would have stopped Ricardo getting ill. A skilled nurse would have been able to treat him.

A month later I was sitting in a London office with Bill Gates and Natasha Kaplinsky hosting a live phone-in for our supporters. It was a world away from rural Liberia, but Ricardo's needless death could not have been more relevant to the subject of our conversation – our hopes for the next day's Global Alliance for Vaccines and Immunisations pledging conference.

What followed exceeded even our most ambitious expectations. World leaders led by David Cameron and Bill Gates agreed huge new investment in vaccines that will save 4 million children's lives by 2015 – a breakthrough deal inspired by the tireless campaigning of our supporters and the commitment of partners like GlaxoSmithKline and the UK Department for International Development.

Save the Children's Chief Executive, Justin Forsyth, holding Mary, one of newborn twins at the Kingsville Clinic in Liberia.

"IT'S THE TANGIBLE RESULTS OF THIS EXCITING ACTIVITY THAT MATTER. THE CHILDREN SAVED, THE PARENTS SPARED UNBEARABLE GRIEF"

It was one of many highlights in an important year of progress for our cause.

We took both the scale and the quality of our programmes to a new level, surpassing our targets in every area of our work. The numbers speak for themselves:

1.2 million children with malaria, pneumonia and diarrhoea treated

800,000 hungry children better nourished

21,000 health workers trained

500,000 children kept safe from harm and abuse

200,000 more children at school in countries blighted by disaster

3,640 children and parents in the UK took part in our award-winning education programme

Overall, a record 8.5 million children benefited from our work in 2011.

We also faced huge challenges. Our ability to respond to disaster is quicker, better coordinated and on a larger scale than ever before – and last year it needed to be. We responded to 45 emergencies, including the earthquake and tsunami in Japan, the conflict in Libya, the drought in East Africa and the floods in Pakistan. We're now helping 1 million children in Niger.

In East Africa, in some of the toughest places in the world, we saved the lives of tens of thousands of children and raised more money from the British public than for any appeal in our history. It was one example of our growing ability to communicate our message and really inspire people to get behind our cause.

Ultimately we want to make stopping the needless deaths of millions of children the cause of every family in this country. That's why, in 2011, we launched our most ambitious campaign ever – No Child Born to Die.

Some of the country's biggest names – from the X Factor to Morrisons to Mothercare – joined us in partnership. And a host of high-profile stars backed our campaign, from Natasha Kaplinsky to Helena Bonham Carter.

Our collaboration with ITV on a new prime-time entertainment show, *Born to Shine*, raised £2.1 million and helped us reach millions of people, many new to Save the Children.

In spite of tough economic times, the campaign saw us recruit more than 100,000 new supporters in 2011, helping us push our income above the £300 million mark for the first time.

In the advocacy arena we followed up the breakthrough on vaccines in June with more progress at September's meeting of world leaders in New York, which made commitments to train and equip many more health workers.

But it's the tangible results of all this exciting activity that matter. The children saved, the parents spared unbearable grief. Because behind the almost incomprehensible mortality statistics is a more profound truth: every child is somebody's world.

Which brings me back to Bendu in Liberia. We were too late to save her baby, Ricardo. But thankfully Jeremiah got the care he needed from one of our frontline health workers.

That's what we aspire to: changing the lives of more and more children like Jeremiah.

We believe we are at an exciting moment in history. We can be the generation to ensure that no child dies from diarrhoea or pneumonia; that no child starves to death or is stunted. With your support, Save the Children can help take on that inspiring challenge.

With your help there's no reason we can't give *every* child the chance to fulfil their potential.

Justin Forsyth

Justin Forsyth
Chief Executive, Save the Children

LIFE-SAVERS

The contrasting stories of two little girls, Umi and Hawa – stories of hope and despair – are a powerful illustration of why our work on the ground is so vital. And why this is a battle we know we can win.

Hawa's story is heart-breaking. In July last year, she and her extended family of 15 people walked for two weeks through Somalia and into Kenya to reach the relative safety of Dadaab refugee camp. On the way, all the women and girls were raped, and they were repeatedly robbed – the men even of their clothes. They finally arrived, exhausted. But for Hawa, already suffering from diarrhoea, it was too late. She died, aged just two. She was buried on the edge of a dusty red track in an unmarked grave.

No child is born to die like this.

A few days later another baby girl, Umi, aged three months, was brought to one of our health clinics in northern Kenya. She was on the brink of death – weighing less than 4lbs and suffering from severe malnutrition. It was touch and go, but thanks to the expert care of our health workers, she pulled through. Within a few weeks the transformation was amazing. Umi was a smiling, healthy, even slightly plump baby.

"You can't even compare the joy I feel today to the sadness I felt three months ago," said Umi's mother, Amina. "There is no comparison."

Umi embodies the wider story of child survival – a story of hope. In the past two decades, we've seen remarkable progress, with the number of children dying every year falling from 12 million to 7.6 million.

Our health and nutrition programmes are part of this story, reaching 4.9 million children in 2011.

We provided treatment for the three biggest killers of children – malaria, pneumonia and diarrhoea. We trained frontline health workers to deliver life-saving healthcare. And, with hunger an underlying cause of one-third of all child deaths, we helped some of the world's poorest children get a healthier diet.

1.2 million children with malaria, pneumonia and diarrhoea treated

21,000 health workers trained

800,000 hungry children better nourished


PHOTO: WAITHERA KURIA/SAVE THE CHILDREN


PHOTO: WAITHERA KURIA/SAVE THE CHILDREN

Before and after. Left: baby Umi, suffering from severe malnutrition, is weighed at our specialist malnutrition clinic.
Right: a healthy Umi crawls around following her remarkable recovery.

Save the Children's Mohammed Jire Muktar examines a child in Boji village, Kenya, as part of his work to promote better health in the community. "I have been working to educate people about the effectiveness and availability of vaccines," he says. "Before, people didn't understand why they were necessary, but now there is a change. We are seeing more mothers bring their children in for vaccinations."

WORLD-CLASS PROGRAMMES

Here are just a few of the stand-out examples of our programme work across the world in 2011.

Liberia We vaccinated more than 7,000 babies against measles and other life-threatening diseases, and ensured 3,700 births were attended by a midwife or nurse.

Sierra Leone We treated 48,000 children under five for malaria, and 13,000 more for diarrhoea. We trained 880 community health workers to treat young children.

Myanmar (Burma) We helped provide clean water and toilets in 22 villages and helped train more than 5,000 community health volunteers in basic healthcare.

Kenya We sought to address underlying causes of poverty and malnutrition by stimulating local markets, rather than undermining them with imported food aid. We gave around 79,000 people vouchers to buy food from local market traders. We provided another 65,000 people with rations that included locally produced milk, meat and fish. Following the scheme's success, the World Food Programme is looking to expand the use of food vouchers in northern Kenya.

Bangladesh In an area with high rates of child malnutrition, we supported 14,000 very poor households. We helped families increase their income through activities such as rearing poultry, tailoring, trading groceries, growing fruit and vegetables, and by accessing welfare entitlements. Children's nutrition improved significantly.

Last year our work helped save hundreds of thousands of children's lives. But we know it's never going to be enough on its own. That's why, in 2011, we launched our No Child Born to Die campaign, to make saving children's lives the cause of millions.

"YOU CAN'T EVEN COMPARE THE JOY I FEEL TODAY TO THE SADNESS I FELT THREE MONTHS AGO"

Baby Umi's mother, Amina

NO CHILD BORN TO DIE

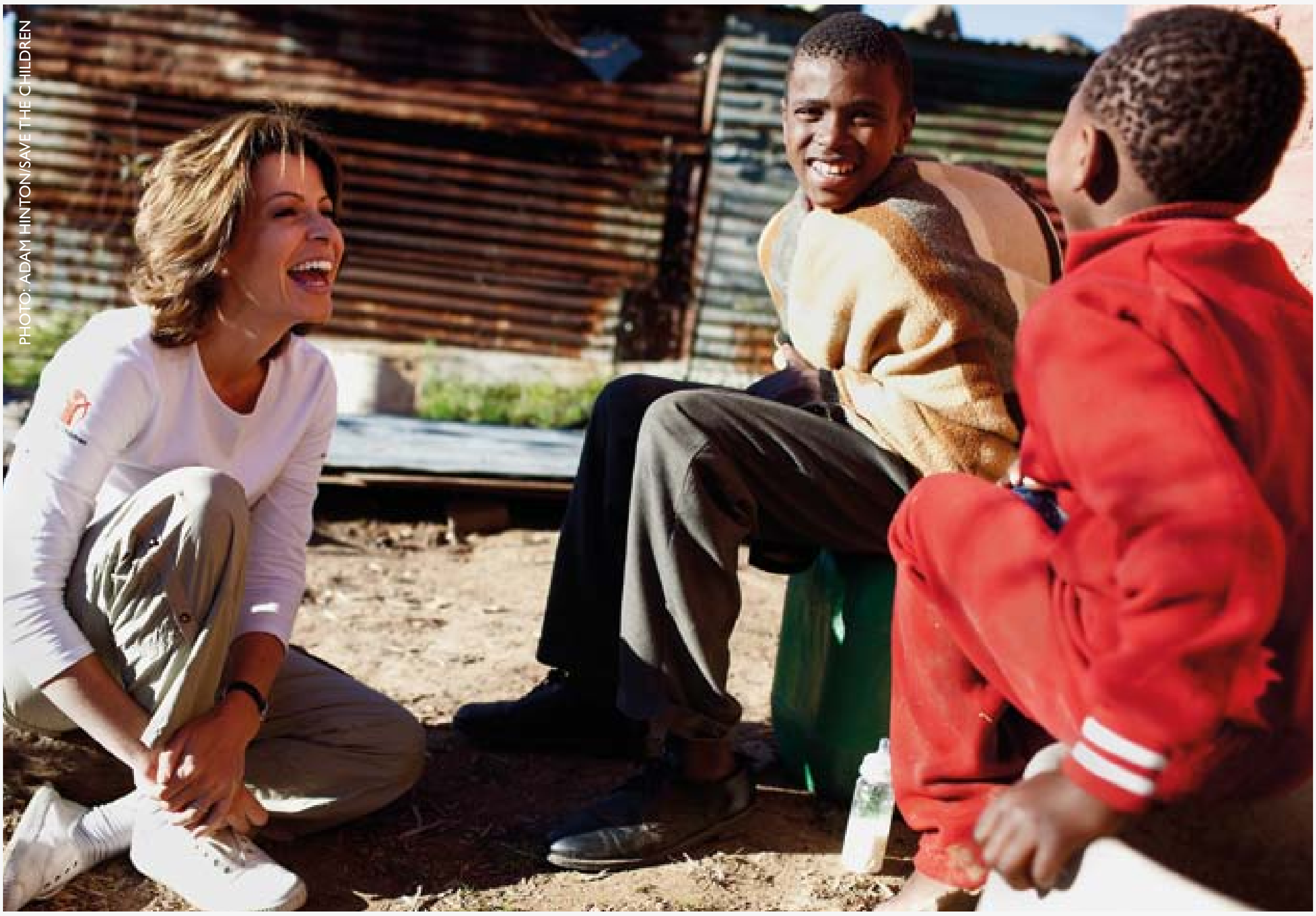
On 24 January 2011, we launched No Child Born to Die – our most ambitious campaign ever. Our aim: to stop children dying, once and for all.

Launch day saw us take our message to all the big media channels. We got extensive coverage: from ITV's *Daybreak* to BBC radio's flagship *Today* programme, from *The Times* to *The Mirror*.

We launched a national TV advertising campaign and communicated our cause online. By lunchtime on launch day we'd reached 1 million people on Twitter, making the campaign the #1 trending topic in the UK. Our web traffic rose by 50%. David Beckham, with 7 million Facebook followers, posted our TV ad on his wall. "If you do one thing today, then watch this," he said.

A host of other big names publicly backed the campaign: Natasha Kaplinsky, Simon Cowell, Helena Bonham Carter, Stephen Fry, Haile Gebrselassie and Alexandra Burke to name but a few.

Within days of the launch, tens of millions of people had heard about No Child Born to Die through the media and our advertising campaign.



TV presenter and Save the Children ambassador Natasha Kaplinsky, who is backing our No Child Born to Die campaign, sees for herself the life-saving work we're doing in South Africa. "When you've visited a project you can see that such a small sacrifice in our own lives can make such a big difference," she says.

"BY JOINING FORCES WITH SAVE THE CHILDREN AND THEIR FANTASTIC NEW CAMPAIGN – NO CHILD BORN TO DIE – I HOPE THAT I CAN HELP MAKE A DIFFERENCE"

Edith Bowman, TV presenter and Save the Children ambassador

We intensified our fundraising drive with a major push to get schools, companies and thousands of members of the public to raise money to save children's lives.

By the end of the year we'd recruited more than 100,000 new supporters – helping to make 2011 our most successful fundraising year ever. Tens of thousands of people had taken a campaign action.

Above: Children in Scotland get behind our No Child Born to Die campaign; Above right: Dance group Diversity perform at a Born to Shine event at Morrisons supermarket in Leeds.

Our prime-time ITV1 show, *Born to Shine*, raised £2.1 million and was watched by up to 3 million people a week – many of them new to Save the Children. Public awareness of our brand was on average 50% higher than in 2010. Our following on social media increased exponentially.

facebook **100,000** likes, up 700% on the start of 2011

twitter **20,000** followers, up 200% and growing

Find out how we were able to harness all this activity in 2011 to deliver two huge breakthroughs for children on pages 12–13.

"I'VE SEEN THE COVERAGE ON DAYBREAK. IT WAS EXTREMELY MOVING"

Save the Children supporter on Facebook

Left: Samantha Cameron and leading figures from British fashion raise awareness about the critical global shortage of health workers during our Born to Walk Tall event in London.

BORN TO WALK TALL

DOUBLE BREAKTHROUGH

Year one of our No Child Born to Die campaign helped inspire two major successes – political breakthroughs that will help save millions of children's lives.

VACCINES FOR ALL

In the run up to June's Global Alliance for Vaccines and Immunisations pledging conference in London in June, nearly 50,000 of our supporters signed petitions, emailed their MPs and held publicity stunts to call for vaccines for all. We teamed up with Microsoft founder Bill Gates, a highly influential voice on the need for immunisations in poor countries, who joined us for a live phone-in the day before the conference.

The response of world leaders led by David Cameron surpassed even our best hopes. They committed an extra US$4.3 billion to pay for vaccines for 250 million children, a landmark deal that will save an estimated 4 million children's lives by 2015.

Health worker Jemama Weegie holds up a bottle of vaccine at a school in Liberia. An estimated 4 million children's lives will be saved by 2015 as a result of the global vaccines deal we helped inspire.

"MILLIONS OF CHILDREN DIE BEFORE THEY ARE FIVE FROM PREVENTABLE CAUSES. SAVE THE CHILDREN'S CAMPAIGN TO SAVE PRECIOUS LIVES DESERVES SUPPORT"

Glenys Kinnock, Baroness Kinnock of Holyhead

PHOTO: CHRISTOPHER CAPOZZIELLO/SAVE THE CHILDREN

CALL FOR HEALTH HEROES

But vaccines don't inject themselves. Without doctors, nurses and midwives, no vaccine can be administered, no life-saving drugs prescribed and no woman given expert care during childbirth.

Our flagship report *No Child Out of Reach* set out an action plan to address the 3.5 million shortfall of health workers worldwide. On the eve of September's UN General Assembly in New York, Save the Children campaigners took over Times Square in a spectacular call for more health workers (pictured above), adding their voices to those of 46,000 campaigners in the UK. The meeting saw 25 new commitments to reduce child mortality, including increasing the number of midwives, doctors and nurses.

A LIFE FREE FROM HUNGER

It's been an incredible start, but we can't afford to lose momentum now.

Despite real progress on stopping killer diseases, hunger is still a death sentence for millions of children. Our world has enough food for everyone, but malnutrition kills 300 children every hour of every day. That's why, in 2012, our No Child Born to Die campaign will lead the call for the biggest-ever push to end global hunger.

"IT WAS A PLEASURE TO MEET WITH CONSTITUENTS WHO CARE SO PASSIONATELY ABOUT SAVING CHILDREN'S LIVES. I AGREE WITH THEM ABOUT THE CRUCIALLY IMPORTANT ROLE PLAYED BY HEALTH WORKERS"

David Cameron, UK Prime Minister

WHATEVER IT TAKES

When violence erupts, when earthquakes hit, when the food runs out, we do whatever it takes to save children's lives.

In 2011, our ability to respond to disaster was tested to the limit. We rose to the challenge like never before.

We reached 3.3 million people, including 1.9 million children, caught up in 45 emergencies in 38 countries – more than in any year in our history.

The year's biggest crisis saw 13 million people facing extreme hunger in East Africa. Read about our record-breaking response there and the people who made it possible on pages 16–19.

Three other disasters stood out: murderous conflicts in Libya and Ivory Coast, and the devastating earthquake and tsunami in Japan.

IVORY COAST: FORCED TO FLEE

"As I walked through the camp, I was overwhelmed by the number of children," says Marie Dahl, from our emergency response team. "Many of them had thin arms and swollen bellies – symptoms of malnutrition. Some would not stop crying."

Violence in Ivory Coast following disputed presidential elections in November 2010 drove more than 1 million people – half of them children – from their homes. Children fled, often without food or the protection of adults. Some were attacked, others saw their parents killed. Many ended up in makeshift camps where conditions were atrocious.

We urgently flew in food, medical supplies, soap, sleeping mats and blankets. We made sure pregnant and breastfeeding mothers had enough to eat. At the height of the crisis we were feeding 2,500 children every day. We rebuilt schools and helped reunite children who were separated from their families.

In all, we reached more than 200,000 children caught up in the crisis. We also helped persuade the UK government to release £16m in humanitarian aid for Ivory Coast and convinced the UN Emergency Relief Coordinator to speak out against the indiscriminate use of violence there.

JAPAN: AFTER THE WAVE

On 11 March, half a million people were made homeless in a matter of moments by the giant wave that smashed into Japan's eastern coastline; a wall of water travelling at 500 miles per hour, driven by the seventh most powerful earthquake ever recorded.

The destruction left hundreds of thousands of children without shelter, as winter temperatures plunged below zero.

"We have no idea when we will leave here, or where we will go," one young mother told us, clutching her infant daughter at an evacuation centre.

We moved into action immediately, setting up 19 safe spaces where 800 children were able to return to some kind of normality. We also provided counselling for 4,630 children, helping them to come to terms with their traumatic experiences and grieve the loss of loved ones.

LIBYA: IN THE LINE OF FIRE

As the world watched fighting rage across Libya and the fall of Colonel Muammar Gaddafi, a hidden humanitarian crisis was unfolding. With cities under siege, families were cut off from water, electricity and fuel, and children were exposed to scenes of violence and death.

"I've heard that fathers of my friends are being 'disappeared'," one 13-year-old boy told us. "I'm terrified, and I'm afraid I'll be an orphan."

At extreme personal risk, a small rapid-response team entered Libya, making us one of the first aid agencies to act. We distributed essential supplies to families and helped terrified children.

