



NOW MORE THAN EVER



Save the Children

Annual report 2016

2016: THE STORY IN NUMBERS

REACHING CHILDREN

22.1 MILLION

children helped directly through
our work on the ground

58.3 MILLION

more children and adults reached*
and we supported programmes in

68 COUNTRIES

SAVING CHILDREN'S LIVES

14.6 MILLION

children helped through our health
and nutrition programmes
Target: 9.7 million

1.1 MILLION

children helped to escape
extreme poverty
Target: 870,000

EDUCATION

6.2 MILLION

children reached through our
education programmes
Target: 4.3 million

CHILD PROTECTION

323,000

children helped to stay safe
from harm and abuse
Target: 366,000

GIVING CHILDREN IN THE UK THE RIGHT START

23,000

children helped through our education
programmes and our work to provide
families with the basics they need
Target: 23,000

INCOME

£405 MILLION

Income in 2015: £390 million

* A person is reached directly when he or she has received one or more project/programme inputs from Save the Children or a partner; or has participated in activities or accessed services provided by Save the Children, a partner, or institutions or individuals supported by Save the Children or its partners.

A person is reached indirectly through information, education or communication and/or awareness raising efforts; or events conducted or supported by Save the Children or one of its implementing partners; or if a family or community member's wellbeing is expected to be enhanced by a person reached directly by Save the Children or one of its partners.

COVER PHOTO: Amena, five, from Syria is brought aboard our search-and-rescue vessel from a boat in the Mediterranean Sea. (photo: Jonathan Hyams/Save the Children)

Some names have been changed to protect identities.

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KATRINE'S STORY



Katrine, 16, is a refugee from Syria. Two years ago she was made to marry an older man. She's now back with her family in Za'atari refugee camp in Jordan.

"I was 14 years old when I got married. I had to leave here. I didn't know where I was going and I didn't know what was going to happen to me. My husband wasn't a good man. He was very abusive. One day he went out and forgot to lock the door, so I ran to the neighbours and used their phone to call my parents. They picked me up and I returned with them to the camp. I asked for a divorce.

"My life has completely changed since I started coming to this centre [run by Save the Children]. I feel better and have forgotten about the past. I've started an initiative with my teacher about fighting early marriage for girls. I advocate for girls not to get married when they are 14 or 15 – they should get married after they're 18.

"I ask people around the world, please support this centre, because this centre literally changed my life. Centres like this help parents and girls to understand the dangers of getting married too young. I'm sure it will change a lot of people's lives."

VISION, VALUES, IMPACT



HRH The Princess Royal during a visit to our programme in the Philippines

**“Humanity owes the child the best it has to give.”
The vision of our founder, Eglantyne Jebb, still lies at
the very heart of Save the Children today.**

Over the last 47 years I’ve have seen for myself – during visits to programmes across the world, most recently in Ethiopia and the Philippines – how this vision is the driving force behind the work of Save the Children’s staff. But in what are often challenging and complex situations, it takes more than vision and passion to deliver life-saving support to children. It also requires expert knowledge, skill and judgement.

This report shows how Save the Children’s humanitarian and advocacy work helped children around the world get the support they need to survive, learn and stay safe in 2016. I would like to pay tribute to the many people – staff, supporters and volunteers – who make

this vital work possible, often in very dangerous and challenging circumstances.

I am proud of my long association with Save the Children, and this year I am honoured to succeed Her Majesty as its Patron. It is an organisation that embodies a spirit of compassion, openness and excellence. Its values are an inspiration; its achievements, a source of hope for millions of children.

**HRH, The Princess Royal
Patron, Save the Children**

Save the Children is honoured and enormously grateful to have had Her Majesty The Queen as our Patron since 1952, and Her Royal Highness The Princess Royal as our President since 1970. We are delighted Her Royal Highness will continue her vital work to increase awareness of what we do around the world and to raise funds for our work with children as Patron of Save the Children.

EVERY LAST CHILD

2016 was a year of huge change and uncertainty. Few of us predicted the tumultuous political events that are still unfolding.

For Save the Children it was certainly a challenging year. In Syria, Yemen, north-east Nigeria and elsewhere across the globe, children faced appalling violence.



Peter Bennett-Jones,
Chair of Trustees

Despite the world adopting an ambitious new set of international development targets – the Sustainable Development Goals – many countries are on a path that will leave them far short of the targets set. Meanwhile, in the UK, we witnessed an unprecedented attack on overseas aid.

Save the Children responded to the challenges we faced in 2016 at scale and in depth. Last year, we supported programmes in 68 countries, directly helping 22.1 million children survive, learn and stay safe. Our humanitarian responses reached 2.5 million children whose lives have been torn apart by conflict and disaster, and we have been at the forefront of efforts to make the case for UK aid.

The range of our work last year was remarkable. In September we launched our first ever search-and-rescue mission at sea in response to the refugee crisis, saving more than 2,700 lives, including 435 children. Our 'signature programmes' – designed to be replicable at scale and to leverage support from governments, partners and donors – tackled diarrhoea in Nigeria, Pakistan and India; supported Rwanda's children to learn to read; and helped keep children out of harmful institutions in Indonesia. In Yemen and South Sudan, we worked in war zones to save children's lives, running schools and delivering life-saving treatment for malnourished children. Here in the UK, we supported children in some of our poorest families and launched a campaign for every child to get the best possible start at nursery.

Save the Children's impact in 2016 was made possible by the extraordinary support we received from the UK public – from the volunteers in our shops and local groups campaigning for our cause, to our committed regular givers, to those who ran or cycled to fundraise for us, and the estimated 5 million people who donned festive knitwear on Christmas Jumper Day. Thanks to the generosity and commitment of our supporters and donors we raised a record income of £405 million in 2016.

Kevin Watkins, Chief Executive of
Save the Children



The achievements described in this report are testament to the dedication, skill and energy of our staff, supporters and volunteers. Our organisation is determined, creative and experienced. Together, we do whatever it takes to support children in the toughest situations.

The choices we make now will shape the future of our world for our children and their children. We could continue the remarkable progress we've seen over the past 20 years in child survival, education and poverty reduction, or we could fail to seize this opportunity and see those precious gains slip into reverse.

The risks are increasingly evident. As this report goes to press we are responding to food emergencies that threaten millions of children.

Save the Children will do everything in its power to ensure every child has the chance of a future. As we approach our hundred-year anniversary in 2019, we've identified three goals (see pages 26–27) to transform the lives of some of the world's most disadvantaged children. Our founder, Eglantyne Jebb, would have demanded nothing less.

We are ambitious because our mission for children and the times we live in demand decisive and transformative action. We know that, together, we have the power to transform children's lives. That's tremendously exciting. We very much hope you feel the same – and that you will want to be part of what we're working to achieve. Building public support and powerful partnerships – with the private sector, institutional donors and philanthropists – is crucial to what we want to achieve.

Together we have a remarkable opportunity. Together we can give every last child the chance to fulfil their extraordinary promise.

A handwritten signature in black ink, appearing to read 'Kevin Watkins'.

Kevin Watkins,
CEO, Save the Children

A handwritten signature in black ink, appearing to read 'Peter Bennett-Jones'.

Peter Bennett-Jones CBE,
Chair of Trustees, Save the Children

WHO WE ARE

Save the Children is the world's leading independent organisation for children. We save children's lives. We fight for their rights. We help them fulfil their potential. In everything we do we aim to put the most deprived and marginalised children first.

WHAT WE DO

With your tremendous support, we change the world for children through innovative programmes, bold campaigns, independent advocacy and high-impact partnerships. We work in the UK and globally.

As a member of the Save the Children movement, Save the Children UK implements programmes in the UK, while international programmes are delivered by Save the Children International. This model of a single programme-delivery structure enables us to align activities across Save the Children members and maximise our collective impact for children.

OUR VISION

A world in which every child attains the right to survival, protection, development and participation.

OUR MISSION

To inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives.

OUR VALUES

We will stay true to our values of accountability, ambition, collaboration, creativity and integrity.

GLOBAL STRATEGY: AMBITION FOR CHILDREN

In 2015, the Save the Children movement agreed a new Global Strategy: Ambition for Children 2030. We also published a strategic plan for 2016-2018. Through this strategy, we will harness our resources, energy, knowledge and expertise to drive our three global breakthroughs for 2030:

Survive: no child dies from preventable causes before their fifth birthday

Learn: all children learn from a good-quality basic education

Be protected: violence against children is no longer tolerated.

OUR THEORY OF CHANGE

The Save the Children movement has agreed a common 'theory of change' which incorporates a three-tier approach:

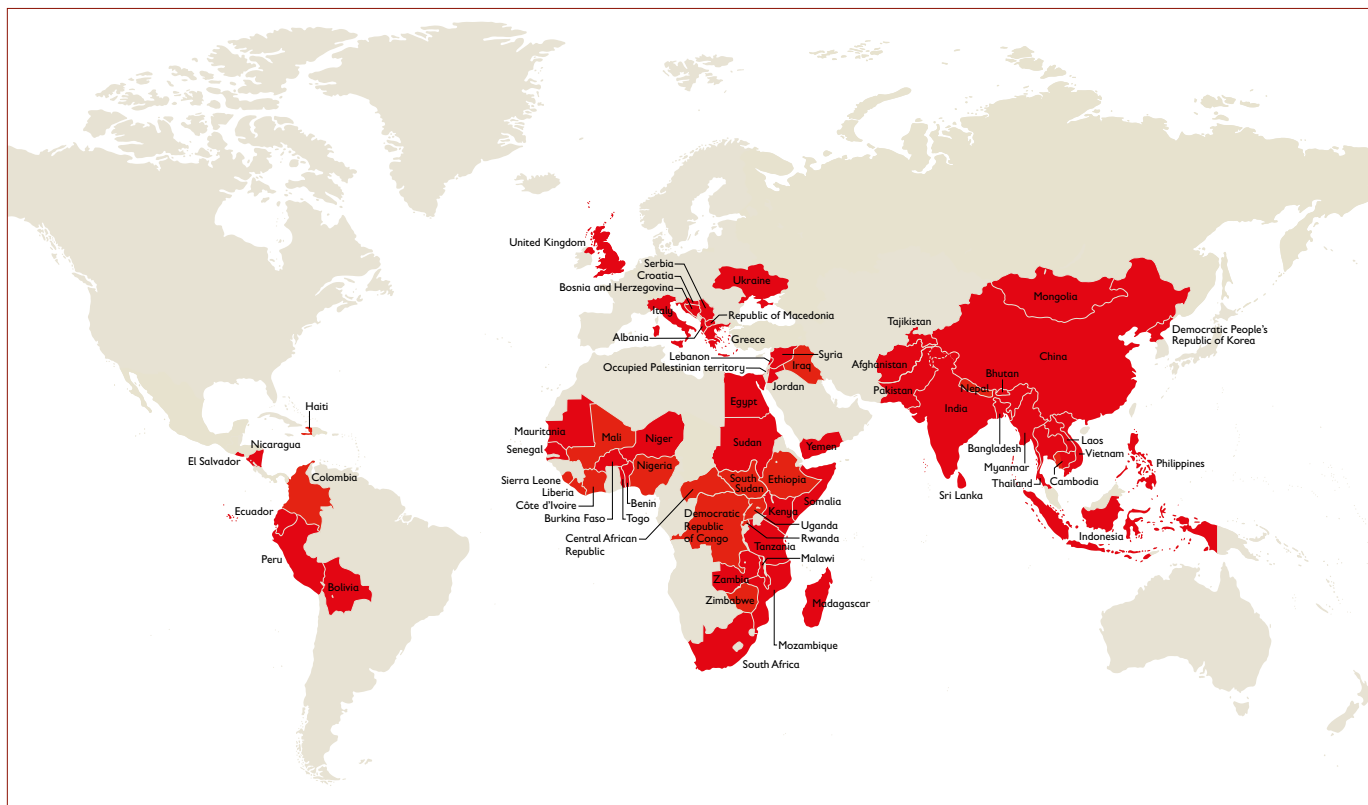
- directly helping millions of children through our programmes on the ground
- collecting evidence of what works to convince others to replicate this at scale
- mobilising mass support for change.