We provided 20,000 people in the besieged capital, Tripoli, with health supplies for three months. We created 55 safe spaces where we helped 9,000 children recover from the psychological effects of war.

PHOTO: JENSEN WALKER/GETTY IMAGES FOR SAVE THE CHILDREN

"IT'S COLD HERE AND I WANT TO GO HOME. I MISS MY FRIENDS AND I MISS MY HOME"

Karen, six, stands in the tsunami-ravaged streets of Ishinomaki, Japan

3.3 **MILLION**
children and their families helped during emergencies

EAST AFRICA: OUR BIGGEST-EVER RESPONSE

The baked earth of East Africa was the setting for the biggest emergency of the year – and the largest response in our history.

A deadly combination of failed rains and rising food prices left 13 million people facing extreme hunger. In June, our clinics started filling up with young mothers clutching the tiny, starved bodies of their children. Children like 15-month-old Bishara from Kenya.

In a cruel irony, Bishara had become so malnourished she was too weak to eat. Save the Children staff brought her to a hospital where she received emergency treatment. It saw her make an amazing recovery that left her barely recognisable as the same little girl. "She plays with other kids," said her grandmother, Amina. "She laughs. Thank God, she's very well now."

By the end of the year, working with other Save the Children members, we'd reached more than 2.5 million people across Kenya, Ethiopia and Somalia.

300,000 malnourished children fed
700,000 given access to clean water
200,000 provided with healthcare


PHOTO: HELLE KJAERSGAARD/SAVE THE CHILDREN

The food crisis in East Africa has seen 370,000 people flee to Dadaab refugee camp, which was originally built to accommodate just 90,000.

"SHE PLAYS WITH OTHER KIDS. THANK GOD, SHE'S VERY WELL NOW"

Amina from Kenya describes the amazing recovery of her granddaughter Bishara

A truck carries high-nutrient peanut paste to children facing severe malnutrition in northern Kenya.

INCREDIBLE GENEROSITY

All this was only possible thanks to the incredible generosity of the UK public. Despite financial hardship at home, our East Africa Appeal raised £7 million – more than we've received for any appeal ever.

Inspiring some of this support was our innovative Fill a Truck campaign. We put out the message in the press and online that we needed to fill trucks waiting in Nairobi, Kenya, with life-saving food and supplies. The public got on board, donating more than £100,000.

Another groundbreaking campaign, I'm Gonna Be Your Friend, asked people to download a reissued Bob Marley & The Wailers track, *High Tide or Low Tide*, with funds going to help the children of East Africa.

The campaign was backed by Simon Fuller and XIX Entertainment and brought together the combined reach of Universal Music Group, Yahoo!, Facebook, AOL, MSN, YouTube, Google and Twitter to spread the word to a global online audience in excess of 1 billion people, helping to raise more than £240,000 for our work.

ACTING BEFORE CRISIS POINT

But ultimately we want to stop food crises like the one in East Africa developing in the first place. Last year, we led a coalition of non-governmental organisations to draw up a Charter to End Extreme Hunger, which we launched at the UN in September.

The charter set out how to prevent hunger crises before they take hold. Prime Minister Raila Odinga of Kenya became the first leader to commit his country to acting on its principles, and humanitarian leaders at the UN and EU also gave it their backing.

LIFE ON THE FRONTLINE

Somalia: a country in the grip of extreme violence and the most severe food crisis in 60 years. It's one of the worst places in the world to be a child. It's also one of the most dangerous places to be an aid worker. Here are the voices of some of the amazing people who are on the ground, saving lives.

"LANDMINES, STRAY BULLETS AND BOMBS ARE ALL COMMON. YOU GO TO WORK AND HEAR BOMBS EXPLODE"

Abdikarim Daud Aden, Operations Director for CPD

Norta Omar with her youngest child, two-year-old Faisal Kasim, in Somalia.

PHOTO: RACHEL PALMER/SAVE THE CHILDREN

"MORALE IS HIGH. EVERY DAY I'M MORE MOTIVATED"

Abdikarim Daud Aden, Operations Director for CPD

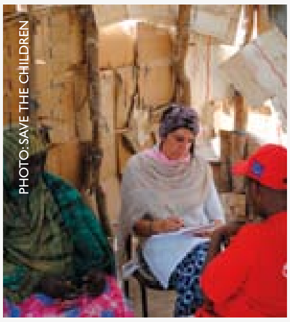


PHOTO: SAVE THE CHILDREN

SONIA ZAMBAKIDES, Humanitarian Director

"We have *the* most incredible people. Some have worked for us for up to 20 years, through numerous government changes and insecurity, and for some this is the second food crisis.

"The fact that they can keep going, keep positive, keep reaching children is incredibly inspirational. We never do enough, but what we do makes a difference. Because of our field staff we are saving lives.

"We've tripled our operations to help thousands more children – for many it was the difference between life and death. The team worked continuously – installing water pumps, distributing food and delivering healthcare."

PHOTO: SAVE THE CHILDREN

ABDIKARIM DAUD ADEN, Operations Director for our partner the Centre for Peace and Democracy (CPD)

"Mogadishu is one of the most unpredictable places. The biggest challenge is insecurity – it means that we can't always get to the communities who need us.

"Landmines, stray bullets and bombs are all common. You go to work and hear bombs explode.

"Last October, I was driving to the field with three colleagues. We were stopped by police and told not to move because we were surrounded by landmines. Mine experts removed them, but I felt my life was really in danger.

"The team's morale is high. This is down to two things. First is a common goal – saving vulnerable children and mothers on the verge of death. The second is motivation and support from Save the Children. Every day I'm more motivated."

PHOTO: KATIE DREW/SAVE THE CHILDREN

ANONYMOUS, Operations*

"What we do is very risky. My staff have been arrested and detained just doing their job. You never know if you'll be caught in a violent clash with armed groups. I have felt in danger many times.

"If you want to be an aid worker, you have to be ready to die. Sometimes I think there is nothing stopping someone from shooting me, but we all risk our lives to save children's lives.

"The reason I've stayed with Save the Children [for 21 years] is their policy and procedure – and staff security is their first priority. They always give the go-ahead in an emergency. They say, 'Go and do it! Don't think about the money, do it.'"

PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

CORMAC O'SULLIVAN, Emergency Operations Manager

"We have a very experienced, knowledgeable team in place and we're running some amazing programmes. But there is a huge potential challenge looming on the horizon – the scary prospect that the major rains won't come in April.

"Our response is based on events that we can't predict. Somalia is such a complex environment – we're always trying to prepare for the unpredictable. The scenario can change within hours and that's always in the back of your mind.

"Our work has a huge impact on the people we reach. Last October, we were able to respond very quickly to the floods in Mogadishu – giving families blankets, shelter and cooking items – in a very short period of time. It makes it worthwhile when everything comes together."

*The situation in Somalia is so fragile many of our staff must remain anonymous to keep them safe.

TOTAL IMPACT

We're making real progress but we want to dramatically accelerate the rate at which we're changing children's lives – from stopping millions of children dying to giving millions more the chance of a life-changing education.

To pull that off, we need to take our work to a new level. Business as usual won't be enough.

We aim to achieve **massive impact** for children by:

- directly improving the lives of millions of children through **world-class programmes**
- building strong **partnerships**
- **gathering evidence** of what works to convince others to **replicate** our programmes on an even **bigger scale**
- **using our voice** to mobilise millions of people.

This is our **theory of change**. Last year our life-saving health work in Nigeria put that theory into action.

REVOLUTIONISING HEALTH

The challenge was immense. When we started our partnership programme, just 3% of children in the programme areas were fully immunised against killer diseases. In Nigeria as a whole, more children die before their fifth birthday than in any other country in Africa.

We're on the frontline of the battle to save children's lives in four states of northern Nigeria – with a combined population of 17 million people. Working in partnership with the Ministry of Health and two co-lead agencies, we've dramatically increased the supply of vaccines and other medicines, equipped hundreds of health clinics, and trained thousands of health workers.

In 2011, the impact of the programme was there for all to see:

- **590,200** children immunised against measles
- **181,000** pregnant women given antenatal care – up from fewer than 15,000 in 2009
- **100,000** births attended by a midwife or nurse – up from 8,000 in 2009

It's a ground-breaking programme, as David Melody, Acting Head of Health and HIV, explains: "Usually health programmes have a narrow focus – they might concentrate on one thing, like delivering immunisation or training health workers. But in northern Nigeria we're part of a comprehensive programme that's providing the full range of healthcare for mothers and children up to age five.

"We're also working with communities to promote healthy behaviour and uptake of healthcare," says David. "And we're working with the government to help strengthen the health system – by training health workers, for example."

THE POWER OF PARTNERSHIP

It's a seven-year, £61-million programme, funded by the UK Department for International Development and the Norwegian government. By working closely with the Nigerian Ministry of Health, local government and community organisations, we're helping make the programme sustainable, and encouraging other states to replicate it.

It all adds up to a powerful partnership. On the ground we're one of three lead agencies, along with GRID, a Nigerian organisation specialising in strategic planning and public financial management, and Health Partners International, a UK-based organisation with expertise in strengthening health systems. Other specialist organisations also contribute.

PHOTO: JANE HAHN/SAVE THE CHILDREN

“SOME WOMEN WHO ARE IN LABOUR COME BY BUS, SOME BY DONKEY, AND SOME BY WHEELBARROW! I TRY TO BUILD WOMEN’S CONFIDENCE AND TO INVOLVE THEIR HUSBANDS IN SUPPORTING THEM”

Catherine Ojo, midwife

Save the Children’s midwife of the year, Catherine Ojo, runs a special care baby unit in a hospital in Kaduna state, northern Nigeria.

COMPELLING EVIDENCE

The programme’s success is a powerful demonstration of what’s possible. We’ve gathered strong data on the programme’s achievements, setting an inspiring example for the government to follow.

And it’s providing the basis for our national campaign – spearheaded by our Midwife of the Year, Catherine Ojo (pictured above) – calling for the National Health Bill to be passed into law. In 2012, we’ll continue to lobby the President to sign up to the potentially landmark bill, which will make healthcare free for pregnant women and children under five.

“We’re aiming to inspire a fundamental shift in the way healthcare is provided in Nigeria,” says David Melody, “both through the success of our programme and through showing the government the difference it can make on an even bigger scale in saving the lives of women and children.”

GIVE ME TEN

Our Nigeria programme sets a standard we want more of our programmes to match. In 2012, we’ll develop ten world-class signature programmes that will have a direct impact on the lives of millions of children and convince governments and other organisations to replicate them on an even bigger scale.

NO CHILD BORN WITHOUT A CHANCE

Think of a country where children are going to bed hungry because they can't get a proper meal. Where they're going to school in winter without a warm coat or a decent pair of shoes. Where some sleep on the floor because they don't have a bed.

Which country is this? You're in it. Right now, in the UK, there are 1.6 million children growing up in severe poverty.

It gets worse. Job losses, cuts to welfare and rising food, transport and energy prices are set to trigger the biggest descent into poverty since the 1980s. It's children who will bear the brunt of a problem they did nothing to create.

So as the recession bites deeper, we're acting now.

"THE AREA IS FULL OF NEDS [HOOLIGANS] AND DRINK AND DRUG ABUSERS"

Ashleigh with her son, Sean. They live in a deprived and isolated area near Glasgow

PHOTO: LAURA PANNACK/SAVE THE CHILDREN

"PEOPLE MIGHT SAY, 'OH, IT'S ALL THE PARENTS' FAULT' OR 'IT'S THE SYSTEM'S FAULT.' THE ONE THING I'M CERTAIN ABOUT IS THAT IT'S NOT THE KIDS' FAULT"

Paul O'Grady, TV presenter

BARE ESSENTIALS

In November 2011, we launched Eat, Sleep, Learn, Play! to make sure the poorest children across the UK get decent meals, blankets, a warm bed, educational books and toys – the essentials no child should be without.

Three-year-old Amy and her sister had to sleep on broken, rotten beds with foam mattresses that were almost impossible to get clean. Amy started to develop skin complaints. Her mum worried that Amy's respiratory condition would get worse.

"I tried putting money aside [for new beds] but ended up spending it on basics like food and new shoes," she said.

Thanks to your support, we were able to give Amy and her sister new beds – and finally the chance of a good, healthy night's sleep.

We'll expand Eat, Sleep, Learn, Play! to reach thousands more children like Amy in 2012.

BREAKING A VICIOUS CIRCLE

We're working to give children a permanent route out of poverty too. We want to break the vicious circle that keeps people poor – generation after generation.

Children born into poverty are six times more likely than their better-off friends to leave school without any qualifications at all. To close this achievement gap, we're building stronger relationships between parents, children, teachers and communities through our Families and Schools Together (FAST) programme.

After just one year, we've seen a real difference:

10% improvement in children's reading, writing and maths

52% improvement in children's behaviour at home

40% improvement in children's behaviour at school

73% of parents more involved in their child's education.

As Celia O'Reilly, headteacher at St Bernadette's Primary School in Belfast, put it, "Behaviour has improved, academic achievement has improved. It's one of the most powerful things we've ever done."

Prime Minister David Cameron wrote to our Chief Executive, Justin Forsyth, praising FAST's ability to "save money and improve outcomes for children and families".

FAST's track record has impressed some of the UK's biggest brands too. Morrisons and Lloyd's Banking Group have raised more than £3 million between them, helping us to expand the FAST programme across the UK.

3,640 parents and children benefiting from our FAST programme

A PROMISE TO KEEP

In his first speech as Prime Minister, David Cameron promised to "look after… the poorest in our country". We're pressing the government to live up to this promise.

In March 2011, we released research that for the first time gave severe child poverty figures for each local authority area in the UK. Families from the areas with the worst figures wrote to the Chancellor, George Osborne. The findings were picked up by the BBC and ITV, and generated fierce debate on social media – reaching more than 300,000 people on Twitter.

The coverage persuaded the government to focus on *severe* child poverty in its first child poverty strategy.

COUNTING THE COST

A job should be a route out of poverty, but too many parents can't afford to work because of the cost of childcare. We took our message 'childcare costs jobs' to George Osborne, with more than 1,500 people writing to their MPs on the subject.

As a result, the government agreed to spend an additional £300 million to extend support with childcare costs to 80,000 more families.

But the government has much more to do to make sure families can earn enough to raise their children; that childcare costs don't price parents out of work; and that benefits reach all those who need them. In 2012, we'll be working to make sure UK families get a fairer deal.

THE MOST POWERFUL WEAPON

Nelson Mandela famously said: "Education is the most powerful weapon you can use to change the world."

"The good news," says Joseph O'Reilly, Save the Children's Head of Education, "is that in the last ten years the world has made real progress in getting children into school."

Since 1999, the number of children missing out on primary school has fallen by 39 million. Even in the poorest countries, primary school enrolment is now over 80%.

Last year, we helped maintain the momentum when we called for increased funding for education. Donor governments pledged almost £1 billion to the Global Partnership for Education (GPE) that will help put 25 million children into classrooms over the next three years.

"We saw a transformative outcome for the world's children to which Save the Children has made a vital contribution," said Carol Bellamy, chair of the GPE.

NO CHILD LEFT BEHIND

"But we shouldn't let the gains over the last decade mask the enormity of the challenge," warns Joseph. "There are still 67 million children who don't get the chance to go to school."

Our ambition is to make sure every one of those children gets an education. That's why we're finding ways to help children in the toughest circumstances go to school – children growing up in war zones, caught up in natural disasters, failed by a dysfunctional education system or discriminated against because of their race or gender. In 2011, our education work helped 1.2 million children.

GOOD IN A CRISIS

For children whose lives are turned upside down by a sudden disaster or conflict, education is a lifeline. It offers protection and some sense of normality. And it's key to rebuilding shattered communities.

Last year, we delivered emergency education in 18 countries – setting up temporary schools and safe play areas, providing books and other classroom materials, and rapidly training teachers.

200,000 children affected by emergencies were supported with education last year

More than a third of all the world's out-of-school children live in conflict-affected countries. In **South Sudan**, more than 1 million children are missing out on primary school.

Hawa, aged 13, returned to South Sudan from Khartoum, where she had been living. "I don't know anything about my new home," she said. "But I hope there'll be a school. That's the only thing I have in mind."

We helped 141,000 children into school in South Sudan, built classrooms and trained more than 700 teachers.

EDUCATION ON THE MOVE

Among nomadic communities in **Ethiopia**'s Somali region, children's education is often disrupted as families move in search of water and green pastures. We've introduced 'mobile schools', where the teacher moves with the children, and we're offering evening classes

IKEA'S GLOBAL SOFT TOY CAMPAIGN AGAIN GAVE A MASSIVE BOOST TO EDUCATION WORK WITH DISADVANTAGED CHILDREN, WITH €12.4 MILLION DONATED FROM THE IKEA FOUNDATION TO SAVE THE CHILDREN AND UNICEF

PHOTO: PRASHANTH VISHWANATHAN/SAVE THE CHILDREN

1.2 **MILLION** children reached through our education programmes

Chotti, six, lives on the streets of New Delhi. She sleeps on bits of cardboard and scrapes a living collecting rubbish. Now we're giving Chotti a decent education and the hope of a better future thanks to our Street to School programme.

for children who work during the day. We've even set up mobile camel libraries bringing bilingual books to communities where there are no roads.

Last year, an evaluation of a sample of the 45 schools and 125 education centres we support in Ethiopia found that enrolment had increased by 20% overall, and by around one-third among girls.

FIXING THE SYSTEM

In **Nigeria**, where 7 million children are out of school and three-quarters of teachers are not qualified, we're working to help communities improve their schools, get more children enrolled and hold teachers and the government to account. Last year our model of school management committees – made up of teachers, parents, students and other members of the community – was adopted in 1,000 schools, reaching 400,000 children. The federal government will now roll it out in schools across the country.

LEVEL PLAYING FIELD

Lack of access to education for girls is a global problem. Last year we called for more action to close the education gap for girls. In September, the UK government launched the Girls Education Challenge – a £350-million fund to tackle gender inequality in education worldwide.

A BRIGHTER FUTURE

In 2012, we'll amplify our call to governments, donors and decision-makers to guarantee a high-quality education for every child in every emergency.

"I FEEL VERY LUCKY TO COME TO SCHOOL BECAUSE OTHER PEOPLE DON'T HAVE A CHANCE. MY PARENTS HAVE NEVER BEEN TO SCHOOL"

Zarina, 12, is attending school for the first time, thanks to our team in Pakistan

STOLEN CHILDHOODS

They are the forgotten children. Shut away in institutions. Conscripted into armed groups. Beaten and abused. Forced to work down mines and in backstreet factories.

Around the world, our protection programmes made 500,000 children safer in 2011. We supported street children, former child soldiers and children in harmful institutions. In war and disaster zones we set up safe spaces and traced the families of those separated from their parents amid the chaos. And we helped prevent children being abused, exploited and neglected by developing networks of local child protection groups.

RIFE WITH DANGER

The three refugee camps in Dadaab in **Kenya** are now the size of a small city. Children here face many dangers including physical and sexual violence, abduction and recruitment by armed groups. Many are traumatised by conflict, upheaval and extreme hunger.

Last year, as the security situation in parts of Somalia worsened, there was an influx of refugees, and a big rise in the number of unaccompanied and separated children arriving at the camps.

"Dadaab is an emergency in itself," says Nick Martlew from our Humanitarian team. "The journey here is not something any child should have to face. I've heard of children dying on the road for want of food or water. Families harassed and separated at barricades manned by armed groups. A young child was even mauled to death by a hyena as her siblings looked on."

In 2011, we supported around a quarter of the children living in Dadaab. Our safe play areas were used by 27,000 children. We helped many deal with traumatic experiences, providing one-to-one support. We placed nearly 600 children with foster families and supported more than 2,000 children who were at risk of violence, child labour, forced marriage or being recruited into armed forces.

"RAPE CAPITAL OF THE WORLD"

The **Democratic Republic of Congo** (DRC) is struggling to recover from what has been called 'Africa's world war'. Although a peace deal was struck in 2003, conflict is still rife in the east of the country, and the DRC sits at the bottom of the UN's human development index.

For children, the situation is perilous. Sexual violence against girls and women is commonplace in parts of eastern DRC, leading one UN official to call the DRC "the rape capital of the world". Tens of thousands of children are living on the streets in the capital, Kinshasa. Children are forced to work to survive, often in atrocious conditions.

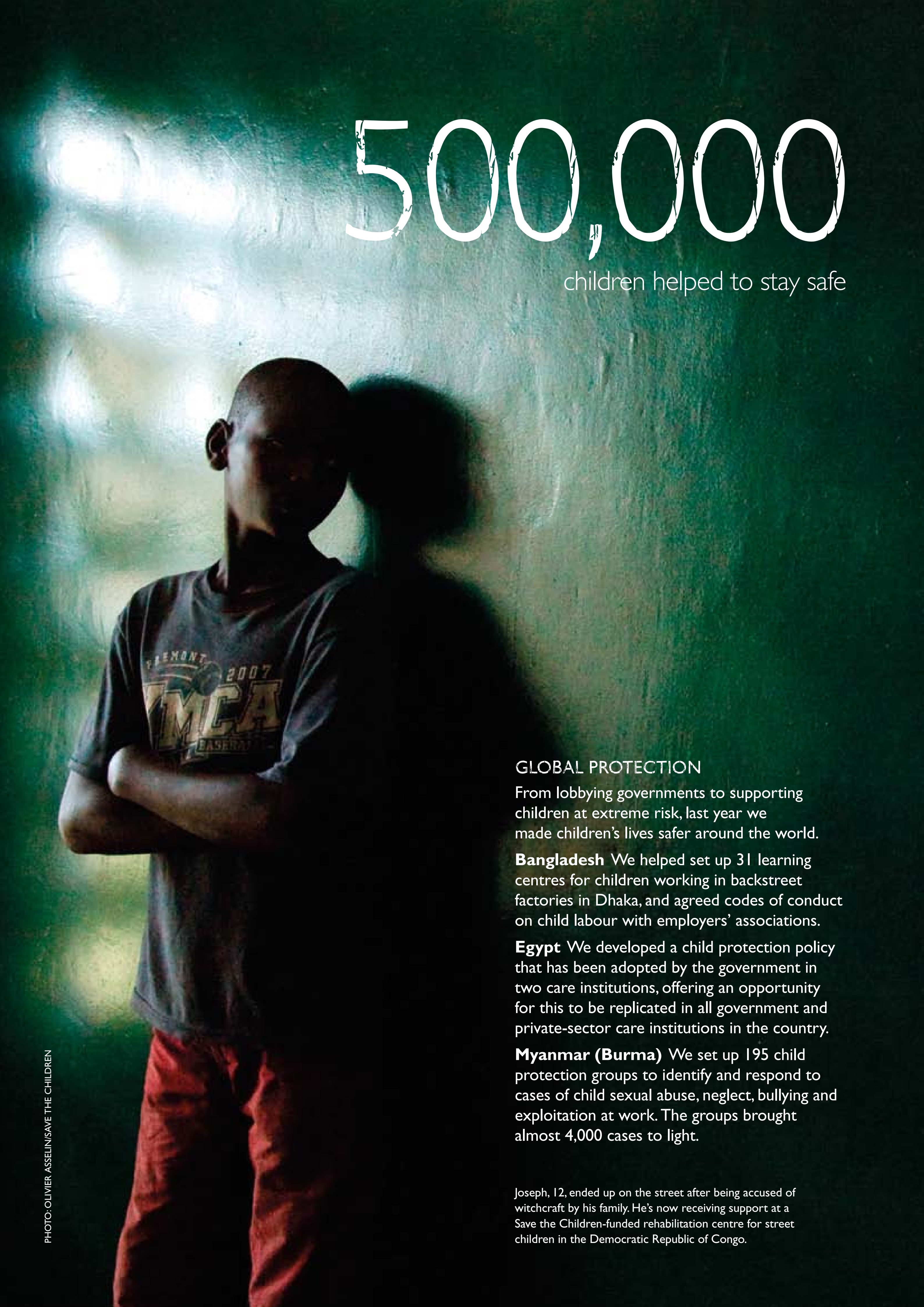
We run the leading child protection programme in the country. Last year, in Province Orientale, we protected children from being conscripted or abducted into armed groups, giving one-to-one support to 493 at-risk children. And we worked with local communities to help protect 9,300 more children. We were awarded a grant of almost £500,000 for this work from the European Commission's Humanitarian Office.

In parts of eastern DRC ravaged by violence, we helped provide medical, legal and social support to more than 900 children who have suffered violence and abuse. We also trained 94 children on ways they can monitor and report grave violations of children's rights.

In the cities of Kinshasa, Bukavu and Mbuji-Mayi, we supported around 2,000 children living on the streets, helping some return home and others to get alternative care. We worked with the local communities and authorities to raise awareness of the dangers these children face and ways to help protect them.

We helped 129 children escape the ordeal of working in mines in the DRC and reintegrate into their communities.

> "FAMILIES [ARE] HARASSED AND SEPARATED AT BARRICADES MANNED BY ARMED GROUPS"
>
> Nick Martlew, Humanitarian team



500,000

children helped to stay safe

GLOBAL PROTECTION

From lobbying governments to supporting children at extreme risk, last year we made children's lives safer around the world.

Bangladesh We helped set up 31 learning centres for children working in backstreet factories in Dhaka, and agreed codes of conduct on child labour with employers' associations.

Egypt We developed a child protection policy that has been adopted by the government in two care institutions, offering an opportunity for this to be replicated in all government and private-sector care institutions in the country.

Myanmar (Burma) We set up 195 child protection groups to identify and respond to cases of child sexual abuse, neglect, bullying and exploitation at work. The groups brought almost 4,000 cases to light.

Joseph, 12, ended up on the street after being accused of witchcraft by his family. He's now receiving support at a Save the Children-funded rehabilitation centre for street children in the Democratic Republic of Congo.

PHOTO: OLIVIER ASSELIN/SAVE THE CHILDREN

SEEN AND HEARD

Children from our Global Children's Panel held staff at head office to account. An external evaluation found that the panel has given children more say in the running of our country programmes in Bangladesh, Colombia, Nigeria and South Africa.

We don't just work *for* children. We work with them too. And listen to what they want.

Giving children and communities a say in what we do and how we do it is not an optional extra. It's at the core of delivering world-class programmes – and building stronger communities.

Last year children around the world showed remarkable desire to get involved in our programmes, push for change and hold us to account.

In 11 countries, we consulted with children and adults and set up ways for them to share feedback about our work. We introduced suggestion boxes, helpdesks, hotlines and regular meetings, and received and responded to almost 5,000 suggestions, comments and complaints. We did the same with emergency responses in Somalia, Kenya and Ethiopia.

Here are a few specific examples of how children have been taking the lead:

Kenya In Dadaab, home of the world's biggest refugee camp, we set up helpdesks for children and feedback groups for adults. Children made good use of the opportunity. One boy told us that most of the staff on the programme were men and there weren't enough women. "I'm very happy with the answers they gave," he told us. "Now we have more women working at the centre."

Bangladesh More than 1,200 children took part in regular children's forums, raising issues that concern them and making suggestions about our Bangladesh programme's annual plan. And after children in four projects designed their own ways of feeding back, we responded to more than 800 comments, suggestions and complaints.

Colombia We produced information for children explaining what our programmes aim to do, and launched a website where children can find out more and send us comments. We installed 100 suggestion boxes in projects.

India We helped children hold decision-makers to account. Children's groups in West Bengal successfully lobbied the Chief Minister for safer drinking water in their area. In Andhra Pradesh, two new school buildings were erected following a campaign by local children's groups.

ONE COMMON VISION

We want to seriously step up the impact we're making for children. To meet that bold ambition we need to improve the way we work as an organisation. That's why we're developing a new four-year plan that will focus our organisational energies squarely behind our cause.

We'll work even more closely with the other members of Save the Children – with one common vision, mission and strategy.

We'll deliver our international programmes through a single structure at country level, managed by Save the Children International, but we will continue to design, develop and oversee them. We aim to complete the transition to this new structure by the beginning of 2013, bringing together our collective strength to make us more unified, and much more effective, in the way we deliver change for children.

And we'll work together to increase the influence we can have through our global campaign to save children's lives.

In 2011, our new leadership team also began to refocus the way we work to make us more agile and collaborative, more responsive to external opportunities, more accountable to our stakeholders and better placed to forge innovative new partnerships.

The hugely successful launch of No Child Born to Die (see p10), the massive impact of our first signature programmes (see p20) and the growth of partnerships with the likes of GlaxoSmithKline and the Bill & Melinda Gates Foundation (p31) show that these changes are already paying off.

Our staff are crucial to our success and in 2011 we set ourselves clear targets – based on the results of our regular employee engagement survey – to help us. Our aim is to recruit, develop and retain the talent we need to deliver our ambition.

In 2012, we'll be looking to improve in all these areas and become a truly outstanding organisation able to make the biggest possible difference for children.

PHOTO: MANDY TAYLOR/SAVE THE CHILDREN

Our No Child Born to Die campaign is helping us take our message to more and more of the UK public.

TOUGH TIMES, SUPER SUPPORT

A series of extraordinary events helped make 2011 an exceptional year of fundraising. A record outpouring of public generosity for East Africa, our partnership with ITV on *Born to Shine* and the second-largest single legacy donation in our history all helped raise a phenomenal £332.9 million – our highest-ever annual income.

RECORD-BREAKING GENEROSITY

In June, we launched an emergency appeal for the millions of children caught up in the devastating food crisis sweeping East Africa. The public's response was unprecedented. They raised £7m – the most we've ever received for a single appeal.

The British public raised £12.3m for our emergencies work in 2011 and £74.4m in total – a figure made possible by some truly inspiring individual efforts.

When Chloe Thompson heard about our East Africa Appeal she went 'back to basics' for six months, spending just £10 a week on food and personal expenses, and organising fundraising events. She raised almost £3,000.

Lloyds Banking Group staff in a capsule of the London Eye take part in the 24-hour 'Around the World' cycle challenge. The challenge saw more than 400 Lloyds employees, in locations from the UK to Uruguay, cycle 18,200 miles on static bikes to raise £100,000 for Save the Children.

"WE ALL FOUND THE TRIP MOVING, AND VERY INSPIRATIONAL. WE HAVE SEEN AT FIRST HAND THE QUALITY OF THE WORK SAVE THE CHILDREN DOES"

A major donor after a visit to one of our projects in Mongolia

Football fanatic Josh Black, nine, did a miraculous 1,015 keepy-uppies, raising £601 for Save the Children. "We all ran on the pitch, we were so proud," said his mum.

We are so grateful for the energy and generosity of all our supporters in these tough economic times.

BORN TO SHINE

In July, *Born to Shine* hit the nation's TV screens. The entertainment series, developed in conjunction with our partner ITV, featured talented youngsters mentoring celebrities in skills ranging from beatboxing to Irish dancing. The public's telephone and online donations were boosted by a £500,000 matched contribution from the UK government's Department for International Development (DFID), helping us bring in £2.1m.

The show received generous support from three of our highly committed corporate partners – Morrisons, who sponsored the show, Lloyds Banking Group, who provided the call centres, and FirstGroup, who gave us valuable advertising space.

POWERFUL PARTNERSHIPS

We're extremely grateful for the outstanding support of all our dedicated corporate partners, who are changing children's lives across the globe.

- Our partnership with GlaxoSmithKline continues to grow thanks to an innovative new initiative in which the company is investing 20% of the profits it makes in developing countries back into strengthening those countries' healthcare systems by training community health workers.
- Once again Reckitt Benckiser went the extra mile as 64 of its staff took on the third RB Global Challenge, trekking across Brazil, renovating two children's crèches and raising more than £350,000 in the process – breaking all its previous records.

In November we embarked on an exciting new partnership with the Bill & Melinda Gates Foundation, which will donate US$14m (£9m) over three years to support our advocacy work on vaccines, health workers and nutrition, as part of our global campaign to save children's lives.

LIVING AND GIVING

The boundless energy of our vibrant volunteers has seen our network of community shops go from strength to strength, turning over £8.1m in 2011.

We continued to roll out our Mary's Living and Giving Shops – a chain of Save the Children shops inspired by TV retail guru Mary Portas – with two new stores in 2011.

INSTITUTIONAL INCOME

Our income included £163.3m in grants from national and local government institutions. Our largest institutional donors were the UK government, which gave us £54.3m, and the European Commission, which donated £45.5m, significantly more than their contributions in 2010.

We were especially delighted to secure four grants each worth more than £10m over their lifetime: a partnership programme arrangement with DFID to fund our work globally, DFID grants for our work in Nigeria and South Sudan, and a European Commission grant in Bangladesh. These grants show that institutional donors are confident in our ability to deliver large-scale, high-impact programmes that reach hundreds of thousands of children.

A LASTING LEGACY

Finally, we would like to pay tribute to the late Edgar George for the exceptional gift of £5.2m bequeathed in his will, and to express our gratitude for all the legacies left by our supporters, which totalled £19m in 2011.

WE ARE PROUD THAT, OVER A FIVE-YEAR AVERAGE, 88 PENCE IN EVERY £1 WE SPENT WENT TO HELP CHILDREN, WITH THE REMAINING 12 PENCE BEING SPENT TO RAISE THE NEXT £1.

2012: A PIVOTAL YEAR

The world has made dramatic progress in the past ten years: reducing child deaths, getting more children into school, lifting millions out of poverty.

We've reached a tipping point. We could be the first generation in human history to make sure no child dies from preventable causes, all children get a decent education and every child has the chance to fulfil their potential.

In 2012, we're determined to do all we can to make sure the world seizes this opportunity. That's why we've set ourselves tough targets to help us reach each of our breakthrough aims for children.

We'll accelerate the rate at which we're saving children's lives – our top priority

500,000 under-fives treated for pneumonia, diarrhoea or malaria

125,000 under-fives treated for severe and acute malnutrition

170,000 families given cash, vouchers and food packs so they can get a more nutritious diet

3.7 million children reached through our health and nutrition work

We'll give children a decent education, even in the midst of conflict and crisis

100,000 more children in school in countries affected by conflict

2.6 million reached through our education work

In the UK, we'll strive to break the vicious cycle that keeps children poor – generation after generation

15,000 UK children will benefit from our award-winning education programme and our work to make sure families get the basics they lack

We'll protect children from abuse and keep them out of harmful institutions

1.15 million children kept safe from abuse and violence

50% of the children we target through our programmes given access to child protection services

Children and their carers will have more of a say in what we do and how we do it

15 countries and **40%** of our emergency responses will have better information-sharing practices to make us more accountable to children

HOW WE'LL MAKE IT HAPPEN

Improving the quality of our work on the ground is critical to achieving these ambitious targets. In 2012, we'll develop ten world-class **signature programmes** that further our breakthrough ambitions. They'll bring to life our theory of change (see p20), demonstrating new, innovative ways to transform children's lives, and convincing governments and others to replicate those programmes on a much bigger scale.

We'll continue to improve our ability to respond to disasters and other humanitarian crises, working with the other members of Save the Children to become *the* **emergency response** agency for children.

We'll step up our push to become the cause of millions, through the next phase of our **No Child Born to Die** campaign – our biggest-ever push to end global hunger. And we'll keep working with world leaders to deliver on their promises to make vaccines available for all and ensure every child is within reach of a health worker.

We'll continue our drive to become an **outstanding organisation**. By the beginning of 2013 we aim to have successfully moved all our international programmes under the management of Save the Children International, making us more unified, effective and efficient in achieving change for children.

PHOTO: JAN GRARUP/NOOR FOR SAVE THE CHILDREN

"THIS IS A PIVOTAL MOMENT FOR THE ORGANISATION. WE'VE ACHIEVED SO MUCH IN 2011 – THE CHALLENGE NOW IS HOW WE ACCELERATE THAT PROGRESS"
Justin Forsyth, Chief Executive

Dollo Ado, Ethiopia. October 2011. A girl driven from her home by the drought in East Africa arrives at a refugee camp carrying her two younger brothers. Save the Children helps place children separated from their families with either relatives or host families.

FINANCIAL PERFORMANCE

INCOME

Our income reached £332.9 million in the year to 31 December 2011, our highest level ever, and is helping change the lives of millions of children. Public response to the launch of our No Child Born to Die campaign significantly boosted our voluntary income, despite difficult economic conditions at home. The food crisis in East Africa resulted in our biggest ever individual appeal of £7m. We recorded £19m in legacy income over the year, and our collaboration with ITV on the *Born to Shine* TV series raised over £2.1m to help children here at home and around the world.

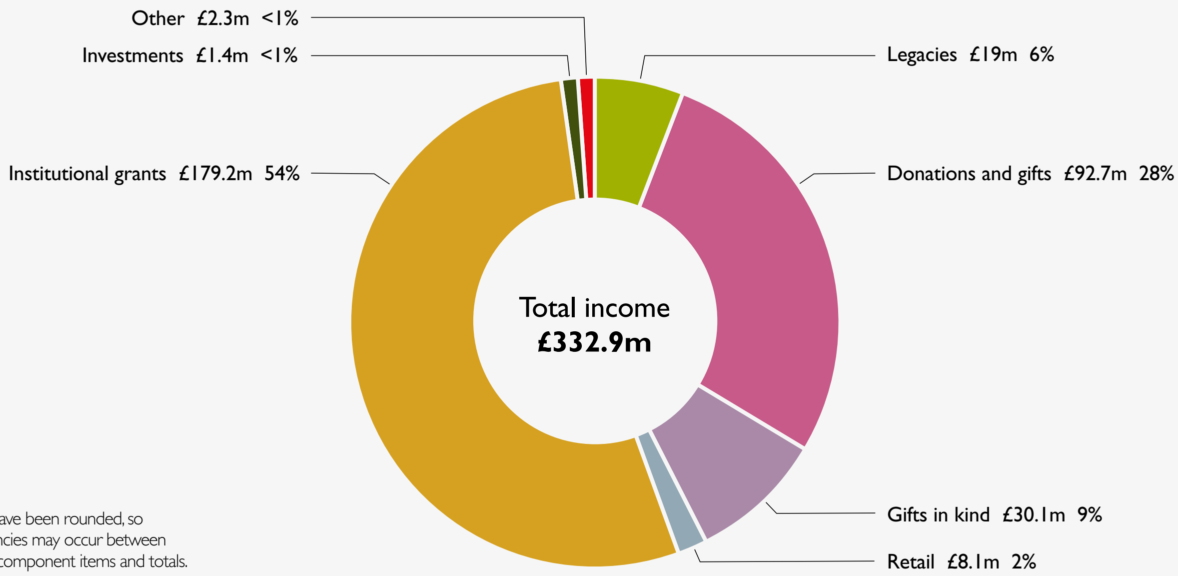
- Income of £62.5m from individuals (including legacies) and communities in 2011 grew significantly from £52.3m in 2010, in response to our campaign launch but also due to exceptional events taking place during the year such as the large-scale emergencies in Japan and East Africa and the significant legacy donation recorded at the end of the year.
- Company, major donor and trust income of £29.7m in 2011 grew from £17.4m in 2010 as a result of our continuing focus on building corporate and major donor relationships
- Institutional income continued to grow. We recorded £163.3m from national and local governments, as well as multilateral institutions including the European Union and the United Nations. Major foundations and corporate grants of a further £9.6m and £6.2m from other Save the Children members took total institutional income to £179.2m. This was up 8.3% on the £165.5m in the previous year.
- Gifts in kind were £30.1m and mainly represented food aid in Ethiopia and Kenya. We were also successful in securing significant legal and consultancy support.