To support this, we build strong partnerships with communities, governments, businesses and other organisations.

WHERE WE WORK

As a global movement, we are made up of 29 member organisations, operating in around 120 countries. Last year the Save the Children movement directly reached 56.3 million children. As part of this work, Save the Children UK supported programmes in 68 countries, directly helping 22.1 million children.

COUNTRIES SAVE THE CHILDREN UK SUPPORTED IN 2016



5 KEY ACHIEVEMENTS IN 2016

From saving refugee children at risk of drowning in the Mediterranean to the spread of Christmas Jumper Day fever across the UK, 2016 was a year of remarkable achievement for Save the Children.

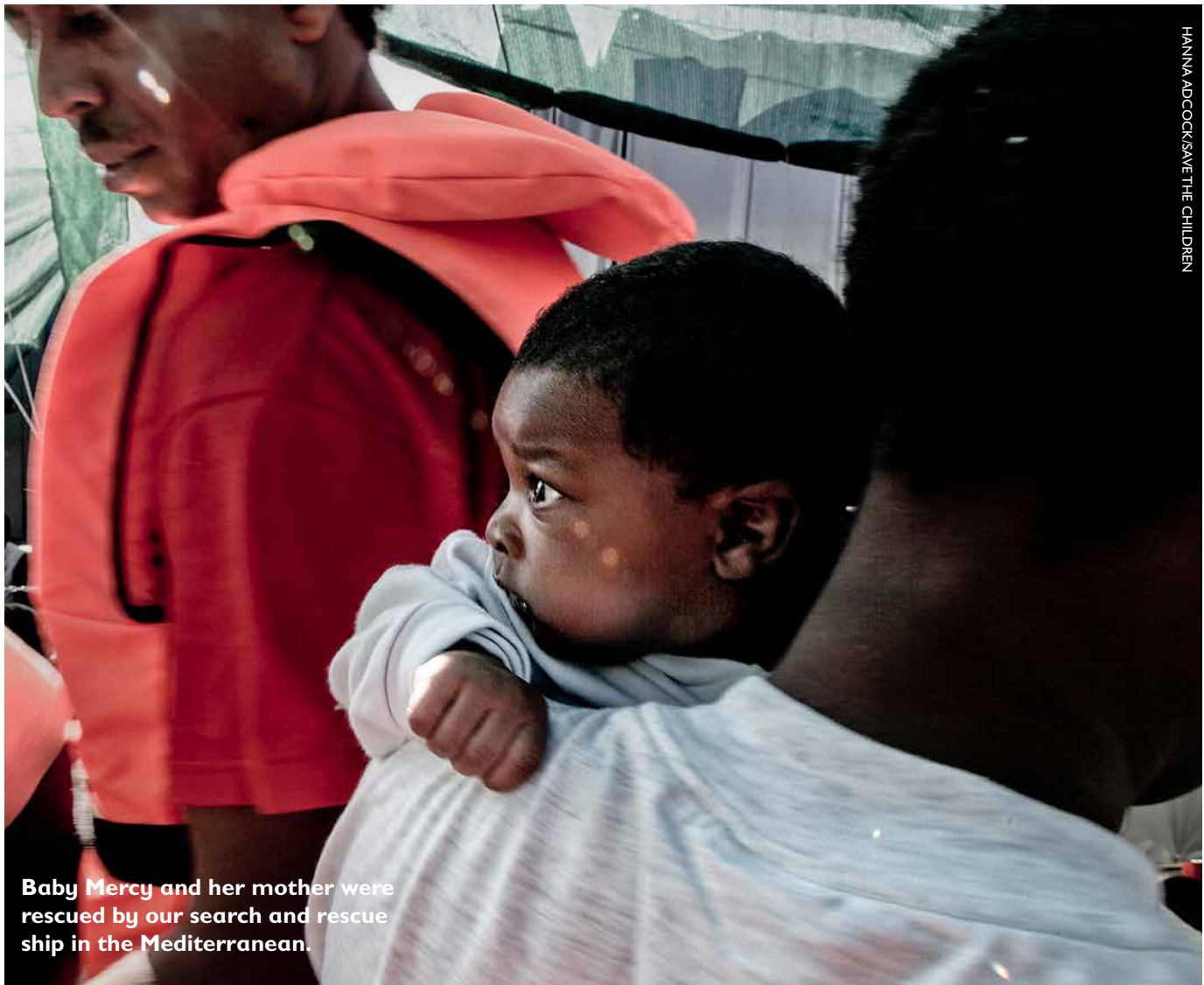
STANDING UP FOR EVERY LAST CHILD

The world has made real progress for children in the last two decades, with fewer children dying and many more in school. But millions of children are still being forgotten – or ignored. They're left behind because they belong to a minority group or happen to live in the 'wrong' place, or because they're a girl, a refugee or disabled.

Last year, we launched our Every Last Child campaign around the world – from Nepal to Nicaragua – to call on decision-makers to support vulnerable and forgotten children. Here in the UK nearly 30,000 people signed our petition to Prime Minister Theresa May to do everything she can to ensure that these excluded groups are reached.

SEARCH AND RESCUE

Crammed into dinghies and boats, huge numbers of children and adults – many fleeing war, violence and torture – faced a terrifying, and deadly, ordeal. It's estimated 5,000 people lost their lives trying to cross the Mediterranean last year.



Baby Mercy and her mother were rescued by our search and rescue ship in the Mediterranean.

The refugee crisis has divided political opinion. But for us it was simple: we had to act to save lives. In September we took the bold step of launching our first-ever search-and-rescue vessel, *Vos Hestia*. Our skilled crew have been out at sea 9 times and have rescued more than 2,700 people, including more than 400 children. 80% of the children rescued have been unaccompanied.

Here in the UK we led the campaign to secure a reversal in government policy on refugee children alone in Europe. We worked with Lord Dubs and a cross-party group of parliamentarians to secure an amendment to the Immigration Bill in May which led to the UK government announcing that it would offer sanctuary to vulnerable lone children who have arrived in Europe. This resulted in hundreds of refugee children in Calais reaching safety in the UK, but we've been disappointed that more progress hasn't been made and continue to push for further urgent action for children in Europe.

PROTECTING CHILDREN IN WAR

Children should never be the targets of war. But last year in countries around the world, we saw young lives devastated by conflict. We worked in the toughest situations to save children's lives. In Syria our partners provided healthcare and ran schools in war zones. In Yemen and South Sudan we delivered life-saving treatment for malnourished children. Thousands of our supporters emailed their MPs to call on the government to act to protect Yemen's children. And at Christmas our supporters, as well as our partners GSK and Pearson, gave over £1 million through The Sunday Times Children in War Appeal for our frontline work in Yemen, Syria and Iraq.

GIVING CHILDREN IN THE UK THE RIGHT START

A child's early development – even before they start school – is critical for their future. Our research in the UK shows that if children fall behind as toddlers, they're at risk of never catching up. Last year, we campaigned to stop children falling behind before they've even begun their education. Our campaign for a qualified early years teacher in every nursery – crucial to helping our youngest children do better – picked up strong momentum in the media and in parliament, and 25,000 people signed the petition on Change.org for increased investment in nursery care. Meanwhile, we helped 23,000 children in the UK through our

education programmes and our work to provide families with basics they need, like a cooker or a bed for a child.

CHRISTMAS JUMPER DAY

Save the Children's Christmas Jumper Day has become an established date on the national calendar. Last year an estimated 5 million people took part in the festive frivolity – including setting a suitably eccentric world record for the most number of people jumping in a Christmas jumper! On this day the UK public came together and raised £4 million to help some of the world's most vulnerable children. Silly got serious.

A CHALLENGING YEAR

While we are proud of our achievements in 2016, we faced a number of challenges to our ability to work effectively to help children. These included the difficulties inherent in operating in complex environments and in meeting our commitment to improving our impact. We also faced the challenge of raising the funds we need to operate at the scale we want to in some critical crises.

In response to these challenges, last year we:

- **worked with the wider Save the Children movement to develop a shared framework to report on the results and impact of our work (see page 18)**
- **sharpened our strategy to focus more closely on key areas where we can make the most impact for children (see pages 26–27).**
- **continued to improve our supporter experience in order to deliver on our Supporter Promise and comply with the changing regulatory context (see page 37)**
- **strengthened our programme-operating platform in some of the complex environments where we work to address risks such as corruption and fraud, and to improve monitoring and evaluation of our work (see pages 40–45)**

For more details on the risks we faced in 2016 and how we tackled them, see pages 40–45.

OUR PERFORMANCE AGAINST OUR STRATEGY

Children today face deadly threats – from hunger and poverty, from increasing inequality, from the changing nature of conflict, from climate change and environmental disasters. We're determined to respond to those challenges.

OUR STRATEGIC FOCUS IN 2016

Against the backdrop of these changes, the Save the Children movement has agreed both a 15-year global strategy and a more detailed 2016–18 strategy. These set the overall strategic direction for the work of Save the Children UK. In our 2015 Annual Report we set out the

priorities for our work in 2016 under three key objectives:

- delivering world-class impact for children
- becoming a cause of millions
- building an outstanding organisation.

We report back on these objectives on pages 11–25.

We also worked during 2016 to review our strategy for the coming years; pages 26–27 in this report look forward to how we will address emerging challenges and leverage new opportunities to improve our impact for children and families in 2017 and beyond.

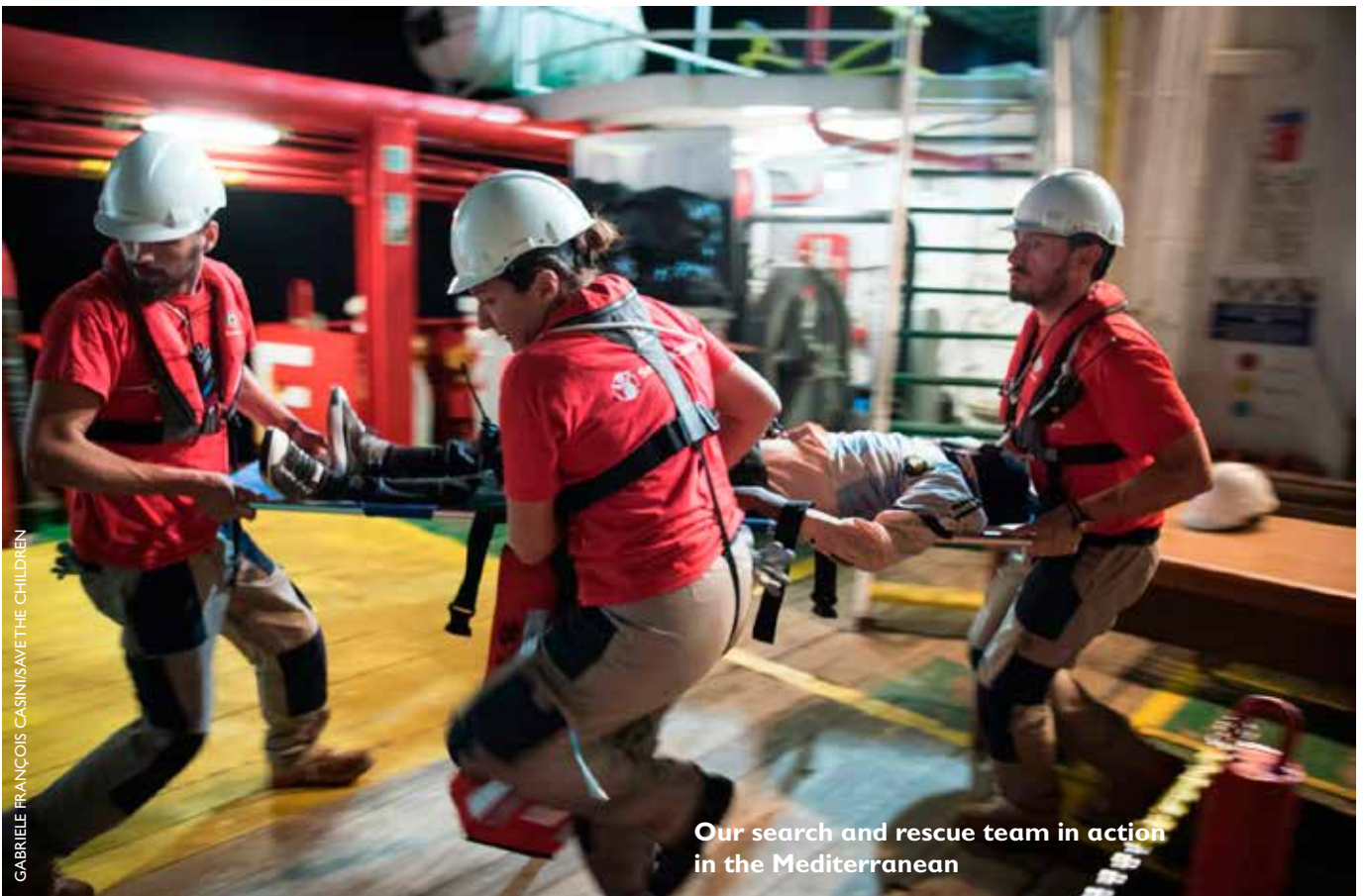


TOMMY TRENCHARD / SAVE THE CHILDREN

In 2016, in response to a food crisis affecting an estimated 4.7 million people in North East Nigeria, Save the Children established seven nutrition centres where children are screened for signs of malnutrition and provided with protein-rich therapeutic food.