EXPENDITURE

We spent £287.2 million to help improve children's lives across the world.

- We spent 59% of the funds available for programme work on supporting our health and hunger work, reflecting our commitment to saving children's lives and reducing child mortality, one of the Millenium Development Goals.
- We made a decision to invest in accelerating progress on reducing child mortality through our

WHERE OUR INCOME CAME FROM IN 2011

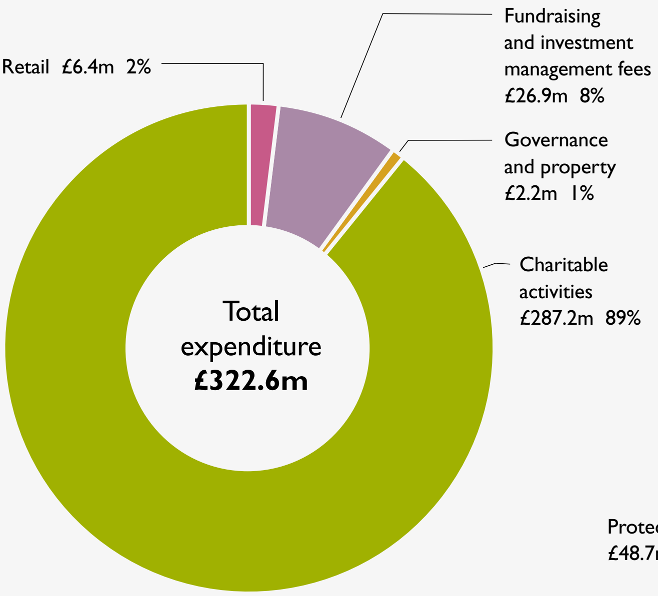


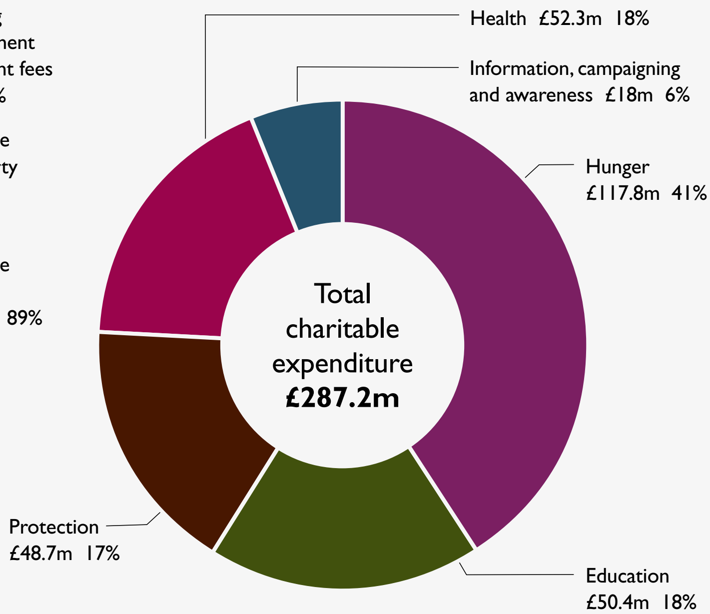
Figures have been rounded, so discrepancies may occur between sums of component items and totals.

global EVERY ONE campaign and the launch of our biggest ever UK campaign, No Child Born to Die. This is reflected in the increased spend on information, campaigning and awareness to £18m. The cost of raising voluntary income also increased from £18.6m in 2010 to £26.8m in 2011 as we recruited 100,000 new supporters, raised more income from corporate partners and legacies and expanded our major giving portfolio. This will allow us to significantly increase our impact for children.

- We also continued in our commitment to work on education, protection and children's rights. In total we spent £85.6m on long-term development projects, including health, nutrition, livelihoods, clean water and education.
- We spent £183.6m on our work in fragile states and in responding to 45 emergencies in 38 countries. This includes measures designed to save lives, to prevent and alleviate the suffering of vulnerable children and families, and to maintain and protect the dignity of affected children and families. It thus combines our response in the immediate aftermath of a new emergency and our work in countries recovering from recent emergencies, as well as countries with long-standing chronic emergencies or where we have disaster risk reduction programmes. We can now respond more quickly than ever. We can even predict and plan for many emergencies, and save lives by preventing the worst effects of disasters.
- The substantial fall in the capital markets in summer 2011 led to a reduction in the value of our investment portfolio, but the gradual rise in the last quarter of the year saw a partial recovery of the portfolio's value to end the year £1.4m down. We expect market volatility to continue, given challenges such as the Eurozone sovereign debt crisis. However, our investment strategy is to seek capital growth in the long term rather than focus on short-term gains and losses. In addition, we recategorised £5m of cash held within our main cash balances, from investments to short-term deposits.

HOW WE SPENT IT





THE FUNDS OF THE CHARITY

The total funds of £84.3 million fall into three categories:

Unrestricted funds (£10.5m) are principally made up of the **general reserve** (£38.4m), the **fixed-asset reserve** (£2.2m), the **revaluation reserve** (£1.1m) and the **pension reserve** (a negative reserve of £31.8m). The negative pension reserve represents the calculated deficit on the defined benefit pension scheme based on the latest FRS17 valuation. This is explained further in the pension section below and in note 26 to the financial statements.

Restricted funds (£70.6m) are grants or donations received for defined projects which will be spent in future years.

Endowment funds (£3.1m) are donations given by individuals specifically for us to invest and then use the income derived from these investments to benefit children.

Reserves policy

General reserves enable us to make long-term commitments to projects, and to protect our work against adverse financial events. A formal review of our reserve levels takes place every three years. In the intervening years we consider the impact of the financial risks associated with our income and expenditure streams and balance sheet items and assess the appropriateness of the reserve range. This allows time for fundamental restructuring in the event of a major downturn and to protect our current programme of work (much of which is long-term in nature) from unexpected demands. Our desire is not to hold more reserves than we need for these purposes, because we wish to maximise the amount available to spend on delivering impact for children.

The target range for our general reserve lies between £24 million and £29 million. Currently our general reserves stand at £38.4 million. In 2011 we made a decision to invest significantly to fund initiatives designed to deliver much greater impact for children, particularly the No Child Born To Die campaign. This investment helped deliver a strong fundraising performance which substantially offset the spend in the year.

As we move forward, we will continue to spend amounts of our reserves in a manner consistent with our increasing ambitions to deliver more for children, consistent with our reserve range.

In addition, we expect to review the appropriateness of the current reserve range when transition of country operations to Save the Children International is more advanced.

Going concern

We have set out above a review of financial performance and the charity's reserves position. We have adequate financial resources and are well placed to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on our various sources of income and planned expenditure. We have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

We believe that there are no material uncertainties that call into doubt the charity's ability to continue. Accordingly the accounts have been prepared on the basis that the charity is a going concern.

Grant-making policy

Save the Children UK works in partnership with many organisations. This may involve our staff being involved in joint operations, supporting and monitoring work, or funding local partners to deliver services, including immediate emergency relief. The grants we make to partner organisations help local organisations provide sustainable benefits for poor communities, and so further our own objectives. We carefully consider the experience, reach and governance of potential partners, as well as the value they will add to our work with vulnerable children. We monitor how all grants are spent.

As discussed in note 25 to the financial statements, Save the Children International has begun to deliver international programming on our behalf in 2011. This will increase substantially in 2012 and thereafter.

Investment policy

Our powers of investment allow us to put funds in investments, securities or property as the trustees think fit. The board gives our investment managers discretion to manage our investment portfolio with an agreed degree of risk and in accordance with our ethical investment policy. We regularly review our mix of investments in the light of our long-term financial plan. We balance the objective of maximising return on investment against the risk and liquidity of these investments.

Newton Investment Management Ltd manages our main portfolio of equity and fixed-interest investments of £17.8 million. During 2011 the portfolio performed below its benchmark. We also have an investment of £2m in a Socially Responsible Common Investment Equity Fund run by Epworth Investment Management Ltd. This is measured against all equities and performed slightly below benchmark in 2011.

Ethical investment policy

We specifically exclude from our investment portfolio companies whose practices are considered to be in conflict with the United Nations Convention on the Rights of the Child 1989 and our own objectives. Investments should not alienate either beneficiaries or supporters.

HOW WE MANAGE OUR AFFAIRS

Board of Trustees

The organisation is a charitable company limited by guarantee, incorporated under the name of the Save the Children Fund. Its articles of association provide that its trustees shall be the only members of the charity. The business of the charity is governed by the Board of Trustees (whose members during the year are listed on page 42). The trustees are responsible for overseeing the management of all the affairs of Save the Children UK. The trustees are appointed, elected or re-elected for a fixed term, according to procedures set out in our memorandum and articles of association, which are our governing documents. Trustee recruitment is conducted by the Nominations Committee, a committee of the board. We agree and implement an individual induction programme for each new trustee, covering all aspects of the role and the organisation.

The board seeks to ensure that all of the organisation's activities are within UK law and agreed charitable objectives. Its work includes setting our strategic direction and agreeing our financial plan. Matters reserved for the board are set out clearly in the standing orders of Save the Children UK.

The board acts on advice and information from regular meetings with the Chief Executive and directors' group. Decisions made at other levels of the organisation are reported to the board. Trustees are able, where appropriate, to take independent professional advice at no personal expense if it helps them to fulfil their role.

Save the Children UK has a wholly owned trading subsidiary, Save the Children (Sales) Limited, which is registered in England and Wales. Although the principal activity of the subsidiary is the trading of new goods through our shops, branches and website, income is also generated by commercial promotions run in conjunction with our corporate supporters and in joint ventures with other charities. Its taxable profit is donated under deed of covenant to Save the Children UK. The subsidiary performed satisfactorily in the period, contributing £831,000 to the charity's funds, up from £249,000 in 2010.

Trustees' responsibilities

The trustees (who are also directors of the Save the Children Fund for the purposes of company law) are responsible for preparing the Annual 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently

- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and the group will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and the group 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The trustees have the authority conferred by the memorandum and articles of association to invest as they think fit any of Save the Children's money that is not immediately required.

The trustees delegate day-to-day management of Save the Children to the Chief Executive and directors' group.

This information is given and should be interpreted in accordance with the provisions of the Companies Act 2006 s418.

Committees

The **Audit Committee** is appointed by the Board of Trustees and has two board members including the Honorary Treasurer and one external member. The Audit Committee meets four times a year to consider reports from both the external and internal auditors, and it advises the board on financial control and organisational effectiveness.

The **Investment Committee** is appointed by the board and meets four times a year to review investments and the performance of Save the Children UK's investment managers and pension fund managers. The committee has two board members and five external members with investment and commercial expertise.

The **Nominations Committee** is appointed by the board and has four board members. It finds and recommends potential candidates for election to the board. It identifies the skills, experience and knowledge required from new trustees by considering the collective skill profile of the current board.

The **Performance and Remuneration Committee** is appointed by the board and includes four board members. It reviews directors' performance and makes recommendations to the board on directors' remuneration, benefits and terms of employment.

Organisational structure

The trustees delegate the day-to-day running of the organisation to the directors' group who oversee particular departments as listed on page 42. These executive directors report to the Chief Executive who reports to the Chair of the Board.

The directors' group represent Save the Children externally as advocates for change, as fundraisers and as experts in their particular fields. Internally, they lead their teams to inspire dramatic change for children and are jointly responsible for delivering the strategy.

Risk management and internal control

Save the Children UK exists to help the most vulnerable children in the world. We operate in some of the world's most fragile and high-risk countries. To fulfil our promises to children, to safeguard our staff, and to meet our obligations to those who give us funding, we must be fully aware of and effectively manage the risks we face wherever we work. In 2011, we achieved this through:

- senior managers identifying and managing risks as an integral part of their daily work
- upward reporting of significant risks in country programmes to regional teams and to the London office for consideration in the charity's wider risk assessment
- a risk assurance network of key staff who identify and manage risks, providing them with a forum to share concerns and find solutions to them
- recording major risks to the implementation of our strategy in the charity's risk register. The register, which is regularly reviewed by the executive directors, the Audit Committee and the Board of Trustees, records the current measures in place to mitigate the risks, any additional actions planned or required to best manage them and reduce our exposure to them
- support from a dedicated Risk Manager, who ensures that we have robust methods to identify emerging risks, and that directors and senior managers have appropriate procedures in place to manage these.

We consider all types of risk at both strategic and operational levels, including but not limited to: internal risks (eg, financial, operational, reputational, governance, compliance) and external risks (eg, political, environmental, social, technical, legal, economic).

Key risks are those that are highly likely to occur and would have a severe impact on our work, our reputation or our ability to achieve our ambitions. These risks are reported to the trustees through the risk management process, allowing them to challenge any assumptions the charity has made about risks and understand the context in which decisions are taken. This helps them ensure the most serious risks are being managed effectively.

We recognise that if Save the Children UK is to achieve its objectives, it is necessary to accept some risks that are outside the charity's control and which cannot be fully mitigated. The directors' group is charged with actively monitoring such risks, but the trustees recognise that any system of risk management cannot completely eliminate risk. It therefore provides reasonable, but not absolute, assurance that the organisation is protected.

The most significant risks in 2011 included those that impacted the smooth transition of overseas programmes to Save the Children International; the safety and security of our staff, particularly those operating in unstable environments; child safeguarding; and the impact of the ongoing economic crisis on our assets and ability to raise funds to enable us to continue our work for children. These risks are likely to remain equally relevant throughout 2012 as the transition of overseas programmes continues. Save the Children UK is working closely with Save the Children International to ensure that such risks are appropriately identified and shared between the two organisations to ensure continuous risk mitigation.

The charity has considered risk when defining its strategic ambition to 2015. In 2012, we will be further developing our risk framework to confirm the charity's appetite for risk taking where it benefits children. As part of this process, we will identify, and monitor against, measurable triggers that indicate when a risk may be close to crystallising.

Save the Children UK's audit and risk department carries out regular audits of our head office and country programmes. The reviews are prioritised using a risk-based approach and each audit expresses a view on the controls in place and their operation in practice. This in turn feeds back into the risk assessment process. Audit recommendations are systematically followed up and reports on implementation are received. The Head of Audit and Risk submits regular reports to the Audit Committee, ensuring that the controls are continually reviewed.

Financial risk management

Goods and services purchased are subject to contracts with suppliers based on market prices. Market risk is dealt with in the investment management policy section on page 37. Credit risk on amounts owed by donors is considered to be low, given the status of the donors. Cash flow and liquidity risks have been minimised by the level of reserves held and lack of borrowings.

Appropriate action is taken to mitigate foreign exchange risk. Save the Children UK does not enter into foreign exchange contracts for speculative reasons.

Pensions

Save the Children UK contributes to a defined benefit scheme, which we closed to new entrants in June 2002, and to an occupational money purchase scheme. A professional actuary carried out a three-yearly valuation of the defined benefit scheme at 30 September 2008. This showed a deficit of £22.5 million and that the scheme assets were sufficient to cover 77% of the accrued benefits. In accordance with the triennial valuation we are funding the deficit over a recovery period of 13.5 years from April 2010 to September 2023.

The results of the triennial valuation as at 30 September 2011 indicate that the scheme deficit has increased to £33.6m and that the scheme assets were sufficient to cover 71% of the accrued benefits. However, these results are subject to certification by the actuary and submission to the regulator. These stages should be completed by October 2012. As a result of this increase in triennial valuation scheme deficit, Save the Children UK has committed to increasing its employer additional pension contributions. More details are given in note 26 to the accounts.

The actuary carries out a separate annual valuation in line with Financial Reporting Standard 17 (FRS17). This is conducted using different assumptions and results in a different funding deficit. The 31 December 2011 FRS17 valuation showed a deficit of £31.8 million or a funding level of 73% compared with a deficit of £27.0m and funding level of 76% as at 31 December 2010. The details are shown in full in note 26 to the accounts.

Setting our budget

We have set our 2012 budget in the context of our Ambition 2015 plan. The financial reporting system compares results with the budget phased on a monthly basis.

Public benefit

We developed our strategic plans to ensure that we provide public benefit and achieve our objectives as set out in our governing document. The objectives include the relief of distress and hardship, promoting the welfare of children, researching these matters and public education about them. These objectives fall under the purposes defined by the Charities Act 2011. We have referred to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

Save the Children UK in Scotland

The Office of the Scottish Charities Regulator requires us to report separately upon the activities we have undertaken in Scotland. Save the Children UK's activities in Scotland during 2011 addressed issues faced by children in Scotland as well as contributing to the global aims of Save the Children UK.

Tackling child poverty is our main priority in Scotland. In 2011 we continued with our In My Back Yard programme that has supported children and young people living in severe poverty to make changes in their communities. We completed four local projects and began a further three that have supported young people on a range of projects including improving play facilities, tackling bullying, addressing barriers at secondary school and developing youth facilities. A number of young people from those projects have gone on to become Save the Children Ambassadors raising awareness at a national level about issues that affect them and their peers. During 2011, 295 children and young people benefitted directly from the In My Back Yard and Ambassadors programmes.

During 2011 we also developed our Families and Schools Together (FAST) programme in West Dunbartonshire and Glasgow. The aim of the FAST project is to enable parents to better support their children's education, take an active role in their child's school and play a greater role in their local community. A further three schools completed the initial 8 week programme and a fourth school started towards the end of the year. A total of 177 children and 180 adults were involved in FAST during the year.

Towards the end of 2011, we began to support families in Edinburgh and West Dunbartonshire through our Eat, Sleep, Learn, Play! programme. This new area of work provides material assistance to low income families with young children. After assessment, families are provided with essential items to help their children eat, sleep, learn or play. By the end of the year 36 families had benefited from receiving items such as beds, cookers, pushchairs and toys.

Playing a more global role, Save the Children UK in Scotland has assisted in fundraising for emergency appeals throughout the year, including participation as an active member of the Disasters Emergency Committee during the emergency in East Africa.

Our fundraising activities have included numerous events, collections and other initiatives throughout Scotland organised by our volunteer supporter groups, corporate partners, individuals and community groups. Our shops have continued to raise valuable funds and support for our work in Scotland and overseas.

Volunteer involvement

Over the past year our 9,000 volunteers have made a huge contribution to realising our ambition for children. By giving their time to run our shops, fundraise, organise events, provide specialist expertise and campaign, volunteers have raised millions in income and raised awareness of Save the Children across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children and incredibly grateful for the valuable gift of time that they give on a daily basis. Our Volunteer Vision will see this vital contribution growing to involve more volunteers over the coming years, enabling Save the Children to achieve our aim of engaging all communities across the UK.

Employee involvement

Our decision-making processes include employee consultation through the line-management structure, and we communicate through team briefings, a weekly bulletin and regular updates from the chief executive. Save the Children UK recognises the trade union Unite for the purposes of collective bargaining and individual representation within the UK, and continues to be committed to promoting and developing healthy staff relations in all the countries where we work.

Engaged employees experience a compelling purpose and meaning in their work. To understand how committed and engaged employees are with their work we run an employee engagement survey at least every two years. Actions are taken to address key themes from the results to improve the work environment and the experience employees have at Save the Children UK.

Equal opportunities

Save the Children UK is committed to the principle and practice of equal opportunities and aims to be an equal-opportunities employer. Our employment policy seeks to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, ethnic origin, disability, age (within the constraints of the retirement policy), class, colour, HIV and AIDS status, personal circumstances, sexual orientation, or any other grounds that are unjustifiable in terms of equality of opportunities for all.

Policies and procedures are in place for child protection, whistleblowing and health and safety, and the board monitors annual reports on these matters.

The environment

We are committed to reducing the environmental impacts of our operations and playing our part in reducing climate change and its adverse impact on children and the communities in which they live.

We are calculating our current environmental impact to establish the baseline from which we can demonstrate improvements. We have begun to:

- map and assess the usage of carbon and carbon derivatives and the wider environmental impact resulting from our operations
- highlight the main areas in which change is necessary and achievable
- make recommendations as to how we can bring it about, set targets and measure our progress in doing so.

ADMINISTRATIVE DETAILS

TRUSTEES

TRUSTEES	Committees*
Alan Parker (Chair)	P, N
Mark Esiri (Deputy Chair)	P, N
Richard Winter (Treasurer)	A, Inv, P
Nigel Boardman (retired 16/06/2011)	
Alex Duncan	N
Tsega Gebreyes (retired 24/10/2011)	
Nyaradzayi Gumbonzvanda	
Robert Hingley	A, Inv
Tamara Ingram	N
Sally Kuenssberg CBE (retired 1/12/2011)	
Joanna Shields	
Gareth Thomas	P
Kevin Watkins	

INDEPENDENT MEMBERS AND EXTERNAL ADVISORS

INDEPENDENT MEMBERS AND EXTERNAL ADVISORS	Committees*
Angela Hands	A
David Owen	Inv
Richard Bernays	Inv
Partha Dasgupta	Inv
Peter Moon	Inv
Nick Mourant	Inv

*Committee membership as at 31 December 2011

	Chair
(A) Audit Committee	Robert Hingley
(P) Performance and Remuneration Committee	Gareth Thomas
(Inv) Investment Committee	David Owen
(N) Nominations Committee	Alex Duncan

DIRECTORS' GROUP as at 31 December 2011

Justin Forsyth	Chief Executive
Anabel Hoult	Chief Operating Officer
Peter Banks	Chief Financial Officer
Alison Clarke	Human Resources (interim)
Brendan Cox	Policy and Advocacy
Greg Ramm	Global Programmes
Tanya Steele	Fundraising
Jude Bridge	Marketing and Communications

COMPANY SECRETARY

Polly Salter (retired 13/02/2012)
Peter Banks (appointed 13/02/2012)

PROFESSIONAL ADVISERS

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers

National Westminster Bank
PO Box 83
Tavistock House
Tavistock Square
London WC1H 9NA

Investment managers

Newton Investment Management
Mellon Financial Centre
160 Queen Victoria Street
London EC4V 4LA

Epworth Investment Management
9 Bonhill Street,
London EC2A 4PE

Pensions managers

Prudential
MPP Service Centre
Craigforth
Stirling FK9 4UE

The Pensions Trust
6 Canal Wharf
Leeds LS11 5BQ

Legal advisors

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3LH

Alan Parker
Chair, Save the Children UK
25 April 2012

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the Save the Children Fund for the year ended 31 December 2011, which comprise the Group Statement of Financial Activities (the Group Summary Income and Expenditure Accounts), the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Sarah Shillingford

Sarah Shillingford (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, 25 April 2012

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
Incoming resources					
Incoming resources from generated funds:					
Voluntary income:					
Donations and gifts	2	38,062	54,664	**92,726**	64,622
Legacies	2	18,011	1,008	**19,019**	14,737
Institutional grants	3, 4	10,946	168,232	**179,178**	165,531
Gifts in kind	5	–	30,145	**30,145**	35,219
Retail income	6	8,070	–	**8,070**	8,036
Investment income	7	1,322	95	**1,417**	1,332
Incoming resources from charitable activities:					
Overseas programme income		589	178	**767**	542
Other income	8	1,559	–	**1,559**	1,453
Total incoming resources		78,559	254,322	**332,881**	291,472
Cost of generating funds					
Costs of raising voluntary income	9	25,647	1,120	**26,767**	18,601
Retail costs	6, 9	6,365	–	**6,365**	7,492
Investment management fees	9	105	–	**105**	93
Total cost of generating funds		32,117	1,120	**33,237**	26,186
Net incoming resources available for charitable applications		*46,442*	*253,202*	**299,644**	*265,286*
Charitable activities					
Promoting children's right to be free from hunger	9	10,554	107,250	**117,804**	97,033
Promoting children's right to protection	9	6,319	42,374	**48,693**	44,430
Promoting children's right to education	9	6,019	44,392	**50,411**	41,152
Promoting children's right to health	9	6,075	46,176	**52,251**	46,584
Information, campaigning and awareness	9	17,703	303	**18,006**	9,276
Total charitable activities		46,670	240,495	**287,165**	238,475
Governance costs	9	734	–	**734**	661
Other resources expended	9	1,443	–	**1,443**	1,230
		48,847	240,495	**289,342**	240,366
Total resources expended	9–12	80,964	241,615	**322,579**	266,552
Net (outgoing)/incoming resources		(2,405)	12,707	**10,302**	24,920
(Losses)/gains on investments	14	(1,517)	85	**(1,432)**	1,512
Share of associate's surplus	25	771	–	**771**	–
Actuarial (losses)/gains on defined benefit pension scheme	26	(6,463)	–	**(6,463)**	1,291
Net movement in funds		(9,614)	12,792	**3,178**	27,723
Fund balances brought forward		20,921	60,984	**81,905**	54,182
Fund balances carried forward	21	11,307	73,776	**85,083**	81,905

All of the above results are derived from continuing activities. All gains and losses recognised in the period are included above.
The surplus for the period for Companies Act purposes, comprising the net incoming resources for the period plus realised gains on investments, was £10,899,000 (2010: £25,173,000).
The restricted fund balances carried forward include £3,131,000 (2010: £3,046,000), which relate to the endowment funds.
There were no new endowments in this period and there were gains in the funds in the current period of £85,000 (2010: £nil).
The accompanying notes are an integral part of this consolidated statement of financial activities.

CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	Group 31/12/11 £000	Group 31/12/10 £000	Charity 31/12/11 £000	Charity 31/12/10 £000
Fixed assets					
Tangible assets	13	3,126	3,476	3,126	3,476
Investments	14	21,762	27,685	22,012	27,935
Associate	25	771	–	–	–
		25,659	31,161	25,138	31,411
Current assets					
Stocks		248	441	135	233
Grant debtors	15a	29,446	25,022	29,446	25,022
Other debtors	15b	14,027	10,612	14,023	10,488
Short-term deposits		35,355	24,932	35,355	24,932
Cash at bank and in hand	16	40,601	47,039	40,576	47,014
		119,677	108,046	119,535	107,689
Creditors: amounts falling due within one year	17a	(14,892)	(17,276)	(15,000)	(17,169)
Net current assets		104,785	90,770	104,535	90,520
Total assets less current liabilities		130,444	121,931	129,673	121,931
Creditors: amounts falling due after more than one year	17b	(2,821)	(3,000)	(2,821)	(3,000)
Provisions for liabilities and charges	18	(10,696)	(9,996)	(10,696)	(9,996)
Net assets excluding pension liability		116,927	108,935	116,156	108,935
Pension liability	26	(31,844)	(27,030)	(31,844)	(27,030)
Total net assets		85,083	81,905	84,312	81,905
Unrestricted funds					
General funds	21	38,357	41,617	38,357	41,617
Revaluation reserve	21	1,076	3,190	1,076	3,190
Designated fund – tangible fixed asset reserve	21	2,247	2,544	2,247	2,544
Designated fund – associate	21	771	–	–	–
Designated fund – St John's Lane reserve fund	21	700	600	700	600
Unrestricted funds excluding pension reserve		43,151	47,951	42,380	47,951
Pension reserve	26	(31,844)	(27,030)	(31,844)	(27,030)
Total unrestricted funds		11,307	20,921	10,536	20,921
Restricted funds					
Restricted income funds	22	70,645	57,938	70,645	57,938
Endowment funds	23	3,131	3,046	3,131	3,046
Total restricted funds		73,776	60,984	73,776	60,984
Total funds		85,083	81,905	84,312	81,905

Approval of the financial statements on pages 44 to 76 was delegated by the board of trustees to the Chair and Honorary Treasurer on 27 March 2012, who have signed on their behalf on 25 April 2012 .

Alan Parker – Chair

Richard Winter – Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year to 31/12/11 £000	Year to 31/12/10 £000
Net cash inflow from operations	(a)	**775**	24,352
Returns on investment			
Bank interest received		**367**	660
Dividends received		**697**	504
		1,064	1,164
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	13	**(200)**	(353)
Proceeds from sales of fixed assets		**–**	85
Purchase of investments	14	**(10,515)**	(7,649)
Proceeds from sales of investments	14	**11,550**	4,338
Net cash movement in investments	14	**3,456**	(1,682)
Payments to defined benefit pension scheme	26	**(2,145)**	(1,958)
		2,146	(7,219)
Cash inflow before decrease in liquid resources	(b)	**3,985**	18,297
Management of liquid resources			
(Increase)/decrease in short-term deposits	(c)	**(10,423)**	403
(Decrease)/increase in cash in the year	(b)	**(6,438)**	18,700

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of net incoming resources to net inflow from operations

	2011	2010
Net incoming resources	**10,302**	24,920
Investment income (excluding finance income on pension scheme)	**(1,221)**	(1,290)
FRS 17 – effect on net incoming resources	**496**	718
Profit on disposal of fixed assets	**–**	(55)
Depreciation charge	**550**	509
Decrease in stocks	**193**	271
Increase in debtors	**(7,682)**	(4,003)
(Decrease)/increase in creditors falling due within one year	**(2,384)**	4,197
Decrease in creditors falling due in more than one year	**(179)**	(1,762)
Increase in provisions	**700**	847
Net cash inflow from operations	**775**	24,352

(b) Reconciliation of net cash flow to movement in net funds

	2011	2010
(Decrease)/increase in cash in the period	**(6,438)**	18,700
Increase/(decrease) in short-term deposits	**10,423**	(403)
Movement in cash and deposits	**3,985**	18,297
Net cash and deposits at 1 January 2011	**71,971**	53,674
Net cash and deposits at 31 December 2011	**75,956**	71,971

(c) Analysis of net funds

	At 01/01/11 £000	Cash flow £000	At 31/12/11 £000
Cash at bank and in hand	47,039	**(6,438)**	40,601
Short-term deposits	24,932	**10,423**	35,355
	71,971	**3,985**	75,956

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of investments, which are included at market value.

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' published in March 2005, and applicable United Kingdom law and accounting standards. The financial statements have been prepared on a going concern basis as discussed in the trustees' report on page 36.

The group Statement of Financial Activities (SOFA) and balance sheet consolidate the financial statements of the charity and its wholly owned subsidiary undertaking, Save the Children (Sales) Limited. The results of this subsidiary are consolidated on a line-by-line basis.

Save the Children UK has treated Save the Children International (SCI) as an associate due to the significant influence exerted over its financial and operating policies. In the group financial statements, the investment in SCI is accounted for using equity accounting. The consolidated SOFA includes the group's share of the associate's surplus. This is calculated based on Save the Children UK's contributions to SCI.

The charity has availed itself of Paragraph 4(1) of Schedule 1 to the Accounting Regulations and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate SOFA has been presented for the charity alone, as permitted by s408 of the Companies Act 2006 and paragraph 397 of the SORP.

Total incoming resources for the charity are **£332,343,000** (2010: £289,938,000) and the net result for the charity is a surplus of **£10,302,000** (2010: £24,920,000) in accordance with paragraph 397 of the SORP.

(b) Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 42. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

(c) Fund accounting

General funds are unrestricted funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Unrestricted funds include a **pension reserve** adjustment to match the pension deficit, in line with FRS17 *Retirement Benefits*.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. The costs of administering such funds are charged against the specific fund in line with donor rules. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent assets received that may not be exhausted. Only the income may be expended. Net investment gains and losses are recognised against the relevant endowment fund.

Investment income and gains are allocated to the appropriate fund.

(d) Incoming resources

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

Voluntary fundraising
Voluntary fundraising includes the total income receivable during the year at headquarters and

1. ACCOUNTING POLICIES (CONTINUED)

branches. It comprises donations, legacies and income from fundraising events.

In preparing these accounts no value has been attributed to the work performed by volunteers in accordance with the SORP, although their work is considered vital to the activities of the charity.

Gifts in kind

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Gifts in kind include food, clothing and medical supplies. Undistributed gifts in kind are not recognised in the SOFA but an estimate of their value has been given in the notes. The gifts in kind are valued by officers of Save the Children UK with regard to market prices when distributed in the field.

Gifts in kind also include campaigning and fundraising goods and other services, all recognised when performed. These have been valued by officers of Save the Children UK either at market value or, where a market value is not available, appropriate estimates are made.

Grants receivable

Grants receivable are recognised when approved grant expenditure exceeds grant income received to date, and the charity can demonstrate entitlement to the income. Grant income is credited to restricted income within the SOFA, with unspent balances being carried forward to subsequent years within the relevant fund.

Debts recognised in prior years that are known at the balance sheet date to be irrecoverable are written off against the relevant funds.

Legacies

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

Residuary legacies are recognised where Save the Children UK has been notified of the legacy and the amount receivable can be estimated with reasonable accuracy at the year end.

Pecuniary and other legacies, where notification of impending distribution was received prior to the balance sheet date, have been included as income in the SOFA.

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

Governance costs relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with strategic planning and compliance with constitutional and statutory requirements as opposed to day-to-day management of the charity's activities.

Support costs, which include the central or regional office functions such as general management, payroll administration, budgeting and accounting, information technology, human resources and financing are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds. The basis of the cost allocation has been explained in the notes to the accounts.

(f) Tangible fixed assets and depreciation

All expenditure of a capital nature on relief and development work overseas is expensed as incurred, as are items of expenditure in the UK under £5,000.

Fixed assets are capitalised at cost, which, for gifts of property, is taken as the value accepted for stamp duty purposes on transfer.

Depreciation is provided at rates calculated to write off the costs on a straight-line basis over their expected useful economic lives as follows:

Freehold properties	2%
Leasehold property improvements – headquarters	Lease period
Other leasehold property improvements	Shorter of 10 years and lease period
Furniture, fixtures and equipment	20–33%

Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.

1. ACCOUNTING POLICIES (CONTINUED)

(g) Investments

Investments are stated at market value at the balance sheet date. The SOFA includes the net gains or losses arising on revaluation and disposals throughout the year.

(h) Stocks

Stocks are valued at cost less a provision for obsolescence. Items donated for resale or distribution are not included in the financial statements until they are sold or distributed.

(i) Pension costs

Defined benefit schemes are accounted for in accordance with Financial Reporting Standard (FRS) 17. The amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits are not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits similar to interest. Actuarial gains or losses are recognised immediately in the other recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities (iBoxx Corporate AA 15+ years index), but a reduction in the rate has been made to take into account the duration of the scheme's liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

The charity contributes to a defined benefit scheme which was closed to new entrants on 14 June 2002.

For **defined contribution schemes** the amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The charity contributes to a defined contribution pension plan operated by Prudential. The assets of the scheme are held separately from those of the charity. The annual contribution payments are charged to the SOFA.

(j) Finance and operating leases

Instalments on operating lease contracts are charged to the SOFA on a straight-line basis over the life of the lease. Save the Children UK does not acquire assets under finance leases.

(k) Foreign currencies

Foreign currency balances have been translated at the rate of exchange ruling at the balance sheet date. Income and expenditure transactions incurred in foreign currencies have been translated during the course of the period at the rate of exchange ruling at the time of the transaction.

(l) Property dilapidation provision

Provisions for dilapidations are made where the liabilities can be measured with reasonable certainty.

(m) Taxation

Save the Children UK is a registered charity and is thus exempt from tax on income and gains falling within chapter 3 of part II of the Corporation Tax Act 2010 or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity. There was no UK corporation tax payable by Save the Children (Sales) Limited.

Irrecoverable VAT is not separately analysed and is charged to the SOFA when the expenditure to which it relates is incurred, and is allocated as part of the expenditure to which it relates.

2. VOLUNTARY INCOME

	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
(a) Donations and gifts				
Individual giving	31,195	7,340	**38,535**	32,788
Trusts and major donors (excluding Comic Relief and Big Lottery Fund)	1,590	11,132	**12,722**	8,623
Community fundraising	3,691	1,279	**4,970**	4,820
Corporate fundraising	1,582	15,435	**17,017**	8,814
Save the Children global member organisation growth (MODA)	4	11,713	**11,717**	5,763
Disasters Emergency Committee	–	7,765	**7,765**	3,814
	38,062	54,664	**92,726**	64,622
(b) Legacies				
Legacies receivable	18,011	1,008	**19,019**	14,737

It is estimated that up to £3.7 million (2010: £6.2 million) of residuary legacies, in respect of which probate was granted prior to the year end, has not been brought into income pending finalisation of the estates' affairs.