WORLD-CLASS IMPACT

2016 Objective: “We will ensure that all children, even the most marginalised, survive, learn and are protected by delivering high-quality programmes and frontline humanitarian aid in the UK and around the world.”



GABRIELE FRANÇOIS CASINI/SAVE THE CHILDREN

Our search and rescue team in action in the Mediterranean

In 2016, we supported programmes in 68 countries, directly helping 22.1 million children survive, learn and stay safe, including 2.5 million children caught up in humanitarian crises. Through our advocacy for children we secured a commitment that lone refugees in Europe would be offered sanctuary in the UK. We also won pledges on vaccinations, education and malnutrition from governments from Nigeria to Myanmar.

Our goal to achieve World-Class Impact incorporates three complementary approaches:

- long-term development programmes and projects
- humanitarian aid responses
- advocacy and campaigning work to influence policy and behaviour.

On the following pages, you can read about some of the successes we achieved during 2016, under our three core themes of child survival, education and protection.

We work with Save the Children International country offices to develop our range of programmes both to reflect needs in those countries and to respond to funding opportunities from donors.

SURVIVE



Suriya, age one, from Kinshasa, receiving a yellow fever vaccination.

In 2016 we did whatever it takes to help children survive. We rescued refugees at risk of drowning at sea; assisted in an emergency mass vaccination to tackle a deadly outbreak of yellow fever; innovated to improve the way the world tackles acute child malnutrition; secured political commitment to life-saving immunisation in Africa; and developed sustainable approaches to help break the cycle of poverty.

In 2016 we reached 14.6 million children through our life-saving health and nutrition programmes.

RESCUE AT SEA

An estimated 5,000 people lost their lives trying to cross the Mediterranean last year – most of them seeking to cross from North Africa to Italy. Appalled by this situation, in September last year the Save the Children movement launched a search-and-rescue vessel, the *Vos Hestia*. Based out of the Sicilian port of Augusta, this 194-foot, Italian-flagged ship supported the rescue of 2,705 people last year, including 435 children. 80% of the children we have rescued have been unaccompanied.

The vessel was able to provide immediate emergency care to those rescued, through an on-board clinic, staffed by a doctor and two nurses, and fully equipped to treat

everything from seasickness and minor cuts to severe fuel burns and malnutrition. The rescue operation was paused for the winter, for resumption in April 2017.

TACKLING A DEADLY YELLOW FEVER OUTBREAK

Building our frontline humanitarian health capability is core to what we're aiming to achieve for children. In 2016, our Emergency Health Unit – in its second year of operation – had three primary health teams in place.

In June, West Africa was hit by a devastating yellow fever outbreak. Symptoms of the disease include headaches, fever, vomiting, kidney failure, bleeding from the eyes and mouth, and death. There is no reliable cure. By July, 1,907 suspected cases had been reported in the Democratic Republic of Congo (DRC), including the capital, Kinshasa. While a mass vaccination campaign normally takes months to prepare, this crisis needed a far quicker response. We quickly deployed our Emergency Health Unit – a network of teams of doctors, nurses and logistics experts primed to respond to emergencies anywhere in the world at short notice. Together with staff in our DRC country office, our Emergency Health Unit supported government health workers to vaccinate more than half a million people, including a quarter of a million children, in just a few weeks.

In temperatures of 30°C plus, our logisticians ensured vaccines were kept cool en route to immunisation sites. And when global stocks of yellow fever vaccine became desperately depleted in the midst of the crisis, our health team innovated a ‘fractionalised dose’ of the vaccine that gave at least 12-months protection (rather than the life-long protection offered by the full vaccine). Thanks to the speed and breadth of the response, the yellow fever outbreak was contained.

SECURING COMMITMENTS TO LIFE-SAVING IMMUNISATION

African countries have made impressive progress over the last decade in immunising children against killer diseases. But progress has started to plateau. One in five children in Africa is not getting the life-saving vaccinations they need.

Save the Children targeted the Ministerial Conference on Immunisation in Africa in February last year as a crucial opportunity to push for renewed commitment and progress on vaccination. Before and during the conference we met with health ministers and other key stakeholders from Nigeria and the DRC, and we shared our research and analysis with participants. Given the crucial role of civil society organisations in encouraging community participation in immunisation and in holding governments to account, we also helped organise and facilitate the civil society side event, and shape a civil society declaration that was endorsed by more than 80 organisations.

The conference achieved real progress. The closing Declaration – endorsed by African ministers of health and finance, among others – reflected our call for universal access to immunisation. The Declaration has since been endorsed by African heads of state, representing a historic commitment from the highest level of government towards universal immunisation coverage. We are now following up on those commitments with individual governments, and with the African Union and World Health Assembly.

STOP DIARRHOEA

Diarrhoea kills more than half a million children a year. Yet it is a completely preventable and treatable condition. In Nigeria our Stop Diarrhoea initiative – a partnership with RB – is working with the government and other partners towards the introduction of the life-saving rotavirus vaccine, which prevents one of the most deadly forms of diarrhoea.

Last year the Nigerian government gave formal agreement to trial the introduction of the vaccine in our target district of Shomolu in Lagos. 200,000 vials of the vaccine were procured at a subsidised price, and

we carried out an assessment of the readiness of the local health system to be able to deliver the programme. This will inform plans to deliver the vaccine nationally. Our key partners in this work are the government of Nigeria, UNICEF, the World Health Organization, the Clinton Health Access Initiative, GSK and RB.

SAVING NEWBORN BABIES’ LIVES

Our programme Boresha – which focuses on maternal and newborn health – recently introduced a life-saving treatment for newborn babies in Kenya’s Bungoma county. Working in partnership with the Kenyan Ministry of Health, GSK and DFID under its Aid match scheme, we gave new mothers chlorhexidine gel, a treatment that studies have shown to be effective in preventing newborn sepsis – the cause of approximately 7% of newborn deaths.

We set up a study to assess the treatment’s take-up and suitability among local people. The results were very positive: 99% of mothers provided with the gel used it on their newborns; all the health professionals in the study recommended it for scale-up. The study also highlighted learning points – in particular, the need for adequate preparation among communities and training for health workers, and the importance of providing clear information about the treatment in local languages.

TACKLING CHILD MALNUTRITION IN MYANMAR

More than a third of children under five in Myanmar are stunted, a clear sign of high levels of malnutrition. We have been working for a number of years to tackle the country’s underlying child malnutrition crisis and have gathered evidence of how cash transfers and behaviour change communication can improve children’s nutrition. We have used this experience to influence government policy, culminating in a visit by State Counsellor Aung San Suu Kyi – immediately before the start of the first national meeting on nutrition – to one of our cash transfer projects. The Department of Social Welfare is now rolling out a mother and child cash transfer project in Chin State, with Save the Children and UNICEF providing technical assistance.

LEARN



Serena, age three, from London, with her nursery teacher

Education is every child's right – and their best chance of a future. We strive to ensure children in the toughest situations don't miss out.

Last year our education programmes reached 6.2 million children. Our campaign for investment in early years education in the UK pushed this issue up the political agenda, while our advocacy helped secure a global commitment to the education of refugee children.

EARLY YEARS EDUCATION IN ENGLAND

Our research has shown that here in the UK far too many children have fallen behind in their language and cognitive development at a very young age, with the risk that they will never catch up. Children from disadvantaged areas are particularly affected. Last year in England we campaigned for greater investment in pre-school education – calling for a qualified early years teacher in every nursery. Our campaign – which was backed up by three research reports over the year – attracted significant media interest and the UK government reversed its decision to scrap a funding pot designed to boost nursery quality. In 2017 we will continue to push for further progress in support for our youngest children.

As part of the Read On. Get On. coalition, we also called for greater support for children's reading in school. In Northern Ireland, Scotland and Wales we secured election pledges

from key party leaders for our goals for early literacy and nursery quality.

A CALL FOR REFUGEE CHILDREN'S EDUCATION

With an estimated 3.7 million refugee children out of school in the world today, and more than half of refugees displaced for over ten years, we're calling for all child refugees to have access to good-quality, inclusive education as a matter of urgency – and within 30 days of displacement in future. Last year we saw significant progress in achieving these aims.

When the UN General Assembly met in September, we made sure they heard the voice of a refugee child. Lana, a refugee girl living in Jordan, spoke via the UN's first-ever live video link about her desire to go to school and urged world leaders to do everything they can to ensure children like her had access to education. Our Jordan country office and staff in New York had worked with UN officials to make this happen. Governments at the General Assembly agreed to provide good-quality education for refugee and migrant children 'within a few months' of being displaced. And the General Assembly also saw pledges of funding from Denmark and Canada to Education Cannot Wait – the newly established fund for education in emergencies that Save the Children helped set up earlier in the year, working with leading donors such as the UK government.

At President Obama's Leaders' Summit on Refugees, held during the UN General Assembly, donor and refugee-hosting countries committed to increase educational services for 1 million out-of-school refugee children. And the World Bank President announced the creation of a new funding window for refugee-hosting countries – including middle-income countries like Jordan and Turkey – which could potentially mobilise billions of dollars of funding for refugee communities, including for education. These were important first steps, which we will build on in our efforts to close the funding gap for refugee education globally and ensure that all of the world's refugee children have access to good-quality learning opportunities.

SUPPORTING CHILDREN'S EDUCATION IN ETHIOPIA AND BHUTAN

In Ethiopia's Somali region – one of the country's most disadvantaged areas – we're helping children get the opportunity to learn and the chance of a future. Our programme, funded by DFID as part of the Peace and Development Programme, helps train teachers – with a strong focus on teaching reading; invests in school management committees; builds classrooms; and ensures

children have access to books – through mobile library services carried by camels and the production of Somali-language books. We have supported more than 300 schools, which are now serving more than 110,000 children with better school buildings and better-trained teachers.

In two pilot areas of Bhutan – Thimphu city and Zhemgang district – we've introduced the Children's Book Initiative. Our project has trained 20 local authors, 16 illustrators, and 342 teachers; gifted 20,000 books – including 20 new titles – to schools and communities; and worked with the local community and government to develop children's reading opportunities and skills.

Our evaluation found that as a result of our initiative, students on the scheme are more likely to enjoy reading and have better access to storybooks at school and home. Teachers who have taken part in our training are more likely to include a reading activity in their lessons and demonstrate good reading practices. And our work has influenced the government's own reading strategies.



PROTECTED



Selim, 12, left home after his brother beat him. He now sleeps on the streets in Dhaka, Bangladesh. Our centre for street children supports children like Selim.

The appalling suffering inflicted on many vulnerable children – beaten, abused, tortured and trafficked – demands urgent and concerted action.

Last year we helped keep 323,000 children safe through our protection programmes, while our award-winning refugee campaign helped shift government policy towards lone refugee children in Europe.