3. INSTITUTIONAL GRANT INCOME

(a) Included in income are grants received from originating donors as follows:

	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
UK government (see note 4)	10,918	43,337	**54,255**	38,905
European Commission including European Commission Humanitarian Organisation funds of £29,901,000 (2010: £23,360,000)	–	45,458	**45,458**	38,023
United States government	–	21,221	**21,221**	24,928
United Nations	–	20,060	**20,060**	17,717
Danish government	–	5,490	**5,490**	3,680
Swedish government	–	3,615	**3,615**	4,310
Australian government	–	2,887	**2,887**	3,973
Netherlands government	–	2,043	**2,043**	3,800
Japanese government	–	1,612	**1,612**	1,348
Canadian government	–	1,573	**1,573**	1,987
Irish government (see note 4)	–	139	**139**	55
UK local and regional government	–	809	**809**	586
Other national governments	–	4,178	**4,178**	1,993
Total government grants	10,918	152,422	**163,340**	141,305
Grants from other Save the Children members (see also 3(b))	28	6,176	**6,204**	9,976
Comic Relief	–	1,159	**1,159**	975
Academy for Education Development	–	1,026	**1,026**	485
Global Fund to fight AIDS, tuberculosis and malaria	–	862	**862**	1,612
Bill & Melinda Gates Foundation	–	411	**411**	412
3 Disease Funds	–	365	**365**	968
The Atlantic Philanthropies	–	252	**252**	575
Big Lottery Fund	–	210	**210**	374
Relief for Distressed Children & Young People	–	–	**–**	5,723
Corporate grants	–	974	**974**	591
Other	–	4,375	**4,375**	2,535
	10,946	168,232	**179,178**	165,531

(b) The above grant income can also be expressed as:

	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
Grants made directly to Save the Children UK	10,918	116,789	**127,707**	110,724
Grants from other Save the Children members	28	6,176	**6,204**	9,976
Donor grants sub-granted by other Save the Children members	–	32,883	**32,883**	28,315
Donor grants sub-granted by non-Save the Children intermediaries	–	12,384	**12,384**	16,516
	10,946	168,232	**179,178**	165,531

For more details on the relationship with Save the Children International and other Save the Children members, see note 25.

4. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2011

UKaid from the Department for International Development

Grants from the Department for International Development

		£000
Bangladesh	Household economic and food security for the extreme poor	1,304
China	Partnership programme arrangement	121
Ethiopia	Africa Climate Change Resilience Alliance	23
Ethiopia	Piloting quality education service in developing regional states of Ethiopia	1,773
India	Improve status of the most socially excluded children in India	405
Ivory Coast	Emergency water, sanitation and hygiene and emergency shelter assistance	1,499
Kenya	Hunger safety nets programme	88
Kenya	Emergency health and nutrition for Northern Kenya	962
Kenya	Emergency drought response in Northern Kenya	1,142
Liberia	Emergency child protection and education in Nimba and Grand Gedeh	692
Mozambique	Floodplain management in the Zambezi Valley: enhancing sustainable livelihoods	584
Mozambique	Emergency rapid response and contingency consortium	750
Myanmar	Transition initiative in education	253
Myanmar	Transition initiative in education – extension	163
Myanmar	Assistance to conflict-affected people, Eastern Burma	602
Myanmar	Cyclone Giri emergency water, sanitation and hygiene response in Rakhine state	350
Myanmar	Proposal for early recovery of local livelihoods	693
Myanmar	Early learning and transition to primary school: new generation	655
Nepal	Capacity assessment: national health sector programme	11
Nigeria	Reviving routine immunisation in Northern Nigeria	492
Nigeria	Northern states maternal newborn and child health initiative	847
Nigeria	Education sector support programme	113
Nigeria	Improving maternal newborn and child nutrition in Northern Nigeria	1,493
Pakistan	Education rehabilitation and development in earthquake-affected areas	247
Pakistan	Emergency water, sanitation and hygiene and shelter in Punjab Province	483
Pakistan	Integrated early recovery programme for revitalisation	3,756
Pakistan	Consortium of British Humanitarian Agencies – Conflict, Humanitarian and Security Fund arrangement[1]	(8)
Pakistan	Consortium of British Humanitarian Agencies – early recovery assistance to flood-affected communities[1]	15,987
Sierra Leone	Urban Water, Sanitation and Hygiene Consortium – child survival	162
Somalia	Emergency cash transfers in Hiran region	5
Somalia	Skills training for employment prospects in Somalia (STEPS)	267
Somalia	Implementation of the essential package of health services in Puntland	711
Somalia	Emergency drought assistance for vulnerable households in Somalia	2,032
South Sudan	Alternative education systems in South Sudan	1,872
Sri Lanka	Early livelihoods recovery support to vulnerable internally displaced people in Sri Lanka	(1)
Tanzania	Support to blast-affected children in Dar es Salaam	55
Tanzania	Addressing protection issues in schools in Tanzania	8
Vietnam	Young Lives study project, phase 4	7
Zimbabwe	Upper Zambezi Valley integrated livelihoods project	433
Zimbabwe	Livelihoods baselines: strengthening programme monitoring and vulnerability assessment	146
Global	NGOs and humanitarian reform: a field-base initiative to promote partnership	(13)
Global	Child protection trainee scheme	170
Global	Strengthening innovations in international humanitarian action	432
Global	West Africa Humanitarian Response Fund	1,190
Global	Influencing strategy for Africa Climate Change Resilience Alliance (ACCRA)	121
Global	State building, peace building and service delivery in fragile states	39
Global	Mobilising civil society in support of the scaling up nutrition movement	29
Global	Tackling the neglected crisis of undernutrition	1
Global	Partnership programme arrangement	10,918
Global	Livelihoods and social protection in fragile and conflict-affected situations	5
		54,069

[1] The total includes grant income of £15,979,000 (2010: £12,993,000), which has been received by the charity as lead partner of the Consortium of British Humanitarian Agencies.

4. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Grants from the Foreign and Commonwealth Office

		£000
Asia Regional Team	Promoting social inclusion of migrant and other vulnerable children and young adults	2
Pakistan	Build the capacity of education service providers to improve governance	3
Global	Strengthening child rights mechanisms and instruments at the African Union level	132
Global	Universal periodic review	10
		147

Other UK government funds

Angola	Increase access to school in Huambo province (from British Embassy)	21
China	Every Child Matters: developing child-friendly communities in Xinjiang (from British Embassy)	5
Ecuador	Children from San Lorenzo Municipality: children's rights (from British Embassy)	5
North Korea	Co-funding of water supply improvements in parts of Hamhung City (from British Embassy)	4
North Korea	Co-funding of Greenhouse Augmentation Project in Hamhung (from British Embassy)	4
		39
Total UK government grants		**54,255**

Grants received from the Irish government

Ethiopia	Integrated programme for chronic malnutrition	7
Tanzania	Working together for better nutrition in Tanzania	150
Global	Various repayments	(18)
Total Irish government grants		**139**

5. GIFTS IN KIND

	Year to 31/12/11 £000	Year to 31/12/10 £000
(a) Gifts in kind by destination		
Ethiopia	**14,374**	19,501
Kenya	**7,270**	3,690
Niger	**2,504**	3,947
Somalia	**1,817**	241
South Sudan	**660**	18
UK	**268**	1,052
Pakistan	**44**	1,356
Vietnam	**38**	533
Zimbabwe	**4**	1,298
Haiti	**–**	1,105
Other country programmes	**1,193**	1,279
Headquarters professional services	**1,543**	1,011
Total gifts in kind for charitable purposes	**29,715**	35,031
Gifts in kind for fundraising purposes	**430**	188
	30,145	35,219

	Year to 31/12/11 £000	Year to 31/12/10 £000
(b) Gifts in kind by type		
Food aid	**26,242**	29,122
Non-food items	**996**	3,552
Advertising materials	**268**	1,157
Other gifts in kind for charitable purposes	**666**	189
Headquarters professional services	**1,543**	1,011
Fundraising	**430**	188
	30,145	35,219

(c) At the year end, there are approximately £1,100,000 of undistributed gifts in kind which have not been recognised as income, mainly consisting of food aid (2010: £12,641,000).

6. RETAIL INCOME AND COSTS

(a) Retail income and costs

	Charity £000	Save the Children (Sales) Ltd See note 6(b) £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
Retail income	7,373	697	**8,070**	8,036
Cost of sales	(9)	(296)	**(305)**	(643)
Direct expenses	(5,929)	(131)	**(6,060)**	(6,849)
Total expenses	(5,938)	(427)	**(6,365)**	(7,492)
Surplus	1,435	270	**1,705**	544

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £458,000 of donations raised in shops, and £67,000 of sub-let property income, totalling £525,000 (2010: £489,000).

(b) Save the Children (Sales) Limited

Save the Children UK has a wholly owned trading subsidiary, Save the Children (Sales) Limited, which is registered in England and Wales. Although the principal activity of the subsidiary is the trading of new goods through our shops, branches and website, income is also generated by promotions run in conjunction with our corporate supporters and in joint ventures with other charities. Any taxable profit is donated under deed of covenant to Save the Children UK.

	Promotions Year to 31/12/11 £000	Promotions Year to 31/12/10 £000	**Retail Year to 31/12/11 £000**	Retail Year to 31/12/10 £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
Turnover	**672**	398	**697**	1,384	**1,369**	1,782
Cost of sales	**–**	–	**(296)**	(643)	**(296)**	(643)
Gross profit	**672**	398	**401**	741	**1,073**	1,139
Total expenses	**(111)**	(111)	**(134)**	(780)	**(245)**	(891)
Intercompany interest	**–**	–	**3**	1	**3**	1
Profit/(loss) for the year	**561**	287	**270**	(38)	**831**	249
Donation to parent charity					**(831)**	(249)
Retained profit for the year					**–**	–

Retained profit is stated after charging allocated costs of £185,000 (2010: £626,000).

Turnover and expenses relating to promotions represent only that part of corporate fundraising activities that is required by law to be passed through the trading subsidiary. Other corporate fundraising activities are retained within the accounts of Save the Children UK itself.

In these consolidated accounts, income from commercial promotions is included within voluntary income, with the associated costs included under fundraising expenses.

The aggregate of the assets, liabilities and funds was:

	Save the Children (Sales) Ltd	
	31/12/11 £000	31/12/10 £000
Assets	**374**	523
Liabilities	**(124)**	(273)
Funds	**250**	250

7. INVESTMENT INCOME

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/11 £000**	Total Year to 31/12/10 £000
Expected return on pension-scheme assets	26	6,011	–	**6,011**	5,762
Interest on pension-scheme liabilities	26	(6,118)	–	**(6,118)**	(6,105)
Finance income on pension scheme		(107)	–	**(107)**	(343)
Dividends on investments listed on a recognised stock exchange		697	–	**697**	504
Interest on bank deposits and other investments		429	95	**524**	385
Interest on VAT refunds from HMRC		303	–	**303**	786
		1,322	95	**1,417**	1,332

8. OTHER INCOME

	Year to 31/12/11 £000	Year to 31/12/10 £000
Rental income	**1,480**	1,296
Profit on sale of fixed assets	**–**	55
Other income	**79**	102
	1,559	1,453

9. RESOURCES EXPENDED

(a)

	Grants payable £000	Staff costs (note 12) £000	Other direct costs £000	Dep'n £000	Gifts in kind £000	Allocation of support costs £000	**Year to 31/12/11 £000**	Year to 31/12/10 £000
Cost of generating funds								
Cost of raising voluntary income	–	5,944	18,145	–	430	2,248	**26,767**	18,601
Retail costs	–	1,429	4,186	293	–	457	**6,365**	7,492
Investment management fees	–	–	101	–	–	4	**105**	93
	–	7,373	22,432	293	430	2,709	**33,237**	26,186
Charitable activities								
Promoting children's right to:								
Freedom from hunger	40,222	17,707	28,996	14	24,467	6,398	**117,804**	97,033
Protection[1]	17,213	12,465	15,746	6	619	2,644	**48,693**	44,430
Education	19,534	11,302	16,139	6	692	2,738	**50,411**	41,152
Health[2]	16,463	11,553	19,141	6	2,250	2,838	**52,251**	46,584
Information, campaigning and awareness	1,313	5,396	9,067	2	190	2,038	**18,006**	9,276
Support costs	192	12,642	6,534	223	1,497	(21,088)	**–**	–
	94,937	71,065	95,623	257	29,715	(4,432)	**287,165**	238,475
Governance	–	236	218	–	–	280	**734**	661
Other resources expended[3]	–	–	–	–	–	1,443	**1,443**	1,230
Total resources expended	94,937	78,674	118,273	550	30,145	–	**322,579**	266,552
Prior year	54,368	73,116	103,340	509	35,219	–	**266,552**	

[1] Protection includes expenditure on shelter of £7,288,000 (2010: £7,623,000).
[2] Health includes expenditure on water, sanitation and hygiene of £7,326,000 (2010: £4,126,000).
[3] Costs relating to the sub-let of certain floors of the headquarters building at 1 St John's Lane have been identified as a separate activity of the group.

9. RESOURCES EXPENDED (CONTINUED)

(b) Grants payable

During the year ended 31 December 2011, Save the Children UK made grants to partner organisations carrying out work to help children. This includes payments to Save the Children International and other Save the Children members, as described in note 25. A list of grants is made available at **www.savethechildren.org.uk.**

Grants payable to partner organisations are considered to be part of the costs of activities in furtherance of the objects of the charity. This is because much of the charity's programme activity is carried out through grants to local organisations that support long-term sustainable benefits for a community, which are monitored by the charity. Grants are also made to fund immediate emergency relief provision in times of crisis, catastrophe or natural disaster.

(c) Save the Children's information, campaigning and awareness activities

These have several key objectives including:

- informing our supporters and the wider public about the reality of children's lives throughout the world, based on our experience in many countries
- influencing key decision-makers on social and economic policies affecting children, drawing evidence for our advocacy and campaigning work directly from our global programmes
- educating children and young people in the UK by bringing global perspectives to the curriculum and promoting the UN Convention on the Rights of the Child.

The trustees see these initiatives as key activities that further our charitable purposes.

(d) Charitable activities

	Year to 31/12/11 £000	Year to 31/12/10 £000
Development projects	**85,585**	106,585
Humanitarian assistance and work in fragile states – see note 9(e)	**183,574**	122,614
Information, campaigning and awareness	**18,006**	9,276
	287,165	238,475

9. RESOURCES EXPENDED (CONTINUED)

(e) Humanitarian assistance and work in fragile states

This includes measures designed to save lives, to prevent and alleviate the suffering of vulnerable children and families, and to maintain and protect the dignity of affected children and families. It thus combines our response in the immediate aftermath of a new emergency and our work in countries recovering from recent emergencies, as well as where there are long-standing chronic emergencies or where we have disaster risk reduction programmes. In 2011 we responded to 45 emergencies in 38 countries.

Expenditure in the current period was as follows:

	Year to 31/12/11 £000	Year to 31/12/10 £000
Ethiopia	**28,310**	17,809
Pakistan – Consortium of British Humanitarian Agencies	**21,422**	3,940
Pakistan – other	**15,008**	11,347
Kenya	**20,515**	11,898
Somalia	**19,884**	7,870
South Sudan	**15,988**	12,198
Niger	**12,678**	12,262
Japan	**5,216**	–
Myanmar	**4,990**	4,302
Democratic Republic of Congo	**4,764**	7,711
Haiti	**4,435**	7,366
Liberia	**3,842**	2,631
Ivory Coast	**3,436**	1,182
Sri Lanka	**3,339**	2,835
Libya	**1,936**	–
Nigeria	**1,751**	717
Vietnam	**1,252**	2,182
India	**1,144**	1,002
Burkina Faso	**1,054**	492
Colombia	**991**	250
Mozambique	**800**	11
Bangladesh	**701**	1,775
Zimbabwe	**630**	4,549
China	**326**	750
Occupied Palestinian Territory	**194**	632
Afghanistan	**59**	616
Other conflict situations	**433**	967
Other natural disasters	**1,192**	1,147
Emergency preparedness and risk reduction	**7,284**	4,173
	183,574	122,614

(f) Costs of generating funds

	Year to 31/12/11 £000	Year to 31/12/10 £000
Individual giving	**17,984**	10,839
Trusts and major donors	**1,287**	1,562
Community fundraising	**2,394**	2,069
Corporate fundraising	**2,607**	1,315
Save the Children global member organisation growth (MODA)	**1,510**	2,009
Legacies receivable	**985**	807
	26,767	18,601

9. RESOURCES EXPENDED (CONTINUED)

(g) The support costs and the basis of their allocation were as follows:

	Basis of apportionment	Year to 31/12/11 £000	Year to 31/12/10 £000
Management and administration costs			
General management	Pro-rata by expenditure	745	738
Financial management	Pro-rata by expenditure	2,326	2,024
Human resources	Salary costs	1,615	1,745
Information technology	Pro-rata by expenditure	2,230	2,100
Premises and facilities	Pro-rata by building usage	2,107	2,218
Programme support	Pro-rata by expenditure	8,414	5,404
		17,437	14,229
Other support costs			
Gifts in kind (pro-bono legal advice)	Estimated usage	1,497	1,011
Losses on foreign exchange	Pro-rata by expenditure	711	484
Rental and service charge costs on sublet office space	Estimated floor space	1,443	1,230
Total support costs		21,088	16,954

Support costs are shown net of £10,001,000 indirect cost recovery contributions received from donors during the year (2010: £7,525,000).

(h) Total resources expended include the following amounts:

	Group Year to 31/12/11 £000	Group Year to 31/12/10 £000	Charity Year to 31/12/11 £000	Charity Year to 31/12/10 £000
Auditor's remuneration:				
Audit	96	90	91	63
Tax	129	4	129	4
Work relating to grant applications	6	18	6	18
Other statutory requirements	4	10	4	10
	235	122	230	95

Tax above relates to Deloitte fees in relation to VAT matters.

A review of the Save the Children UK's money purchase pension scheme was performed by Deloitte on a pro-bono basis. The value was estimated at £6,000.

Lease rentals: land and buildings

	Year to 31/12/11 £000	Year to 31/12/10 £000
Retail	2,234	2,116
Programme offices	4,410	4,728
Headquarters	3,172	3,241
	9,816	10,085

Ex-gratia payments

The trustees felt under a moral obligation to make ex-gratia payments totalling £65,000 (2010: £3,000) to relatives of testators who had willed part of their estate to Save the Children UK. These payments were approved by the Charity Commission.

9. RESOURCES EXPENDED (CONTINUED)

(i) Governance costs

	Year to 31/12/11 £000	Year to 31/12/10 £000
Internal audit and global risk	**356**	381
Audit fees	**98**	81
	454	462
Allocation of support costs	**280**	199
	734	661

10. RELATED PARTY TRANSACTIONS

In accordance with the provisions of Financial Reporting Standard 8, *Related Party Disclosures*, the related party transactions entered into by the charity are detailed below. All transactions that arose were in the normal course of business.

The charity was invoiced £258,268 (2010: £556,352) for services provided by the Adam and Eve Group during the year, one of whose directors is the brother of the charity's Chief Executive. The contract pre-dates the Chief Executive's employment by the charity. Of the total amount invoiced, £23,585 was outstanding as at 31 December 2011. In the trustees' opinion, the contract has been entered into on an arm's-length basis.

The charity is a member of the Disasters Emergency Committee (DEC) and in the year paid a subscription of £101,264 (2010: £67,515). In addition, Save the Children's Chief Executive is a trustee of the DEC. The charity's income in the year included £7,765,000 (2010: £3,814,000) receivable from DEC appeals.