HELPING CHANGE UK POLICY ON LONE CHILD REFUGEES

Last year in the UK we welcomed a reversal in UK policy on refugee children, following the campaign that we led on this issue. We worked closely with parliamentarians across political parties, including Lord Dubs, a former child

refugee himself, and in May, following his amendment to the Immigration Bill, the UK government announced it would offer sanctuary to vulnerable lone children who have arrived in Europe.

Our campaign brought together political, public and media pressure. We carried out targeted lobbying with MPs – including taking MPs to visit refugee camps in Lesbos, Greece – to help secure cross-party calls for action. More than 60,000 people got involved by signing petitions, emailing MPs and then sending messages of thanks to the government. We helped generate powerful coverage of the issue in the media, culminating in front-page support for our campaign from the Daily Mail, which declared the government's reversal “a victory for compassion”. Yvette Cooper MP, Chair of the influential Home Affairs Select Committee,

said Save the Children campaigners had been “essential for the government to make this decision”. Our campaign was named Voluntary Sector Campaign of the Year at the Public Affair Awards.

Since the announcement, we have been alarmed by the government’s lack of progress in delivering on its commitment, with only low numbers of unaccompanied child refugees brought to the UK. We continue to push for more action to support lone children in Europe.

SUPPORTING THE DEVELOPMENT OF A CHILD PROTECTION SYSTEM IN INDIA

In India, as elsewhere, children face a multitude of protection issues: sexual abuse, early marriage, and trafficking for sex and domestic work. We’re supporting governments in three Indian states – Bengal, Jharkhand and Odisha – to develop a well-trained and qualified child protection workforce.

The government of India introduced its Integrated Child Protection Scheme back in 2009, bringing all the different initiatives to protect children under one umbrella. However, we found that few staff at district level – where child protection services are delivered – had experience and training in child protection.

To help address these challenges, we piloted a competency-based approach to training district-level staff, through a partnership with the three state governments and the UK’s leading social work training organisation. Working with district child protection units, we have agreed job descriptions, drafted occupational standards and organised training for the district child protection officers. Last year, we helped identify and train 24 study mentors to carry out on-the-job assessment and support participants in the scheme. District-level child protection staff will have the opportunity to gain a qualification and we’re advocating for the occupational standards to be integrated into the National Skills and Qualifications Framework in India.

PUSHING FOR PROGRESS ON THE SUSTAINABLE DEVELOPMENT GOALS

Save the Children was closely involved in the development of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), which were adopted by global leaders at the 2015 UN General Assembly. Our advocacy to put the poorest and most excluded children first helped make the ‘Leave No One Behind’ pledge a central pillar of the new Agenda. Last year, as part of our global Every Last Child campaign, we offered governments tangible, achievable and actionable suggestions on how they can deliver on this pledge.

At the United Nations in March we launched our global report, *From Agreement to Action* – which sets out a ten-point plan for implementation of the SDGs – bringing together more than 20 member states and senior representatives from UN agencies and civil society. The President of the UN General Assembly commended Save the Children as a leading thinker in this area. Many of our recommendations were reflected in member states’ own plans for implementing the SDGs, which they presented at a UN forum in July.

In December, we launched our briefing *Realising the Pledge*, offering practical guidance to donors and recipient country governments to ensure that their implementation plans for the SDGs put the needs of the most vulnerable children first.

DELIVERING WORLD-CLASS IMPACT

Our ambition to achieve change for children rests on our ability to deliver impact at scale and in depth. Last year, we identified a number of strategic priorities to help us achieve our objective of World-Class Impact.

UNDERSTANDING OUR IMPACT

We are committed to capturing, communicating and using evidence of our programme impact. Over the last five years we have invested in a number of initiatives, including:

- flagship signature programmes with robust evaluation frameworks using independent evaluation approaches executed in partnership with external research think-tanks and universities
- enhancing our evidence and evaluation capacity in three core teams across our development, humanitarian and advocacy work, focusing on driving best sector practice in measurement of impact, learning and programme evidence
- allocating up to 10% of our programme activity budgets to tasks related to monitoring, evaluation, accountability and learning.

In 2016, as part of the wider Save the Children movement, we worked to improve our understanding of our impact through a shared global Results Framework. This framework builds on and complements our current ability to report on the results and impact of our work and progress towards our three strategic breakthroughs – to ensure children survive, learn and are protected. The framework will enable us to gather evidence of this impact through:

- tracking progress towards key Sustainable Development Goal indicators in priority countries
- capturing our impact against a set of global learning questions and some of our key evidence-based approaches
- demonstrating change in children's lives because of our advocacy, campaigning, gender and resilience approaches
- supplementing our total reach evidence to demonstrate the impact we are having on children that are most marginalised and left behind.

The framework will enable us to map our work against the Oxford Poverty and Human Development Initiative multidimensional poverty index – a comprehensive database of information on poverty within each country.

SIGNATURE PROGRAMMES

Our signature programmes – large-scale, multi-level programmes that are designed to be replicable at scale and to leverage powerful support from governments,

partners and donors – are critical to our capacity to deliver world-class impact for children. Six of our nine signature programmes are now fully funded. Three of our established signature programmes – in Rwanda, Kenya and Indonesia – have influenced national policy. Our new Stop Diarrhoea programme in India and Nigeria – a partnership with RB – has shown encouraging progress.

Country	Signature programme	Theme
Rwanda	Advancing the Right to Read	Education
Nigeria	Child Development Grant Programme	Hunger and livelihoods
DRC	Unite for Maternal and Child Health	Health and nutrition
Indonesia	Families First	Protection
Kenya	Boresha: Unite for Maternal and Child Health	Health and nutrition
UK	FAST (Families and Schools Together)	UK poverty
Nigeria	Stop Diarrhoea	Health and nutrition
India	Stop Diarrhoea	Health and nutrition
Bangladesh	Suchana: Ending the cycle of malnutrition	Hunger and livelihoods

HIGH-PERFORMING ORGANISATION

We continued to work with Save the Children International in the high-performing organisation agenda, which seeks to strengthen our shared operating platform. We have strongly supported the roll-out of key projects in areas such as award management, project management and effective cost allocation.

UK PROGRAMMES

Last year we strengthened the links between our UK programmes and our policy, advocacy and campaigns work. We reached 23,000 children in the UK in 2016 through our education programmes and our work to provide families with basics they need.

PRIVATE-SECTOR PARTNERSHIPS

In 2016 the progress we've made in developing socially transformative partnerships with the private sector was recognised when our partnership with GSK was ranked as the 'most admired' partnership in C&E Advisory's Corporate NGO Partnerships Barometer. The award recognised the

innovation, scale and impact of our ground-breaking and multi-faceted partnership.

Throughout the year, we continued our work to develop the next generation of innovative private-sector partnerships that harness partners' skills and expertise to achieve social benefits. For example, last year we launched an exciting new partnership to support vanilla-farming communities in Madagascar with Unilever, vanilla supplier Symrise and GIZ, the German Agency for International Cooperation.

Our wide range of new and ongoing private-sector partnerships provided vital support for our work and achievements in 2016. With the Prudence Foundation we launched a new phase of our First Read education programme in Cambodia and the Philippines. In Nigeria our Stop Diarrhoea partnership with RB helped influence the Nigerian government to pilot the roll-out of the life-saving rotavirus vaccine in Lagos (see page 13).

We worked with Pearson on a series of advocacy activities to raise awareness of the vital need to improve education for refugee children (see page 9) – from the World Humanitarian Summit to the United Nations General Assembly, where we exhibited a striking series of images by photographer Patrick Willocq. Our Every Child Learning partnership with Pearson aims to improve education for vulnerable children affected by the Syria Crisis. In 2016, we worked together to research and develop education solutions. From 2017, we will pilot these solutions, which includes a new partnership programme and integrated digital learning application in Jordan.

Through our partnerships with Arsenal and IKEA, we harnessed the combined power of our brands to deliver high-impact media moments and consumer campaigns to huge audiences in support of our global programmes and advocacy work. We are very grateful for the generous support we received from many more companies in 2016, including Thomson Reuters IFR Awards series, Papa John's, Johnson&Johnson and Bulgari.

PARTNERSHIPS WITH GOVERNMENTS, TRUSTS AND FOUNDATIONS

Our partnerships with national and multilateral government institutions, trusts and foundations are fundamental to our work. In 2016 our charitable activity income from institutional and corporate partnerships was £271 million. Examples of innovative work with partners are documented throughout this report, including our work with the World Health Organization (see page 13), the UK government (pages 9, 14, 15, 16 and 21) and UNICEF (page 13).

The UK Department for International Development (DFID) continues to be a key strategic partner – both in financing our programmes and in our work advocating for change.

Together, last year, we helped millions of children survive, learn and be safe. In 2016 we secured multi-year contracts worth £91 million with the UK government to continue this work.

We are one of DFID's key civil society partners implementing around 60 UK government-funded projects, many in fragile states, including South Sudan, Somalia and Yemen. With DFID funding, we responded to a number of emergency responses, including addressing the effects of El Niño across Southern Africa, and to many smaller, less well known emergencies through the START Network of 42 NGO partners, which we host. Increasingly we are working to prepare communities for emergencies and to make them more resilient to them, for instance, in Mozambique and Malawi.

2016 was the last year of DFID's Programme Partnership Arrangement funding mechanism, which over the last 16 years provided us and many other NGOs with a very valuable source of finance for innovative programming and organisational development. Much of our DFID funded work continues to be for longer-term development projects, including the match-funded child health project in DRC; the provision of cash transfers to allow girls to attend school in Malawi; a major nutrition programme in Bangladesh, which is now joint funded by the European Union; child protection work in Northern Nigeria; work to empower women and girls in Somalia; and increasing access to good-quality care for preterm and low-birthweight babies in Kenya.

Last year, we continued to work closely with UN agencies. In 2016, we were awarded £13.7 million funding from UNICEF, and £14.8 million from other UN organisations.

The European Commission's Humanitarian Aid and Civil Protection Department (ECHO) is a key partner in our programmes and in our advocacy work. In 2016 we were awarded £25.4 million funding from ECHO to support programmes reaching the most vulnerable children in countries afflicted by conflict and environmental disasters. EuropeAid (the European Commission's Directorate General for International Cooperation and Development) awarded us £25.7 million to support our programmes.

Our partnership with the World Bank secured £3.6 million to support our ambitious programme work. We also continued to work closely with the Bill and Melinda Gates Foundation, securing £378,078 in 2016. The Oak Foundation awarded us £2.7 million. Many others supported our work in the UK in 2016, including Big Lottery Fund and the STV (Scottish Television) Appeal, and we secured funding for our UK work from the governments of Scotland, Wales and Northern Ireland. In addition, we maintain strategic and programmatic partnerships with Comic Relief, the Children's Investment Fund Foundation, and the Global Partnership for Education.

A CAUSE OF MILLIONS

2016 Objective: “We will inspire brilliant supporter engagement and action to change policies and minds, and generate income for our cause.”

The incredible efforts of our supporters were critical to our achievements in 2016. In one of the most turbulent years in recent memory, our supporters stood firm for children around the world. And through their support for our campaigns, they helped shape the public conversation on crucial issues and influence governments to create positive change for children.

Last year, we were privileged to have the tremendous support of close to 700,000 people across the UK. This included almost 400,000 supporters who give to us each month; 125,000 people who supported our appeals and campaigns; 150,000 supporters who organised events or took on amazing challenges to raise money for children; and 13,000 volunteers who worked in our shops, spoke at events or donated their skills in other ways. We are also enormously grateful to 897 dedicated supporters who remembered us with a gift in their will, donating an amazing £19 million: a wonderful legacy to some of the most disadvantaged children around the world.

PUTTING OUR SUPPORTERS AT THE HEART OF WHAT WE DO

Our supporters are critical to our cause. We know we need them at the core of everything we do if we're going to achieve our ambitions for children.

So, in 2016 we listened to our supporters more closely than ever before. We sought to reflect their needs and concerns in all our supporter communications and activities – and give them an inspiring experience of our cause. We trained and closely monitored our phone operators to ensure they had relevant and meaningful conversations with supporters. We empowered our Supporter Care team to go above and beyond what would typically be expected in addressing supporters' concerns and queries. And we endeavoured to deliver only the most relevant stories and campaigns to our supporters, based on what they told us. We also invested in a long-term 'digital transformation' project in order to deliver a personalised experience to our supporters that will inform, inspire and empower people to act for children.

Our focus on results for children in tandem with our supporter-centric approach was recognised when we won “Fundraising Team of the Year” at the National Fundraising Awards.

EVERY LAST CHILD

In April, we launched a new global campaign, Every Last Child, to call for no child to be left behind. We committed to fight for every child to have access to healthcare, education and protection, no matter who they are or where they live.

30,000 of our supporters signed our petition, calling on the Prime Minister to work with us to help reach every last child. Our report highlighted the shocking inequalities that children all over the world face due to a toxic mix of poverty and discrimination. To illustrate this, we communicated with our supporters and the wider public about the terrible risks of abuse and trafficking faced by children living on the streets in Bangladesh, and explained the work we're doing to support these vulnerable boys and girls. In London, Manchester and Edinburgh we ran special events for some of our most dedicated – and vocal – supporters to help them get the message out. And we profiled the campaign in many of our shops, helping get it talked about in local communities.

OUR PHILANTHROPIC PARTNERSHIPS

We would like to thank the many philanthropists who supported us in 2016. These philanthropic partnerships enabled us to undertake innovative, wide-ranging and large-scale programmes to support disadvantaged children around the world. They were also crucial to our humanitarian emergency work, laying the platform for launching our search and rescue operation in the Mediterranean. We give special mention to Graham and Susan Tobbell for their support for our Girls Education work in Sierra Leone; and to the foundations involved in the Hands Up for Syria Gala Dinner and People's Postcode Lottery for their incredible support for our work with Syrian children and the Child Refugee Crisis Appeal.

Over the second half of 2016 our campaign focused attention on the dangers faced by many girls around the world and the work we do in response. In September, almost 10,000 of our supporters tweeted in support of our Girl Agenda – an action plan to support the new United Nations Secretary-General to champion girls’ issues. In October we launched our first fundraising campaign about the trafficking of girls and our work to prevent it, focusing particularly on Nepal, and our launch report Every Last Girl made headlines around the world with its shocking revelation that a girl under 15 is married every 7 seconds. And in July we took our campaign to the highest level when our interim CEO, Tanya Steele, chaired the Girls Education Forum at the UK government’s Department for International Development alongside the Secretary of State for International Development and a panel of girls from South Sudan, Syria and Wales.

PROTECTING CHILDREN IN WAR

Throughout 2016, our supporters stood up for children whose lives are being devastated by war in Syria, Yemen and Iraq. Together we called for children in conflict to be protected and to have access to education; and we pushed for lone child refugees to be given sanctuary.

In February, as global leaders met at the Supporting Syria Conference in London, we helped focus media and public attention on the appalling impact of the Syrian war on children. Outside the conference centre our eye-catching installation – of a bombed-out classroom right in the heart of Westminster – grabbed media attention for the plight of Syria’s children. The conference went on to raise over US\$12 billion to help people whose lives have been shattered by the conflict, with pledges of US\$6.1 billion for 2016 and \$6.1 billion for 2017–20. Alongside that campaign, our supporters gave over £4 million last year for our Syria Appeal – in its fifth year – to help us get vital help to children suffering the terrible effects of the conflict.



In May, our campaign on lone child refugees who have arrived in Europe helped secure a significant win in parliament (see page 16). At the same time, our supporters helped push the issue of education for millions of refugee children around the world up the political agenda. Ahead of the first World Humanitarian Summit in Istanbul in May, thousands of our supporters wrote messages to world leaders asking them to ensure that child refugees are able to access education within one month of being displaced. We handed a book of these messages to Prime Minister David Cameron on the eve of the summit. Copies of the book were also handed to 11 other world leaders, and UN Secretary-General Ban Ki-Moon. There was strong support at the summit for our calls from leaders around the world. (See page 14 for more information on our work last year to ensure education for refugee children.)

In late 2016 our supporters showed remarkable commitment and generosity across a number of different appeals to help children whose lives have been devastated by conflict, persecution or extreme poverty. Our supporters gave £1.6 million for our Rescue at Sea appeal to help

save lives of refugees and migrants in the Mediterranean (see page 12). In December they gave more than £1 million through our Christmas Appeal in partnership with the Sunday Times, which focused on supporting children whose lives are being torn apart by war across Yemen, in Aleppo, Syria and Mosul, Iraq. Thousands of our supporters also emailed their MPs, asking them to call on the government to support independent, international investigations into breaches of international law in Yemen – the international community has since agreed to send new investigators into Yemen.

GIVING THE UK'S YOUNGEST CHILDREN THE RIGHT START

Our campaign for high-quality early education and childcare for all children in England – especially the poorest – hit the headlines in 2016. And our supporters got firmly behind the campaign: 33,000 of them signed our petition for increased investment in high quality childcare; more than 7,000 emailed their MPs; 500 supporters fed into the government's review of childcare funding; and more than 40 supporters met with influential MPs to discuss the issue. Together we helped to secure a parliamentary inquiry into early learning in January; and in December, we contributed to a reversal of its plans to remove financial support to improve nursery quality following a consultation process which we and our supporters responded to. (For more information on this campaign, see page 14.)

DENS, DREAMS AND FESTIVE JUMPERS

As well as getting right behind our campaigns, our supporters threw themselves into a wide variety of activities throughout the year to support our work for children – activities that delivered on our commitment to make people feel great about doing good.

In June, more than 16,500 schools and families signed up to take part in Den Day, transforming their playgrounds, classrooms, sofas and back gardens into dream dens for Save the Children. That's more than 440,000 children fundraising to help vulnerable children all over the world, raising close to £300,000.

Last year Save the Children's shops had a busy year, with a turnover of £10 million and a profit of £1.5 million after direct costs and overheads. We opened four new community shops and one new Mary's Living and Giving shop – all with the support of our fantastic network of volunteers. We installed new, modern tills across all of our shops, which have enabled our volunteers to collect Gift Aid much more



Parents and children delivered our petition for investment in early years education in the UK – signed by more than 30,000 people – to the heart of government.



Our campaigners met MPs in Westminster to lobby for greater investment in children's futures in the UK.

MATT CROSSICK/SAVE THE CHILDREN

quickly and easily, with the result that our shops took £491,000 from Gift Aid contributions last year – 35% higher than in 2015.

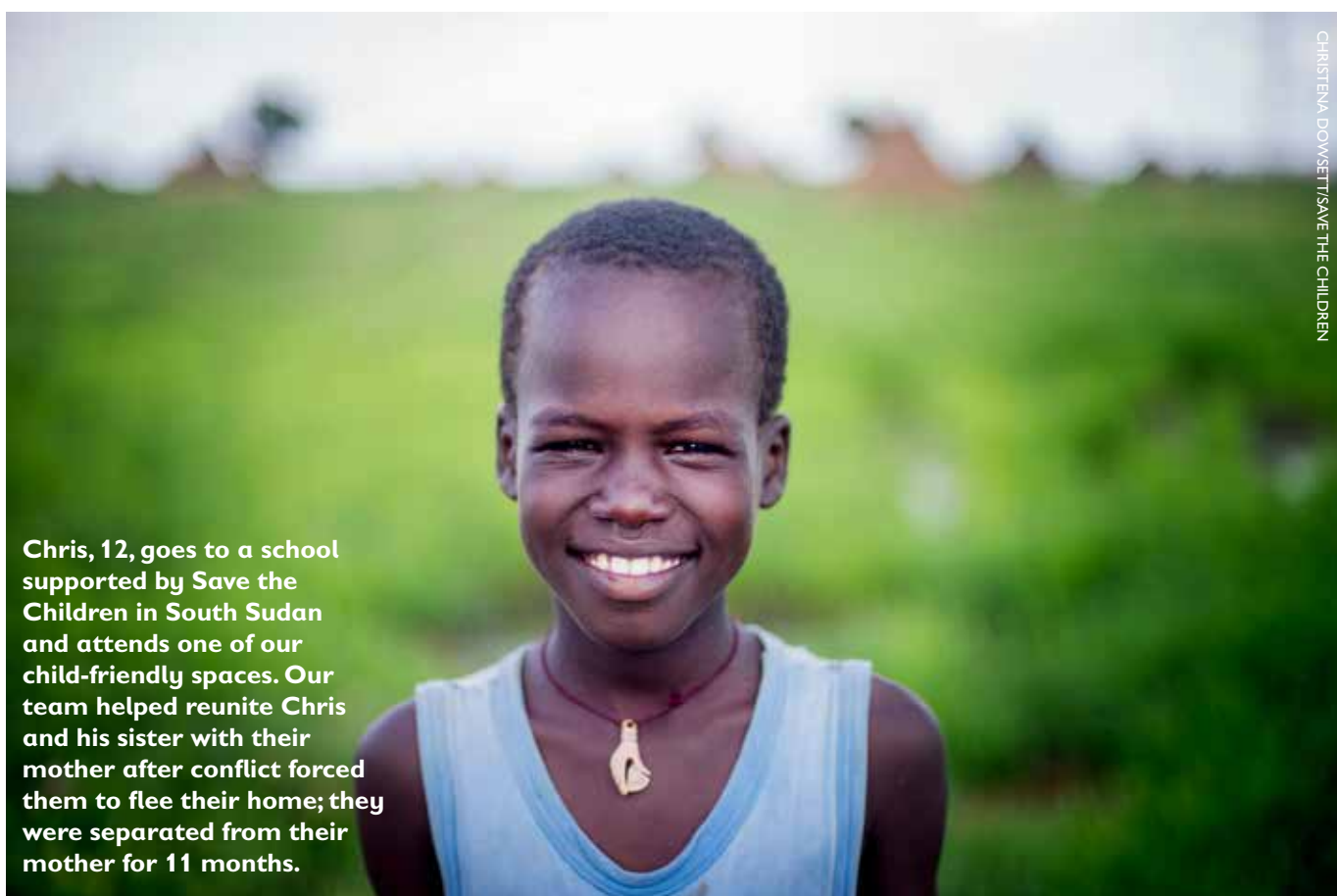
Over seven weeks of the summer, to celebrate the launch of Steven Spielberg's *The BFG*, thousands of supporters took part in the BFG Dream Jar Trail – a partnership with VisitLondon.com, the Roald Dahl Literary Estate and Entertainment One UK. Fifty giant jars, showcasing the childhood dreams and aspirations of a host of celebrities, were dotted around London and the UK for supporters to seek out, before being auctioned off.

Our dedicated philanthropists attended a variety of events through the year. A Night of Motown, the latest in our annual series of musical celebrations, sponsored by RB and hosted by Sir Alan Parker and Helena Bonham Carter, raised £2.1 million. In November, our Winter Gala transported guests into the splendiferous world of Roald Dahl, in celebration of the much-loved author's centenary. Attended by many of our ambassadors, the event raised over £800,000.

Finally, our supporters came together for our flagship festive fundraiser, Christmas Jumper Day. Under the banner 'Silly Just Got Serious', an estimated 5 million people up and down the UK took part by donning seriously silly jumpers – and in the process raised an incredible £4 million, smashing our target of £3.2 million. The campaign – which was supported by Papa John's, WHSmith, Ella's Kitchen and EE, among others – achieved exceptional media coverage.

BUILDING AN OUTSTANDING ORGANISATION

2016 Objective: “We will empower our people, partners and volunteers to deliver their best for children by providing them with best-practice systems, processes and support.”



CHRISTINA DOWSETT/SAVE THE CHILDREN

Chris, 12, goes to a school supported by Save the Children in South Sudan and attends one of our child-friendly spaces. Our team helped reunite Chris and his sister with their mother after conflict forced them to flee their home; they were separated from their mother for 11 months.

In order to develop as an outstanding organisation, with the right infrastructure, systems and support to deliver on our ambitious goals, in 2016 we focused on the four key areas set out below.