Transactions with Save the Children International are disclosed in note 25.

11. TRUSTEES' REMUNERATION

Members of the Board of Trustees (who are all directors within the meaning of the Companies Act 2006) receive no remuneration for their services.

Out-of-pocket expenses were reimbursed to trustees as follows:

	Year to 31/12/11 Number of trustees paid	Year to 31/12/10 Number of trustees paid	**Year to 31/12/11 £000**	Year to 31/12/10 £000
Expenses including travel and subsistence	**4**	4	**1**	3

Save the Children UK has purchased indemnity insurance at a cost of £12,500 (2010: £12,500) that provides cover:
(i) to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents
(ii) to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

12. STAFF COSTS

(a)

	Year to 31/12/11 £000	Year to 31/12/10 £000
Wages and salaries	**70,635**	65,917
National Insurance	**2,798**	2,347
Pension costs	**1,799**	1,563
Other staff costs	**3,442**	3,289
	78,674	73,116

Note that the 2010 figures have been restated to exclude training and recruitment costs and amend the pension costs.

(b) The following number of employees (including those on short-term contracts) received emoluments within the bands shown below. Emoluments include salaries, fees and bonuses, amounts in lieu of notice, compensation or redundancy payments, sums paid by way of expenses allowance (so far as they are chargeable to UK income tax) and the estimated money value of any other benefits received otherwise than in cash, and exclude employer pension costs.

	Year to 31/12/11 Number	Year to 31/12/10 Number
£0–£10,000	**4,078**	4,176
£10,001–£20,000	**671**	584
£20,001–£30,000	**407**	334
£30,001–£40,000	**349**	328
£40,001–£50,000	**140**	120
£50,001–£60,000	**34**	36
£60,001–£70,000	**14**	12
£70,001–£80,000	**5**	9
£80,001–£90,000	**3**	6
£90,001–£100,000	**1**	1
£100,001–£110,000	**1**	3
£110,001–£120,000	**3**	–
£120,001–£130,000	**1**	1
£130,001–£140,000	**–**	1
£140,001–£150,000	**1**	–
£150,001–£160,000	**1**	–
£160,001–£170,000	**1**	–
	5,710	5,611

(c) The highest paid employee received emoluments amounting to £162,220 in the year to 31 December 2011 (2010: £133,744)

Amounts of individual emoluments over £60,000 for 2011, of which there were 31 (2010: 33), are also relatively higher than in 2010 as a result of three key factors:
(i) most of the current senior management were employed throughout the whole of 2011 compared with part-year employments in 2010;
(ii) amounts were paid in 2011 in respect of notice periods and compensation for loss of office; and
(iii) certain key staff have expatriate contractual terms and specific arrangements relating to the period of the transition of our international programming.

12. STAFF COSTS (CONTINUED)

(d) Employees whose emoluments were greater than £60,000 to whom retirement benefits are accruing under **defined contribution schemes** and the amount paid on their behalf:

	Year to 31/12/11 £000	Year to 31/12/10 £000	**Year to 31/12/11 Number**	Year to 31/12/10 Number
	160	139	**22**	21

(e) The number of employees whose emoluments were greater than £60,000 to whom retirement benefits are accruing under **defined benefit schemes** is:

	6	7

(f) The average number of employees calculated on a full-time equivalent basis, analysed by function, was:

	Year to 31/12/11 Number	Year to 31/12/10 Number
Charitable activities	**4,712**	4,741
Cost of generating funds	**227**	206
Governance of the charity	**8**	8
	4,947	4,955

13. TANGIBLE FIXED ASSETS

(a) Group and charity

	Freehold property £000	Leasehold property improvements £000	Furniture, fixtures & equipment £000	**Total £000**
Cost at 1 January 2011	1,763	7,133	4,542	**13,438**
Additions	–	156	44	**200**
Reclassification	(76)	76	–	**–**
Disposals	(344)	(109)	(800)	**(1,253)**
Cost at 31 December 2011	1,343	7,256	3,786	**12,385**
Accumulated depreciation at 1 January 2011	780	4,911	4,271	**9,962**
Charge for period	30	373	147	**550**
Reclassification	(20)	20	–	**–**
Disposals	(344)	(109)	(800)	**(1,253)**
Accumulated depreciation at 31 December 2011	446	5,195	3,618	**9,259**
Net book value at 31 December 2011	**897**	**2,061**	**168**	3,126
Net book value at 31 December 2010	983	2,222	271	**3,476**

(b) The net book value at 31 December 2011 represents tangible fixed assets, used for:

Direct charitable purposes (UK only – see note 1(f))	149	179	–	**328**
Other purposes:				
Fundraising and charity shops	748	948	–	**1,696**
Headquarters	–	934	168	**1,102**
	897	2,061	168	**3,126**

(c) Capital expenditure contracted for but not provided in the financial statements, was £nil (31/12/10: £nil).

14. FIXED ASSET INVESTMENTS

(a)	Unrestricted funds £000	Restricted funds £000	**Total 31/12/11 £000**	Total 31/12/10 £000
Market value at start of period	25,138	2,547	**27,685**	21,180
Acquisitions	10,515	–	**10,515**	7,649
Sales proceeds	(10,130)	(1,420)	**(11,550)**	(4,338)
Net movement in cash balances	(5,375)	1,919	**(3,456)**	1,682
Net realised investment gains	597	–	**597**	253
Net unrealised investment (losses)/gains	(2,114)	85	**(2,029)**	1,259
Market value at end of period	18,631	3,131	**21,762**	27,685
Historical cost at end of period	17,556	3,046	**20,602**	24,496
Unrealised investment gains at end of period	1,075	85	**1,160**	3,189
Realised investment gains calculated on historic cost basis	597	–	**597**	253

(b) The market value is represented by:

	31/12/11 £000	31/12/10 £000
Equities	**16,079**	17,059
Bonds	**3,544**	2,326
Cash	**2,139**	8,265
Property	**–**	35
	21,762	27,685

(c) Save the Children UK's investment managers have discretion to manage the investment portfolio within an agreed risk profile and in accordance with our ethical policy. The mix of investments and the balance of risk and liquidity is reviewed in the light of Save the Children UK's long-term financial plans.

(d) Investment assets outside the UK amounted to £6,409,000 (31/12/10: £5,807,000).

(e) Investments held by the charity (and included in the charity balance sheet) also include an additional £250,000 investment in the subsidiary company at cost – see note 6(b).

15. DEBTORS

(a) Grant debtors

	Group and Charity	
	31/12/11 £000	31/12/10 £000
European Commission	**8,353**	5,640
Other Save the Children members	**7,635**	7,718
United Nations	**4,155**	2,578
United States government	**2,678**	5,317
UK government	**1,956**	793
Mercy Corps	**1,326**	–
Corporate donors	**527**	557
Care International	**334**	647
Other national governments	**311**	230
UK local and regional government	**178**	220
Other	**1,993**	1,322
	29,446	25,022

15. DEBTORS (CONTINUED)

(b) Other debtors

	Notes	Group 31/12/11 £000	Group 31/12/10 £000	Charity 31/12/11 £000	Charity 31/12/10 £000
Trade debtors		**1,355**	475	**1,355**	475
Legacy debtors		**6,869**	1,919	**6,869**	1,919
Taxes recoverable		**717**	2,214	**717**	2,214
Prepayments and accrued income		**1,570**	3,227	**1,570**	3,179
Save the Children International	25	**1,260**	–	**1,260**	–
Other debtors		**2,256**	2,777	**2,252**	2,701
		14,027	10,612	**14,023**	10,488

16. CASH AT BANK AND IN HAND

	Group 31/12/11 £000	Group 31/12/10 £000	Charity 31/12/11 £000	Charity 31/12/10 £000
Headquarters	**30,684**	35,363	**30,659**	35,338
UK branches and shops	**260**	231	**260**	231
Projects in UK and overseas[1]	**9,657**	11,445	**9,657**	11,445
	40,601	47,039	**40,576**	47,014

[1] The overseas bank balances include a balance of 6.4 million Ethiopian Birr (approximately £240,000; 31/12/10: £249,000) relating to the sale of project vehicles. These funds may only be used for programmes approved by the Ethiopian government.

17. CREDITORS

(a) Amounts falling due within one year

	Group 31/12/11 £000	Group 31/12/10 £000	Charity 31/12/11 £000	Charity 31/12/10 £000
Trade creditors	**2,989**	3,928	**2,972**	3,763
Taxes and social security costs	**5,811**	6,594	**5,705**	6,496
Amount owed to subsidiary undertaking	**–**	–	**69**	166
Accruals	**197**	1,196	**197**	1,186
Deferred income[1]	**472**	121	**634**	121
Operating lease incentives[2]	**182**	182	**182**	182
Grant obligations	**3,402**	2,711	**3,402**	2,711
Other creditors	**1,839**	2,544	**1,839**	2,544
	14,892	17,276	**15,000**	17,169

(b) Amounts falling due in more than one year

Operating lease incentives[2]	**2,821**	3,000	**2,821**	3,000
	2,821	3,000	**2,821**	3,000

[1] The **deferred income** represents cash received from donors for which grant agreements have not yet been finalised and deferred income from the sub-let of the headquarters building in London.

[2] The **operating lease incentives** represent the value of payments, and discounts in the form of rent-free periods, received by Save the Children UK when entering into the 25-year lease on the headquarters building. It is being released over the term of the lease.

18. PROVISIONS FOR LIABILITIES AND CHARGES – GROUP AND CHARITY

	At 01/01/11 £000	Provision released £000	Provision created £000	Provision utilised £000	**At 31/12/11 £000**
Terminal grants	4,788	–	1,785	(1,687)	**4,886**
Dilapidations	1,130	(63)	–	–	**1,067**
Tax	4,003	–	655	–	**4,658**
Other	75	–	10	–	**85**
	9,996	(63)	2,450	(1,687)	**10,696**

Terminal grants are payments made to employees in country programmes leaving employment with Save the Children UK. The amounts payable are determined by the salary and length of service of the employees. The provision represents the accumulated entitlements of all such employees. The provision is released when payments are made to employees on departure.

Dilapidations represent the estimated costs of payments required to make good leased property upon the termination of the lease. The provision amount relating to individual property is released on termination of the lease.

Tax provisions represent the accumulated estimated tax liability in overseas jurisdictions where the amount payable is disputed or the tax legislation is unclear. Note that the comparative figure for 2010 has been moved from accruals to provisions.

19. OBLIGATIONS UNDER OPERATING LEASES

The amount payable within the next 12 months on leases expiring:

	Property 31/12/11 £000	Other 31/12/11 £000	**Total 31/12/11 £000**	Property 31/12/10 £000	Other 31/12/10 £000	Total 31/12/10 £000
Within one year	1,603	181	**1,784**	1,396	89	1,485
In years two to five	1,498	–	**1,498**	1,946	1	1,947
After five years	3,957	–	**3,957**	3,402	–	3,402
	7,058	181	**7,239**	6,744	90	6,834

20. FINANCIAL COMMITMENTS

(a) At year end, Save the Children UK had undertaken to deliver projects on behalf of donors which will be completed over a number of years as detailed below.

A significant proportion of the funds needed for these programmes has already been received and is disclosed within the restricted income funds (see note 22). For the remaining programmes, there are legal agreements with donors to ensure that Save the Children UK will be reimbursed for completion of those projects.

	31/12/11 £000	31/12/10 £000
Within one year	**87,679**	112,726
Between two and five years	**73,210**	50,311
After five years	**3,547**	–
	164,436	163,037

Of this amount, the restricted funds balance of £70,645,000 has already been recognised within income.

(b) Save the Children UK has entered into a number of grants where we are required to find additional funding for the remainder of the project.

Donors have already been found for many of these grants but at year end there were still several grants in progress for which no donor had been found. No provision has been recognised as at 31 December 2011 in respect of these grants as Save the Children UK expects to be able to find donors for these over the remaining life of the projects. In respect of grants terminating in 2012, £2 million of co-funding has not yet been found.

20. FINANCIAL COMMITMENTS (CONTINUED)

(c) Save the Children UK has entered into a number of long-term contracts for the supply of services, all of which are cancellable.

(d) Save the Children UK has future commitments in respect of Save the Children International (see note 25 for details).

21. STATEMENT OF FUNDS

	At 01/01/11 £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	**Charity at 31/12/11 £000**	Associate £000	**Group at 31/12/11 £000**
Unrestricted funds								
General reserve	41,617	78,652	(80,530)	597	(1,979)	**38,357**	–	**38,357**
Revaluation reserve	3,190	–	–	(2,114)	–	**1,076**	–	**1,076**
Designated funds:								
Tangible fixed assets reserve	2,544	–	–	–	(297)	**2,247**	–	**2,247**
Associate (note 25)	–	–	–	–	–	**–**	771	**771**
St John's Lane reserve fund	600	19	(50)	–	131	**700**	–	**700**
Total unrestricted funds excluding pension reserve	47,951	78,671	(80,580)	(1,517)	(2,145)	**42,380**	771	**43,151**
Pension reserve	(27,030)	(107)	(389)	(6,463)	2,145	**(31,844)**	–	**(31,844)**
Total unrestricted funds	20,921	78,564	(80,969)	(7,980)	–	**10,536**	771	**11,307**
Restricted funds								
Restricted income funds	57,938	254,317	(241,610)	–	–	**70,645**	–	**70,645**
Endowment funds	3,046	–	–	85	–	**3,131**	–	**3,131**
Total restricted funds	60,984	254,317	(241,610)	85	–	**73,776**	–	**73,776**
Total funds	81,905	332,881	(322,579)	(7,895)	–	**84,312**	771	**85,083**

The general reserve represents the free funds of the charity that are not designated for particular purposes.

The revaluation reserve represents the difference between the historic cost of fixed asset investments and their revalued amount.

The tangible fixed assets reserve represents the net book value of tangible fixed assets originally funded from general reserves. An adjustment is made for operating lease incentives in relation to fixed assets purchased by the landlord for our headquarters.

The St John's Lane reserve fund represents funds set aside for potential future refurbishment of the headquarters building and the eventual replacement of large capital items. Save the Children UK is responsible for this expenditure on headquarters under its lease with Standard Life Assurance Ltd. In addition, Save the Children UK has responsibilities towards its sub-tenants who occupy part of the headquarters building.

The pension reserve represents the reported liability on the defined benefit pension scheme under FRS 17 (see note 26 for details).

The restricted income funds represents unexpended balances on donations and grants given for specific purposes (see note 22 for details).

The endowment funds represent assets received that may not be exhausted (see note 23 for details).

22. RESTRICTED FUNDS

(a) Restricted funds comprise unexpended balances on donations and grants given for specific purposes. These are shown below.

	Balance 01/01/11 £000	Income £000	Expenditure £000	**Balance 31/12/11 £000**
East and southern Africa				
Angola	483	1,250	1,475	**258**
Ethiopia	2,453	30,505	29,324	**3,634**
Kenya	1,168	21,783	18,582	**4,369**
Malawi	79	238	50	**267**
Mozambique	469	2,263	2,443	**289**
Somalia	1,985	25,179	19,551	**7,613**
South Africa	256	3,206	2,964	**498**
South Sudan	2,773	15,172	14,674	**3,271**
Sudan	–	98	98	**–**
Tanzania	800	2,885	2,650	**1,035**
Zimbabwe	792	2,373	2,833	**332**
Other	75	1,492	533	**1,034**
West and central Africa				
Burkina Faso	25	1,026	1,010	**41**
Democratic Republic of Congo	1,141	6,485	6,006	**1,620**
Ivory Coast	153	4,144	3,073	**1,224**
Liberia	424	4,919	5,054	**289**
Mali	136	26	26	**136**
Niger	1,049	11,326	12,083	**292**
Nigeria	466	6,399	4,469	**2,396**
Rwanda	236	709	789	**156**
Sahel region	362	472	749	**85**
Sierra Leone	1,838	1,276	1,820	**1,294**
Uganda	351	213	520	**44**
Other	4	135	59	**80**
South and central Asia				
Afghanistan	2,677	1,882	3,781	**778**
Bangladesh	419	4,419	3,329	**1,509**
India	1,197	3,372	3,270	**1,299**
Pakistan	10,251	18,579	17,865	**10,965**
Sri Lanka	723	4,587	4,462	**848**
Other	11	52	63	**–**
South-East Asia				
China	1,144	3,868	4,071	**941**
Indonesia	382	(68)	235	**79**
Japan	–	5,073	4,846	**227**
Myanmar	2,159	12,240	13,096	**1,303**
North Korea	914	1,577	2,243	**248**
Philippines	62	122	121	**63**
Thailand	5	1,913	1,089	**829**
Vietnam	1,084	5,593	5,952	**725**
Other	13	276	270	**19**

(continued overleaf)

22. RESTRICTED FUNDS (CONTINUED)

(a) *continued*

	Balance 01/01/11 £000	Income £000	Expenditure £000	**Balance 31/12/11 £000**
Latin America and Caribbean				
Brazil	204	1,616	1,505	**315**
Colombia	315	3,629	3,510	**434**
Ecuador	152	188	279	**61**
Haiti	1,678	3,820	4,637	**861**
Peru	61	364	377	**48**
Other	–	132	105	**27**
Middle East and south-east Europe				
Iraq	5,307	74	1,091	**4,290**
Libya	–	2,335	1,690	**645**
Middle East/North Africa	81	517	490	**108**
Occupied Palestinian Territory	199	1,179	1,123	**255**
Yemen	–	200	195	**5**
South-east Europe	49	34	83	**–**
United Kingdom				
England	185	1,179	691	**673**
Northern Ireland	74	209	199	**84**
Scotland	72	250	195	**127**
Wales	221	725	753	**193**
UK-wide initiatives	222	3,020	665	**2,577**
Other funds				
Headquarters grants	537	4,147	1,198	**3,486**
Gifts in kind for fundraising and support purposes	–	1,973	1,973	**–**
Headquarters emergency programmes	1,608	3,417	2,430	**2,595**
Consortium of British Humanitarian Agencies funding	8,332	12,100	19,906	**526**
Unallocated Children's Emergency Fund[1]	656	(17)	–	**639**
Unrealised exchange gains/losses on restricted funds[2]	(723)	227	86	**(582)**
Unallocated Wish List funds[3]	91	(91)	–	**–**
Unallocated restricted funds[4]	58	3,130	–	**3,188**
Emergency fundraising	–	690	690	**–**
Thematic funds[5]	–	2,216	2,216	**–**
	57,938	254,322	241,615	**70,645**

[1] Children's emergency funds not yet allocated to particular country programmes.

[2] The balance represents the unrealised gains/losses as a result of the revaluation of restricted funds held as cash at year-end. Realised gains and losses are allocated to specific countries when the gain or loss is incurred.

[3] Receipts from the Wish List catalogue not yet allocated to particular country programmes.

[4] Restricted funds received from donors where clarification of the specific restrictions is required from the donor before it can be allocated to a specific country programme.

[5] Funds restricted to a particular thematic objective (eg, health, hunger).

22. RESTRICTED FUNDS (CONTINUED)

(b) Included in the restricted fund balances are the following:

LOTTERY FUNDED

	Balance 01/01/11 £000	Income £000	Expenditure £000	**Balance 31/12/11 £000**
Big Lottery Fund				
Peru bilingual education	1	135	136	**–**
Our Shout Bradford	9	131	129	**11**
Awards for All Scotland	8	(8)	–	**–**
Inspiring Change	10	(1)	9	**–**
Myanmar	–	5	5	**–**
Various repayments	–	(46)	(46)	**–**
	28	216	233	**11**

£210,000 of the above income is recognised in grant income and £6,000 is recognised as gifts in kind.

23. ENDOWMENT FUNDS

	Balance 01/01/11 £000	Income £000	**Balance 31/12/11 £000**
Movements on endowment funds for the year	3,046	85	**3,131**

Endowment funds at 31 December 2011 comprise:

	£000
The Oliver Children's Fund	**2,632**
Norman J Swift Memorial Fund	**58**
Ida Mary Reynolds Fund	**40**
Florence G Jordan Fund	**10**
Oliver – the musical	**58**
Lena Evans Endowment Fund	**73**
Other	**260**
	3,131

In order to manage its funds in the most efficient manner available to it the Board has approved that initial steps be taken to explore converting these endowment funds into unrestricted funds. Save the Children UK has requested that the Charity Commission make a direction under s.96(5) of the Charities Act 1993 that, for the purposes of s.75 and s.75b of the Act, each of the endowment funds currently held be treated as forming a distinct charity and that Save the Children UK be appointed as corporate trustee of each charity. Subsequent to the year end the Charity Commission has made this direction and Save the Children UK has now applied to the Charity Commission to have the restrictions on the expenditure of the capital of the smallest of these endowments removed.

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

	Note	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	**Total 31/12/11 £000**
Fund balances at 31 December 2011 are represented by:								
Tangible fixed assets	13	879	–	2,247	–	–	–	**3,126**
Fixed asset investments	14	17,555	1,076	771	–	–	3,131	**22,533**
Current assets		48,332	–	700	–	70,645	–	**119,677**
Current liabilities	17a	(14,892)	–	–	–	–	–	**(14,892)**
Non-current liabilities	17b	(2,821)	–	–	–	–	–	**(2,821)**
Provisions for liabilities and charges	18	(10,696)	–	–	–	–	–	**(10,696)**
Pension liability	26	–	–	–	(31,844)	–	–	**(31,844)**
		38,357	1,076	3,718	(31,844)	70,645	3,131	**85,083**

(b) The net assets of the charity are the same with the exception of the investment in the associate (see note 25 for details).

25. SAVE THE CHILDREN INTERNATIONAL

(a) Introduction

Save the Children UK is a member of the Save the Children Association (SCA), which consists of 29 independent national Save the Children organisations, transforming children's lives in more than 120 countries. SCA also owns 100% of Save the Children International (SCI), a charity incorporated in England and Wales. Save the Children UK has treated SCI as an associate due to the significant influence exerted over its financial and operating policies.

On 28 March 2011, SCI, Save the Children UK and the other 28 members of SCA entered into a number of contracts (the International Programming contracts or 'IP contracts'). These provide, among other matters, for the programming activity of SCA members outside their home territories to be delivered by SCI.

International programming activity historically undertaken by Save the Children UK will in future be delivered on its behalf by SCI. Assets, employees and operations of Save the Children UK and other members located abroad are in the process of being transitioned to SCI control on a phased country-by-country basis. This transition is expected to be completed during 2013. Further details are shown on page 29.

(b) Income and expenditure items

Under the IP contracts, the members of SCA make payments to SCI as members and other contributions to cover overheads incurred for infrastructure supporting the delivery of programmes.

In 2011, Save the Children UK made the following payments:

	Year to 31/12/11 £000	Year to 31/12/10 £000
Funds transferred for programme delivery	**3,136**	–
Contributions as members and to overheads	**5,191**	2,142
	8,327	2,142

Payment of these amounts was satisfied in the following way:

Transfer of funds	**7,894**	1,417
Provision of resources for no consideration	**433**	725
	8,327	2,142

25. SAVE THE CHILDREN INTERNATIONAL (CONTINUED)

By 31 December 2011, Save the Children UK's programme activity in Afghanistan, Bangladesh and North Korea had transferred. Other countries are expected to transfer in 2012 and 2013. As a result of these transitions, payments to SCI for charitable activities are anticipated to increase significantly in the future.

Save the Children UK's share of SCI's surplus, which arises from continuing activities, has been included in the group's Statement of Financial Activities and balance sheet.

(c) Balance sheet items

	Group 31/12/11 £000	Group 31/12/10 £000	**Charity 31/12/11 £000**	Charity 31/12/10 £000
SCI debtor at year end	**1,260**	–	**1,260**	–
Cost of services incurred by Save the Children UK to be donated to SCI in the future	**55**	10	**55**	10
Increase in the investment in associate as a result of the surplus in the year	**771**	–	**–**	–

(d) Indemnities

The IP contracts provide for those members of SCA for whom SCI delivers international programmes to provide a share of an indemnity capped at USD $20 million in the event that SCI's programming activity ceases to operate, whether by choice of the members or otherwise. At 31 December 2011, Save the Children UK's share of this was approximately USD $6.4 million. Save the Children UK is confident that SCI will continue to provide programming services into the future and that the possibility of it ceasing to operate are so remote that it is not disclosed as a contingent liability.

Under the IP contracts, Save the Children UK has given a number of other indemnities to SCI. These include indemnities in respect of operations in countries prior to the date of their programming transition to SCI. These indemnities principally concern retention by Save the Children UK of responsibility for liabilities prior to the date of such transition.

At the date of signing the accounts, no material pre-transition issues relating to the normal course of business had been identified. Accordingly no provision has been made in relation to these indemnities.

(e) Other Save the Children members

As well as helping plan the work of SCI, Save the Children UK continued its close working relationships with other Save the Children members during the year.

	Year to 31/12/11 £000	Year to 31/12/10 £000
Amounts sub-granted to other members in countries where Save the Children UK does not have a presence or is not the lead member	**41,683**	25,583
Total grants receivable directly from other Save the Children members or channelled through them	**39,087**	38,291
Total unspent grant funds returned to other Save the Children members in the year following transition of their programming to SCI	**560**	–

26. PENSION COSTS

(a) Save the Children UK has a number of different arrangements in relation to pension schemes. These are explained below.

(b) – (c)	Triennial valuation (defined benefit scheme)
(d) – (l)	Accounting valuation under FRS 17 (defined benefit scheme)
(m)	Defined contribution scheme (open to staff with UK contracts over six months)
(n)	The Pensions Trust Growth Plan (multi-employer scheme)

(b) Save the Children UK contributes to a defined benefit (career average revalued earnings) funded pension scheme, the Save the Children UK defined benefit pension scheme, administered by The Pensions Trust. This scheme closed to new entrants on 14 June 2002.

Triennial valuation

At intervals of not more than three years, consulting actuaries value the scheme's assets and liabilities and consider Save the Children UK's contribution rate. The most recent complete **triennial actuarial valuation was as at 30 September 2008**. Prior to closure of the scheme on 14 June 2002, the projected unit method of valuation was used by the actuary; since closure the attained age method has been used. The actuarial valuation at 30 September 2008 reported the value of the assets of the scheme as £74.3m and the scheme's liabilities as £96.8m. This corresponds to a scheme deficit of £22.5m and a funding level of 77%.

It was agreed that this deficit would be met by Save the Children UK paying an increased employer percentage contribution rate plus fixed additional contributions.

Contribution rates are as follows:

Employees	6.6% (average rate)
Employer (throughout 2009 to 31 March 2010)	8.8% and £1,075,000 per annum in monthly instalments
Employer (from 1 April 2010 to 30 September 2023)	14.2% and £1,906,000 per annum in monthly instalments

Under this triennial valuation, Save the Children UK's estimated contribution for the calendar year starting 1 January 2012 is £2,155,000. The current arrangements regarding contribution levels as set out above are described in a schedule of contributions dated 23 December 2009.

However, it should be noted that the **triennial valuation as at 30 September 2011** is in progress and final results obtained subject to certification by the actuary and submission to the regulator. These show the assets of the scheme as £83.9m and the scheme's liabilities as £117.5m corresponding to a scheme deficit of £33.6m and a funding level of 71%.

The 30 September 2011 triennial valuation will not be completed and the results finalised until later in 2012 following certification by the actuary and submission to the regulator. However, Save the Children UK has committed to increasing its employer contribution rate from £1.9m per annum to £4.0m per annum starting in 2012. It is estimated that this level of additional employer contributions should reduce the pension deficit to zero by 30 September 2021. This plan is currently subject to approval by The Pensions Trust.

(c) Triennial valuation: assumptions

The triennial actuarial valuation as at 30 September 2008 used the following principal assumptions:

Average rate of return on investments pre retirement 6.9% per annum

Average rate of return on investments post retirement 4.8% per annum

Average rate of salary increases 4.0% per annum

26. PENSION COSTS (CONTINUED)

(d) FRS 17 valuation of the defined benefit scheme as at 31 December 2011

The pension reserve amount shown on the balance sheet and the actuarial losses shown in the SOFA are valued in accordance with the accounting policy in note 1i. The assets of the scheme are valued at their market value on the balance sheet date. This value may therefore fluctuate materially from year to year in response to market conditions. It follows that any surplus or deficit of assets over discounted liabilities reported at a particular balance sheet date under FRS 17 will not necessarily reflect whether there will be sufficient assets available to meet the actual pension obligations that will have to be satisfied over a long period of time in the future.

The present value of the liability to meet future pension obligations of members is arrived at by applying a discount rate equivalent to the return expected to be derived from a Class AA corporate bond as at the balance sheet date. In the 2008 triennial actuarial valuation referred to above, the discount rate used was that as at 30 September 2008 and applied to the scheme's actual investments, making a cautious estimate of long-term expected returns. The different timings and thus discount rates applied and the different bases on which these rates are applied then explain the large difference between the amount of the deficits valued under either the triennial or FRS 17 methods. Furthermore:

(i) The scheme assets do not include investments issued by the sponsoring employer nor any property occupied by the sponsoring employer.

(ii) The scheme holds quoted securities and these have been valued at bid-price.

(iii) The overall expected rate of return on the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

	Notes	**Year to 31/12/11 £000**	Year to 31/12/10 £000
(e) Net movement in pension liability			
Net pension liability at start of period		**27,030**	29,561
Current service cost[1]		**389**	375
Interest on obligation	7	**6,118**	6,105
Expected return on scheme assets	7	**(6,011)**	(5,762)
Contributions by employer		**(2,145)**	(1,958)
Net actuarial losses in the year		**6,463**	(1,291)
Net pension liability at 31 December		**31,844**	27,030

[1] The current service cost includes the cost of death in service benefits and all the expenses of running the scheme (including the Pension Protection Fund levy).

(f) Amounts recognised in the balance sheet

	Notes	Year to 31/12/11 £000	Year to 31/12/10 £000
Present value of funded obligations	26h	**119,517**	114,685
Fair value of scheme assets	26i	**(87,673)**	(87,655)
Net pension liability		**31,844**	27,030

(g) Amounts recognised in the statement of financial activities

	Notes	Year to 31/12/11 £000	Year to 31/12/10 £000
Expected return on scheme assets	7	**6,011**	5,762
Interest on obligation	7	**(6,118)**	(6,105)
Net finance expense	7	**(107)**	(343)
Current service cost		**(389)**	(375)
Total decrease in net incoming resources		**(496)**	(718)
Net actuarial gains/(losses) in the year[2]		**(6,463)**	1,291
Total increase/(decrease) in net funds		**(6,959)**	573

[2] Total cumulative actuarial losses since 31 March 2003 are £39,968,000 (31/12/10: £33,505,000).

26. PENSION COSTS (CONTINUED)

(h) Change in the present value of the defined benefit obligation

	Year to 31/12/11 £000	Year to 31/12/10 £000
Opening defined benefit obligation	**114,685**	108,721
Service cost	**389**	375
Interest cost	**6,118**	6,105
Contributions by employees	**111**	137
Actuarial losses	**1,538**	2,344
Net benefits paid (including expenses)	**(3,324)**	(2,997)
Closing defined benefit obligation	**119,517**	114,685

(i) Change in the fair value of scheme assets

Opening fair value of the scheme assets	**87,655**	79,160
Expected return	**6,011**	5,762
Actuarial gains	**(4,925)**	3,635
Contributions by employer	**2,145**	1,958
Contributions by employees	**111**	137
Net benefits paid (including expenses)	**(3,324)**	(2,997)
Closing fair value of the scheme assets	**87,673**	87,655

The scheme assets are valued at bid or offer prices.

Actual return on scheme assets	**1,086**	9,397

(j) The assets at 31 December 2011 are represented by:

	At 31/12/11 Fair value £000	At 31/12/10 Fair value £000	At 31/12/09 Fair value £000	At 31/03/09 Fair value £000	At 31/03/08 Fair value £000
Equities and property	**58,748**	60,215	54,372	43,149	54,466
Government bonds	**28,528**	26,953	24,490	20,547	26,533
Other	**397**	487	298	617	642
Scheme assets	**87,673**	87,655	79,160	64,313	81,641

Expected rate of return (% per annum)	Year to 31/12/11	Year to 31/12/10	9 months to 31/12/09	Year to 31/03/09	Year to 31/03/08
Equities and property	**6.89**	7.90	8.40	8.20	8.00
Government bonds	**3.97**	4.77	5.00	5.40	5.10
Other	**0.50**	0.50	0.50	0.50	5.25
Scheme assets	**5.91**	6.90	7.32	7.23	7.04

26. PENSION COSTS (CONTINUED)

(k) Historic experience of gains and losses

	At 31/12/11	At 31/12/10	At 31/12/09	At 31/03/09	At 31/03/08
	£000	£000	£000	£000	£000
Defined benefit obligation	(119,517)	(114,685)	(108,721)	(86,251)	(94,631)
Fair value of scheme assets	87,673	87,655	79,160	64,313	81,641
Deficit	(31,844)	(27,030)	(29,561)	(21,938)	(12,990)
Experience of gains/(loss) on scheme liabilities:					
Amount (£000)	–	–	–	(2,728)	171
% of the present value of scheme liabilities	0.0%	0.0%	0.0%	(3.2%)	0.2%
Actual return less expected return on scheme assets					
Amount (£000)	(4,925)	3,635	12,270	(22,620)	(8,923)
% of the present value of scheme assets	(5.6)	4.1%	15.5%	(35.2%)	(10.9%)

(l) Actuarial assumptions

In the above, investments have been valued at fair value and liabilities have been determined by a qualified actuary using assumptions consistent with the requirements of FRS 17, namely:

	Year to 31/12/11	Year to 31/12/10
Financial assumptions	%pa	%pa
Discount rate	4.70	5.40
Rate of revaluations for career averaged earnings (RPI related)	2.90	3.40
Rate of increase of pensions (CPI related):		
Limited Price Indexation 5%	2.10	2.85
Limited Price Indexation 2.5%	1.70	2.15
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI related)	2.90	3.40
Inflation assumption		
Retail Price Index	2.90	3.40
Consumer Price Index	2.10	2.90
Expected return on the scheme assets	6.90	7.32

Demographic assumptions

Mortality: SAPS all pensioners; year of birth, medium cohort; 1% p.a. minimum level of improvement

(m) Defined contribution scheme

Save the Children UK also contributes to a defined contribution scheme, the occupational money purchase scheme (OMPS). Employer's contributions are charged to the consolidated statement of financial activities as follows:

	Year to 31/12/11	Year to 31/12/10
	£000	£000
Pension contributions	1,410	1,188

	31/12/11	31/12/10
	£000	£000
Outstanding pension contributions	154	145

These are included in creditors.

26. PENSION COSTS (CONTINUED)

(n) The Pensions Trust Growth Plan

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan which is in most respects a money purchase arrangement but has some guarantees. For FRS 17 purposes, this scheme has been treated as a multi-employer scheme as it is not possible to separately identify the assets and liabilities of participating employees.

The last formal valuation of the plan was performed at 30 September 2008 by a professionally qualified actuary. The valuation revealed that the assets of the plan fell short of the accrued liabilities as at the valuation date. This resulted in a funding level of 96%. The recovery plan aimed to eliminate the deficit via investment returns over the term of the recovery plan without the need for participating employers to pay deficit contributions.

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the plan's trustee in the event of the employer ceasing to participate in the plan or the plan winding up. The debt for the plan as a whole is calculated by comparing the liabilities for the plan (calculated on a buy-out basis, ie, the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the plan at the point of wind-up. If the liabilities exceed the assets, there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the plan's pre-February 2010 liability attributable to employment with the leaving employer compared to the total amount of the plan's pre-February 2010 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt includes a share of any 'orphan' liabilities in respect of previously participating employers.

The amount of debt will depend on many factors including total plan liabilities, plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The potential amounts of debt can therefore be volatile over time.

The trustee's previous policy was that the debt was to apply to employers with pre-October 2001 liabilities in the plan. In July 2011 the Supreme Court handed down its judgement in the Bridge case. This case considered the characteristics that make a scheme money purchase. The Growth Plan is made up of four 'Series'. Prior to the recent judgement by the Supreme Court, Series 1 and 2 of the Growth Plan were considered to be defined benefit and Series 4 defined contribution.

Following the Bridge case, the Department of Work and Pensions introduced retrospective legislation such that where it is possible for a deficit to arise in a scheme, that scheme cannot be regarded as money purchase. This means that Series 3 is now defined benefit and will be taken into account in the calculation of an employer debt. Series 3 ran between October 2001 and February 2010. This will not change the amount of the Growth Plan's deficit, but will change the way in which it is allocated amongst the employers. Those employers with a significant proportion of Series 1 and 2 liabilities will see a reduction in their share of the deficit.

Potential employer debt – contingent liability

The estimated debt is formally calculated every 30 September. The estimate of the position as at 30 September 2011 will be made available in May 2012. Save the Children UK has been notified by The Pension Trust that the recalculated estimated employer debt on withdrawal (taking into account Series 3 liabilities) from the plan based on the financial position of the plan as at 30 September 2010 was £1,305,580 (without Series 3 the estimated employer debt on withdrawal as at 30 September 2010 was £1,858,950). There is no current intention to leave the plan and trigger the contingent liability.

A formal statutory valuation of the plan at 30 September 2011 is currently being undertaken. It is expected that the trustee of the plan will be seeking deficit contributions for the first time starting in 2013. The level of contributions will be determined in 2012 based on the triennial valuation of the plan as at 30 September 2011. These could be of the order of £100,000 per year for Save the Children UK, consistent with a deficit recovery plan of 10–15 years, to be determined by the trustee of the plan.


PHOTO: MAISIE CROW/SAVE THE CHILDREN

"WE CAN BE THE GENERATION TO ENSURE THAT NO CHILD DIES FROM DIARRHOEA OR PNEUMONIA; THAT NO CHILD STARVES TO DEATH OR IS STUNTED."

Justin Forsyth, Chief Executive, Save the Children

Save the Children works in more than 120 countries. We save children's lives. We fight for their rights. We help them fulfil their potential.

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