STRENGTHENING OUR SUPPORT SERVICES FOUNDATIONS

We made significant improvements to our support services in 2016 to enable us to work more efficiently and effectively. We launched an online human resources information system for all staff, which has enabled us to improve efficiency and

quality in decision-making, and to improve productivity by centralising and streamlining day-to-day operations.

The new finance system we introduced in 2015 has transformed our financial management activities, not only delivering improvements to our statutory accounting and reporting duties, but also enabling us to gain rapid financial insights and answers needed to minimise risks, respond to change and seize opportunities to deliver greater value for children. We carried out improvements to our information technology system, including beginning the roll-out of updated operating software across the organisation. Across the Save the Children movement we worked

together to develop strategic plans to improve our shared support service functions of IT, HR, finance and supply chain management, and to develop common child safeguarding standards.

To support effective risk management in our complex operating environments, we implemented a three-lines-of-defence risk framework, which increases risk accountability. We also strengthened our risk team to increase organisational understanding of the risks we face and boost engagement in tackling them. For more details on our principal risks and how we manage them, see pages 40–45.

SUPPORTING OUR PEOPLE AND CULTURE

We implemented a broad programme of activity to support our staff and volunteers to deliver on our strategic goals in 2016. For further details, see ‘Our People’ on pages 31-32 (in this report) alongside ‘Our commitment to supporting and enabling our people’ in our Accountability and Transparency Report (pages 32-34).

IMPROVING OUR EFFICIENCY, EFFECTIVENESS AND PRODUCTIVITY

In 2016 we went through a process of sharpening our strategy and reviewing our size and shape, partly in anticipation of an expected fall in unrestricted income in 2017 after the end of the Programme Partnership Arrangement with DFID (see page 19). In doing so, we sought to achieve more focus, perform fewer activities, aspire to higher quality and attain greater impact for children. We developed a strategy to focus on fewer countries and reduce our headcount, while setting out highly ambitious goals across our top-three change priorities (see page 27).

The Save the Children movement is committed to embedding a consistent framework for the way we deliver projects and to driving efficiency in this area – in all regional, member and country offices. During

2016 we trained 73 people in the UK and 122 across the Save the Children movement in the Accelerating Development and Impact programme (adapted from our partner GSK’s Accelerating Delivery and Performance), which covers project management, change management and continuous improvement.

We revisited our monthly balanced scorecard – introduced in 2015 to track our performance against our strategic priorities, helping us identify areas where we’re succeeding or require improvement.

SUPPORTING OTHER MEMBERS OF THE SAVE THE CHILDREN MOVEMENT

We continued to support the growth and development of other members of the Save the Children movement, including through a grant to help newer members of the movement (such as India, South Africa and Mexico) build up the number of regular supporters in their own countries.

OUR NEW CEO LOOKS FORWARD

Nearly 100 years ago Save the Children's founder, Eglantyne Jebb, had a remarkable vision of a world where children's rights were fiercely protected by a movement whose moral force was so irresistible it would incorporate not just organisations and institutions, but 'the vast majority of mankind':

"I believe we should claim certain rights for the children and labour for their universal recognition, so that everybody – not merely the small number of people who are in a position to contribute to relief funds, but everybody who in any way comes into contact with children, that is to say, the vast majority of mankind – may be in a position to help forward the movement."

A century later, Save the Children must rise to that ambition. We cannot succeed simply by being the most effective organisation working for children's rights – although we certainly aspire to reach ever higher levels of performance, impact and professionalism. Accelerated progress will demand an unrelenting focus on the hardest-to-reach and the most vulnerable children. It will also require new partnerships and coalitions for change, bringing together business leaders, civil society organisations, international

agencies and the millions of ordinary people Eglantyne Jebb had in mind when she spoke about the 'vast majority of mankind'. Together this movement can ensure that we give every last child the chance to fulfil their extraordinary promise, and realise their potential.

Save the Children cannot deliver on this mission by acting alone – and we cannot do it unless we change and develop as an organisation.

As part of our priorities for 2017–18, we have adopted three Centenary Commitments aimed at delivering transformative change in the lives of the world's most marginalised and deprived children. Over the next few years, we will focus our programmes, our advocacy and our campaigns on:

1. Ending pneumonia – the world's number one killer of children. Pneumonia is a disease of poverty. It overwhelmingly selects its victims from among the poorest and most vulnerable children. These children are more likely to contract the disease, and less likely to get diagnosed or treated. Working to reduce the pneumonia death toll will be our contribution to making a global breakthrough on children's survival.



JONATHAN HYAMS/SAVE THE CHILDREN

"Save the Children's mission demands that we use all of the resources at our disposal to make transformative change in this new world. Ensuring that every last child survives, learns and is protected is an incredible – but achievable – ambition."

We helped reunify Sammy, six, and James, three, with their mother Mary and little brother after they were separated for 18 months following an outbreak of fighting in their home town in South Sudan.

2. Expanding opportunities for early education – ensuring that all children everywhere start school ready to learn and able to realise their potential.

Millions of children are set on a course for failure before they enter school. Poverty and the educational disadvantages that come with being raised in a non-literate home environment means that these children are denied a chance to realise their potential – and that cycles of disadvantage are transmitted across generations. Early years interventions can tackle these inequalities to support a global breakthrough on children’s learning.

3. Protecting children in war – rejuvenating the global norms and rules which protect children’s homes, schools and hospitals from attack.

Our organisation was founded to protect children affected by armed conflict. Yet today the rights of children living in conflict situations are violated with impunity. We will work with others to defend the rules, norms and human rights needed to achieve a global breakthrough on the protection of children.

Our level of ambition reflects the scale of the challenges ahead. To meet these challenges, we have set five organisational priorities, each of which is backed by practical plans of action. We know that the ultimate yardstick for measuring the success of our strategy is real impact on the lives of children, and our organisational priorities will underpin and support the impact we aim to achieve through our programmes, advocacy and campaigns.

A summary of our 2017–18 priorities is below. Our priorities will be published on our website, and we will report back on our progress in future annual reports.

We have chosen our three Centenary Commitments because they represent the world’s biggest killer of children, the biggest opportunity for children in education and the world’s greatest outrage perpetrated against children. By taking on these challenges, we are grappling with some of the great injustices of our age. Our founder would expect nothing less of us.

Kevin Watkins,
CEO, Save the Children

OUR PRIORITIES IN SUMMARY

	Survive	Learn	Be protected
WHAT	Centenary Commitments and wider goals		
WHO	Marginalised and deprived children		
	Programme Boards	Our five organisational priorities	
HOW	World-class impact Design and deliver quality programmes, partnerships and advocacy that improves the lives of children	1 Strengthen the impact of our programmes and advocacy	
	Cause of millions Inspiring brilliant supporter engagement and action to raise income and deliver policy change	2 Become the preferred organisation for others to partner with	
	Enablers of our strategy Deliver high-quality support so our organisation can focus on improving the lives of children	3 Set the sector standard in placing supporters at the heart of our relationship with the public	
		4 Strengthen our foundations and empower our people	
		5 Support movement-wide programmes to deliver Save the Children’s Global Strategy	

FINANCIAL PERFORMANCE

We are committed to ensuring our income is used efficiently, effectively and responsibly by making every pound count.

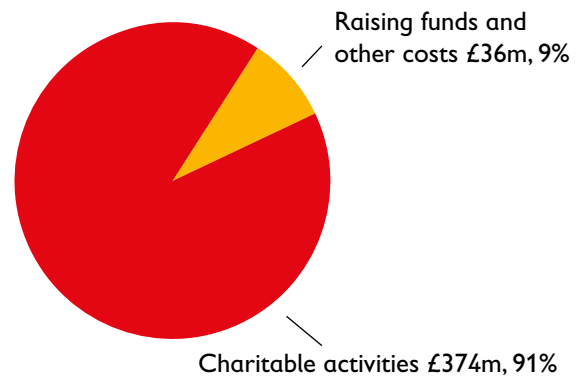
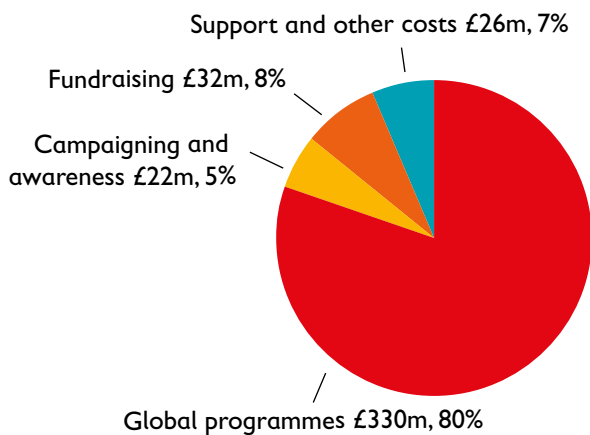
INCOME

In 2016 we raised £405 million, which is the highest amount ever in a single year, and an increase of £15 million on the previous year. This is a massive testament to the generosity of our supporters – individual, commercial and institutional partners – and the wider British public.

	2014 £m	2015 £m	2016 £m
Total income	373	390	405
Charitable activities	234	249	271
Donations and legacies	126	128	120
Other trading activities	10	10	10
Investment and other	3	3	4

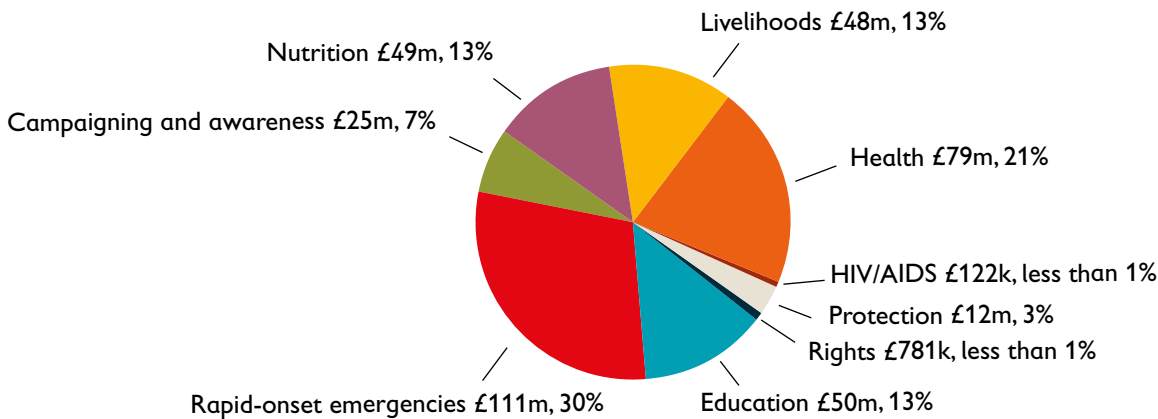
- Our income from charitable activities of £271 million, up from £249 million in 2015, is primarily grants from governments, international organisations and corporate partnerships to finance specific projects.
- In 2016 DFID provided £159m, up £22m from 2015, for 125 projects in more than 25 countries. (See note 27 of the financial statements for a full breakdown of each grant). In addition, the European Union and United Nations contributed £74 million, up £11 million from 2015.
- Donations and legacies include all types of income that are in substance gifts made on a voluntary basis. This includes all individual giving, community fundraising, legacies, emergency appeals, gifts in kind and some income from corporates, trusts and philanthropists. In 2016 we raised £120 million, which was £8 million lower than in 2015. The decline is primarily due to lower emergency appeal income, following the success of appeals for the earthquake in Nepal and the Refugee Crisis in 2015.
- Our retail activities raised £10 million of income. Income has been maintained due to the strong performance of Mary's Living & Giving shops following investment where there was significant growth potential, offsetting declining income from the closure of some community retail shops performing less well. In addition to the funds that are raised, our retail staff and volunteers play a key role in raising awareness and engaging the local community.

Total expenditure £410 million



Split of charitable and non-charitable expenditure after allocation of support and other costs to the activities they support. £4 million of support and other costs are attributed to fundraising and £22 million to charitable activities.

Breakdown of charitable activities



EXPENDITURE

In 2016 expenditure on our charitable activities was up 8% to £374 million. We used this money to deliver immediate and lasting change for children in accordance with our three-tier theory of change, see page 6.

Our achievements with this expenditure are set out throughout this report. On average over the last five years, 89% of our total expenditure has been on charitable activities. For 2016, that was 91% (91% in 2015).

In 2016 we invested £32 million in our fundraising operations, a net increase of £1 million from 2015.

To strengthen our capability to deliver on our ambitions for 2018, we have continued to invest in the key support services of finance, human resources and information technology. These services play a crucial role in providing core organisational support to our overall delivery for children. More information on these and their basis of allocation are included in note 7 to the financial statements.

THE FUNDS OF SAVE THE CHILDREN AS AT 31 DECEMBER 2016

Our income is made up of restricted income, which must be used only for the purpose specified by the donor and unrestricted income, which may be used by Save the Children for its general purposes to fulfil its charitable objectives.

We use unrestricted income to meet essential running and programme supervision costs, including our contribution to the global network of offices managed by Save the Children International, which is vital to delivering our programmes and humanitarian responses. Unrestricted income also helps us to invest in:

- reaching the most deprived and marginalised children, even when no donor funds are available. This is particularly important in a humanitarian crisis when we need to act quickly.

- piloting innovative programmes – because, in a changing world, we need to evolve our approach so that we leave no child behind.
- mobilising the public to campaign for children's rights and ensuring everyone recognises the rights of every child to survive, learn and be protected.

Our overall results show net expenditure in 2016 was £2 million (2015: £7.2 million net income). The net movement in funds after actuarial gains and losses on the defined benefit pension scheme, and transfer between funds, was a £17.5 million deficit for the year (2015: £10.6 million surplus), comprising:

- an unrestricted deficit of £13.4 million (2015: £13.3 million surplus) of which £15.5 million (2015: £3.4 million gain) is due to the actuarial loss on our pension schemes. The actuarial loss is the net impact of increased asset valuations, and an increase in liabilities arising from a reduction in discount rates (see note 25 of the financial statements for further details.)
- a deficit of £4.1 million (2015: a deficit of £2.7 million) restricted programme funds, due to grant expenditure being incurred in advance of funding.

RESERVES POLICY

We hold general reserves in order to provide cover for unexpected changes in income and expense, allowing us to continue key activities in the event of:

- a temporary loss of income or
- a permanent fall in income, giving time to adjust our cost base or adjust our business model
- incurring a one-off cost such as an expenditure in our grant portfolio that has not been covered by a donor

Holding general reserves also allows us to implement new strategic priorities or to invest in new opportunities that help us to achieve our goals.

Our general reserves are matched by highly liquid investments so that we can draw on them quickly if necessary. We keep a small proportion of our reserves in investments which are less subject to market fluctuation so that we can rely on drawing them without loss even in periods of market volatility. We hold the majority in investments which are more subject to market fluctuation but have the potential for greater growth over time.

Our target level of general reserves is £30 million to £40 million. This is based on a review in which we consider the financial risk associated with our income and expenditure streams and balance sheet composition whilst ensuring that we do not retain income longer than required. This review is performed annually. Our annual funding payment to our defined benefit pension plan is included in our general reserves assessment, as is the risk of an increase in the current pension deficit. At 31 December 2016, our general reserves stood at £35.2 million.

FINANCIAL RISK

Amounts due from donors overwhelmingly relate to major institutional and corporate donors, and the associated credit risk is therefore considered to be low. The risk of disallowances arising from donor audits is also considered to be low. There are no external borrowings, and processes are in place to monitor cash flows in order to minimise liquidity risk. Appropriate action is taken to mitigate foreign exchange risk. Save the Children UK does not enter into foreign exchange contracts for speculative reasons.

INVESTMENTS

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.

Newton Investment Management Limited manages our portfolio of equity and fixed-interest investments in accordance with our ethical investment policy. Following the stock market volatility in the year we decided that it would be prudent to match a small part of our reserves with investments that are not subject to market volatility. This will enable us if required to draw on some of our long-term reserves at short notice when markets are weak. We still plan to maintain the majority of our investments in equities and bonds so as not to lose the opportunity for long term growth. To achieve this, we withdrew £4 million from our Newton portfolio in November – but since the value of the portfolio had increased from £26 million at the start of the year to £29 million by November, this means only a net reduction of £0.6 million in the value of the Newton portfolio over the year.

PENSION DEFICIT

We are managing a deficit of £39 million in the Pensions Trust Defined Benefit and Growth Plan schemes, driven by the economic slowdown resulting in low discount rates, and increasing longevities. Save the Children is making annual contributions with a view to closing the deficit over a number of years. Following a triennial review of the assets and liabilities of the scheme in 2014, Save the Children is contributing £4.6 million per annum from April 2016, £4.65 million per annum from April 2017, and £4.7 million per annum from April 2018 to March 2023.

GRANT-MAKING POLICY

Save the Children 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 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. Goods and services purchased are subject to contracts with suppliers based on market prices.

GOING CONCERN

We have set out above a review of Save the Children's financial performance and the general reserves position. We have adequate financial resources and are able to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the 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 Save the Children's ability to continue in operation. Accordingly, the accounts have been prepared on the basis that Save the Children is a going concern.

OUR PEOPLE

We are committed to engaging and supporting our staff and volunteers, while cultivating a safe and respectful working environment where our people recognise one another's contribution and performance.

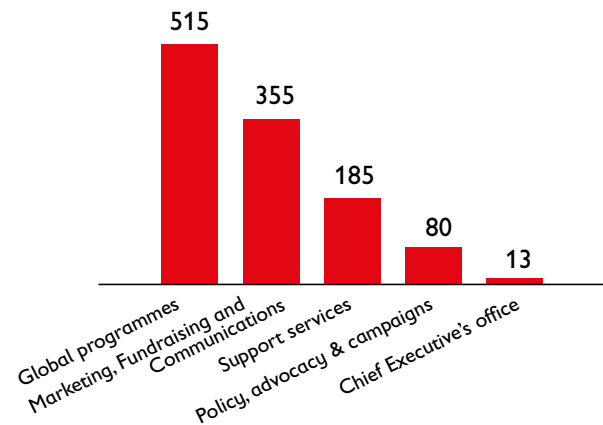
As we approach our centenary year in 2019, our ambitions to deliver change for children are higher than ever. Our staff are fundamental to realising the vision of our founder, Eglantyne Jebb, that humanity gives children “the best it has to give”. We pride ourselves on being a values-driven organisation: we test our strategic decisions against our values – including their potential to deliver real change for children. This guides all our staff in how they carry out their work.

OUR WORKFORCE

Globally, Save the Children's workforce is made up of around 24,000 staff working in more than 120 countries, of which just over 16,000 are employed by Save the Children International (SCI), with around 8,000 staff employed by the 29 members of Save the Children.

As at December 2016, Save the Children UK had 1,148 members of staff, with 91% working in the UK and 9% working internationally to support SCI with humanitarian surge capacity and technical expertise*. In the UK, Save the Children has approximately 13,000 volunteers.

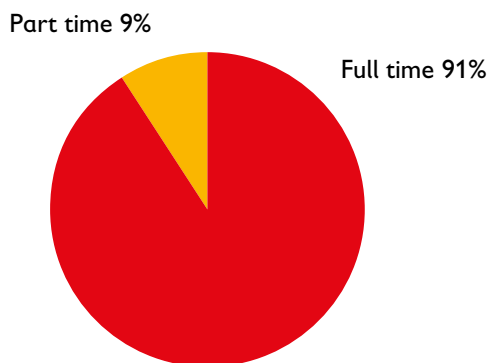
Save the Children UK staff by division



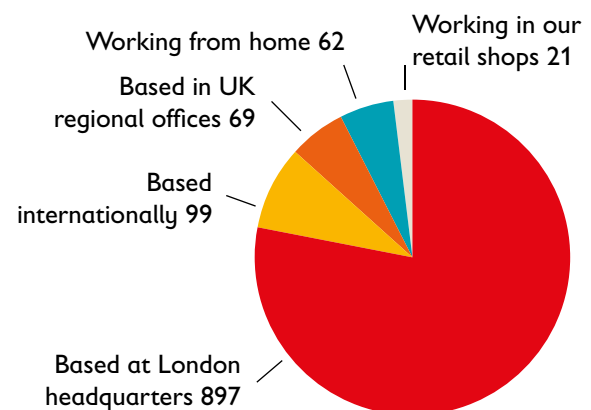
OUR PERFORMANCE IN 2016

Save the Children is committed to ensuring our staff feel valued and motivated in their work. However, we recognise the challenges. While many of our staff are fantastically committed and engaged, and our rate of permanent regretted attrition has improved (decreasing from 22% in 2015 to 17% in 2016), our staff turnover remains relatively high. Analysis of exit interviews and discussions with our employees have helped us to understand the challenges we face. In response, executive directors have prioritised actions to enhance our workplace culture. Our Human Resources senior leadership team is also prioritising initiatives to set us up for success in improving our regretted attrition rate going forward. This will include improved access to training and support in performance management and career development.

Save the Children UK staff by full/part time



Save the Children UK staff by location



* These figures do not include staff in the Humanitarian Leadership Academy. These staff are included, however, in the financial statements on page 59.

STAFF WELLBEING

We are committed to safeguarding the health, safety, security and wellbeing of our staff and representatives, and to ensuring that they are given adequate training, support and information. We take steps to ensure we comply with current regulations and are committed to further developing a positive safety culture where everyone, from the Board to our dedicated volunteers, is responsible for making sure health and safety is considered in the planning of all that we do.

We recognise a degree of work pressure as natural and healthy: it motivates people to work and perform at their optimum. However, when the level of pressure exceeds what someone feels able to cope with, the level of stress they experience can be detrimental. Save the Children provides assistance to our staff to ensure they receive the type and level of support to meet their particular situation. Our Employee Assistance Programme (EAP) is a free, confidential service that offers expert advice, information, counselling and support to all staff and their families.

By the nature of the work they do, the situations they face and the information they deal with, many of our staff are at high risk of exposure to conflict, trauma and psychological damage. Frequent interactions with survivors of trauma or working with traumatic material can also have a psychological impact on staff. A Wellbeing and Resilience for Employees programme (AWARE) was introduced to educate, monitor and support staff in relation to traumatic experiences. The programme targets three separate categories of staff; all staff; staff who are exposed to more traumatic events or material; and managers. Tailored training and expert support options are provided as part of the programme. The results of a pilot study that tracked levels of anxiety, depression, burn-out, and primary and secondary trauma showed a positive reduction in all these categories.

OUR WORK ENVIRONMENT

Following refurbishment of our head office in 2015, last year we implemented further changes based on staff feedback:

- providing different types of furniture to support more flexible ways of working in the office; to maximise our office space; and to promote staff wellbeing
- creating greater flexibility and choice for where and how staff work
- ensuring our technology supports staff to work more flexibly – for example, through introducing new meeting-room hardware and supportive equipment for laptop use.

RESPECT IN THE WORKPLACE

As a values-driven organisation, we seek to foster a workplace environment in which people feel they are valued and respected. In December 2016 we provided training on 'Respect in the Workplace' to all our staff to ensure our staff are clear about our Code of Conduct, appropriate behaviour in the workplace and the importance of Senior Leadership teams and Executive Directors in role modelling and setting a good tone and environment. The training was based on our Equal Opportunities and Diversity and Inclusion policy. We also made it easier for staff to understand how to raise staff grievances or follow our whistleblowing policy where relevant, for more information please see page 38 in this report.

DEVELOPING OUR STAFF

We continued to invest in the development of our staff and managers to ensure they have the skills and knowledge to do their jobs effectively. Staff were invited to provide feedback via an online questionnaire on how senior leaders demonstrate the required standards of behaviour, values and competencies. This feedback was used to identify how leaders can continue to develop as leaders and role models.

For more information about our people, see pages 32–34 in the 2016 Accountability and Transparency Report.

STRUCTURE, GOVERNANCE AND MANAGEMENT

A GLOBAL MOVEMENT

Save the Children UK is a member of the Save the Children Association (SCA), a global movement made up of 29 independent national entities and Save the Children International (SCI). SCI was established in 2011 with responsibility for implementing international programmes outside SCA's member countries. SCI is registered as a charity in England and Wales and SCA is its sole member.

Save the Children members are responsible for programming and fundraising in their own countries as well as maintaining oversight of the international work. Some members, including Save the Children UK, also design international programmes in conjunction with national donors which are implemented by Save the Children International, as well as providing surge capacity to support delivery of frontline programming in emergency situations.

ADMINISTRATIVE DETAILS

SAVE THE CHILDREN

Save the Children UK is a charitable company limited by guarantee, incorporated under the name of the Save the Children Fund. The charity's articles of association provide that its trustees (who are also the directors of Save the Children for the purposes of company law) are 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 below). The trustees are responsible for overseeing the management of all the affairs of Save the Children UK and delegate day-to-day management of the organisation to the Chief Executive and Executive Directors.

TRUSTEES*

	Committees**
Peter Bennett-Jones (Chair)	P, N
Mark Esiri (Vice Chair)	F, N, P
Fiona McBain (Vice Chair)	N
Gareth Davies (Hon. Treasurer)	A, F, I
Sir Alan Parker	P
Tamara Ingram	N
Kevin Watkins (resigned 11/05/2016)	
Sophie McCormick	P
Naomi Eisenstadt	CS, W
Adèle Anderson	A
Sebastian James	P, D
Jamie Cooper	A
Diana Carney	D
Devi Sridhar (resigned 31/05/2016)	
Farah Ramzan Golant (resigned 24/02/2017)	
Mark Swallow	A, F, I
Lisa Rosen (appointed 07/07/16)	D
Anne Fahy (appointed 14/10/16)	
Arabella Duffield (appointed 17/02/2017)	

INDEPENDENT MEMBERS AND EXTERNAL ADVISERS

	Committees*
David Poulter	F, I
Richard Bernays	I
Peter Moon	I
Nick Mourant	I

*Trustee biographies are available on our website

** Committee membership as at 31 December 2016

	Chair
(N) Nominations Committee	Fiona McBain
(P) Performance & Remuneration Committee	Sebastian James
(A) Audit Committee	Mark Swallow
(F) Finance Committee	Gareth Davies
(I) Investments and Pensions Sub-Committee	David Poulter
(D) Donation Acceptance Committee	Vacant
(CS) Child Safeguarding Trustee	n/a
(W) Whistleblowing Trustee	n/a

DIRECTORS' GROUP as at 31/12/2016

Kevin Watkins	Chief Executive
Jennifer Geary	Chief Operating Officer
Sam Sharpe	Chief Financial Officer
Clare Conaghan	Human Resources
Fergus Drake	Global Programmes
Nick Jones	Interim Marketing, Fundraising & Communications
Kirsty McNeill	Policy, Advocacy & Campaigns

COMPANY SECRETARY

Andrew Willis

PRINCIPAL PROFESSIONAL ADVISERS

Save the Children's principal professional advisers include the following:

INDEPENDENT AUDITOR

Deloitte LLP
2 New Street Square, London EC4A 3BZ

PRINCIPAL BANKERS

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

PRINCIPAL INVESTMENT MANAGERS

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

PRINCIPAL LEGAL ADVISERS

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

SAVE THE CHILDREN SUBSIDIARIES

Save the Children (Sales) Limited is registered in England and Wales and is a wholly-owned trading subsidiary, whose directors are appointed by Save the Children. Although the principal activity of the subsidiary is through commercial promotions run in conjunction with our corporate supporters, income is also generated by the trading of new goods through our shops, branches and website. The subsidiary's taxable profits are donated under deed of covenant to the charity, contributing £1 million to the charity's funds, down from £2.3 million in 2015. See note 14 in the financial statements for further details.

Medical Emergency Relief International (Merlin) is a charitable company limited by guarantee and registered in England and Wales, of which Save the Children became the sole member in July 2013. The appointment of trustees is a matter for Save the Children as sole member, although once appointed the Board of Trustees owe their duties to, and act in the best interests of, Merlin and its beneficiaries. Merlin's principal activity is to end the needless loss of life in the poorest countries caused by a lack of effective healthcare. By 2016 all of Merlin's country programmes had transitioned to Save the Children International except its operations in Pakistan, which Merlin's Board of Trustees decided to close in April 2016. Since then Merlin has not had any active programming and is engaged in addressing its final obligations to historic funders and transferring its remaining assets to Save the Children. A decision will be taken on its final winding-up in due course. Merlin's results have been included in the group's results and the subsidiary has made a deficit of £89,000, down from a deficit of £901,000 in 2015. See note 14 in the financial statements for further details.

Humanitarian Leadership Academy (the Academy) was incorporated as a company limited by guarantee in January 2015, with Save the Children as its sole member, and registered as a charity with the Charity Commission in May 2015. The appointment of trustees is a matter for Save the Children as sole member, although once appointed the Board of Trustees owe their duties to, and act in the best interests of the Academy and its beneficiaries. The principal activity of the subsidiary is to enable people around the world to prepare for and respond to crises in their own countries. The Academy's results have been included in the group's results and the subsidiary has broken even, following a surplus of £300,000 in 2015. See note 14 in the financial statements for further details.

The registered address of each of Save the Children's subsidiaries is 1 St John's Lane, London, EC1M 4AR.

CONSORTIUMS

Start Network

Save the Children is the lead agency of the Start Network, a consortium of 42 Member Non-governmental Organisations that is working to strengthen the humanitarian aid sector.

As lead agency, Save the Children is legally responsible to donors for the charitable application of funds. Funding for the Start Network consortium is recognised by Save the Children as a separate restricted fund under the agreement with donors.

HOW WE MANAGE OUR AFFAIRS

THE BOARD OF TRUSTEES AND SUB-COMMITTEES OF THE BOARD

The Board is responsible for ensuring that all agreed charitable objectives and activities are within UK law. 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. The Board acts on advice and information from regular meetings with the Chief Executive and Executive Directors. Trustees are able, where appropriate, to take independent professional advice if it helps them to fulfil their role. We also agree and implement an individual induction programme for each new trustee, covering all aspects of the role and the organisation.

In 2016, the Board had four all-day meetings. At each meeting it reviewed overall progress of the charity on the basis of reports from the Chief Executive, and reviewed the financial position and risks of the organisation. It reviewed the charity's achievements in delivering against our objectives for 2016, revised priorities for 2017–18 and the budget for 2017.

The Board has delegated specific responsibilities to five sub-committees and one advisory committee, as detailed below, whose membership is appointed by the Board. The chair of each Committee reports back to the Board at each formal meeting.

- The **Audit Committee** oversaw preparation of the 2015 Annual Report. It reviewed the assurances provided to Trustees about the control environment during 2016, and considered reports from the external auditor. It agreed a programme of internal audits to be conducted between January and December 2017, received reports of completed reviews, and checked delivery of agreed actions. The Committee received updates on key risks, including on implementation of programmes by Save the Children International, child safeguarding, fraud and fundraising. For more information please see pages 40–45 of this report in the Annual Risk Statement. The Audit Committee met five times in 2016.
- The **Finance Committee** reviewed the financial out-turn from 2015, and in-year forecasts for 2016. It supervised preparation of the budget for 2017 and approved all decisions for SCUK to accept awards worth more than £10 million. The Finance Committee met four times in 2016.

- The **Investments and Pensions Committee** is an advisory sub-committee of the Finance Committee. It met four times in 2016 to review the performances of Save the Children's investment manager and pension funds. In 2016, the Committee recommended changes to the type of investments which are held to cover our general reserves. They reviewed and amended the workplace pension default fund with regard to the new pension's freedoms and the provider's new regulation driven governance requirements.
- The **Donations Acceptance Committee** considers potential donations to Save the Children and makes decisions about whether it is in the best interests of the charity to accept a donation. Information was shared by email and telephone over the year. In 2016 we updated our Donations Acceptance and Refusal Policy, revising our 'no go' donation activities to include carbon intensive fossil fuels. We have widened the remit of the Donation Acceptance Committee to have oversight of all our 'commercial participator' relationships. For more information please see page 20 in the 2016 Accountability and Transparency Report.
- 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. During 2016, two new trustees were appointed to the Board on the recommendation of the Nominations Committee. The Nominations Committee also oversaw the process for selecting a new Chief Executive Officer, which was done in accordance with Charity Commission requirements. During the year, information was shared by email and telephone and quarterly updates were provided to the Board.
- The **Performance and Remuneration Committee** is appointed by the Board and has four Board members. It reviews the performance of the executive directors and key senior staff, and makes recommendations to the Board on their remuneration, benefits and terms of employment. This year we extended the remit of the committee to provide oversight and governance of the People and Culture agenda in relation to all staff within Save the Children. We are also increasing the number of meetings per year from two to four – the Performance and Remuneration Committee had three meetings during the year with four planned in 2017.

TRUSTEES' RESPONSIBILITIES

The trustees 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, including FRS 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

The trustees are also responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. This information is given and should be interpreted in accordance with the provisions of the Companies Act 2006 s418. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company law requires the trustees to prepare financial statements for each financial year. These financial statements must only be approved if trustees are satisfied that they 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
- report on the charity's public benefit
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business; and
- take reasonable steps for the prevention and detection of fraud and other irregularities to ensure compliance with the Companies Act 2006

The trustees are also responsible for:

- setting their charity's approach to raising funds, as well as making sure that any policies or procedures are followed in practice and reflect our organisational values.
- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions;
- disclosing with reasonable accuracy at any time the financial position of the charitable company and the group;
- taking 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; and
- ensuring there is no relevant audit information of which the charitable company's auditor is unaware.

PUBLIC BENEFIT

Charity trustees have a duty to develop strategic plans to ensure that we provide public benefit and achieve our objectives as set out in our governing document. These 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 IN SCOTLAND

The Office of the Scottish Charity Regulator requires us to report separately upon the activities we have undertaken in Scotland. Save the Children's activities in Scotland during 2016 addressed issues faced by children in Scotland as well as contributing to the global aims of the charity. Our priority in Scotland is to achieve a significant and sustained improvement in the quality of children's early years teaching and help narrow the gap in early learning between children growing up in poverty and their peers.

Our programmes and policy, advocacy and campaigns focus on:

- improving the home learning environment;
- increasing access to high quality early years services;
- and tackling material deprivation and low income.

In 2016 we reached thousands of children and their families through our programmes such as Eat, Sleep, Learn, Play! (ESLP) which provides essential household items to families with young children living on a low income; and Families and Schools Together (FAST) which brings parents, children, schools and the wider community together to support children's learning at home and in school.

We also launched a new programme, Families Connect, in partnership with the Scottish government's Read Write Count initiative. Families Connect supports parents to develop the confidence and skills to engage in their child's learning through play. This ground-breaking partnership will improve children's engagement with learning at home, helping to narrow the gap in learning between children growing up in poverty and their better-off peers.

We continue to campaign to strengthen the quality of early learning and childcare and have called for more graduate qualified staff in nurseries to support children's early language development particularly those that are falling behind. We advocated for government, schools and education authorities to support and encourage parental engagement in children's learning and to help them develop a strong learning environment at home. We want all young

children affected by poverty to get the support they need to develop, grow and learn.

Playing a more global role, Save the Children in Scotland has assisted in fundraising for emergency appeals to support the humanitarian response for children affected by disasters and conflict. We are also an active member of the Refugee Integration Forum, which supports the resettlement of Syrian refugees in Scotland.

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 also continued to raise valuable funds and support for our work in Scotland and overseas.

OUR COMMITMENTS TO ACCOUNTABILITY AND TRANSPARENCY

In 2016 we published 10 Accountability Commitments for the strategic period 2016-2018.

- Putting children at the centre of what we do
- Delivering high-quality programmes
- Coordinating and collaborating with others
- Ethical fundraising
- Responsible advocacy
- Transparency
- Upholding the highest standards in child safeguarding
- Responsible resource allocation
- Supporting and enabling our people
- Environmental responsibility

For further information and to read about the progress we made in 2016 please see our 2016 Accountability and Transparency Report alongside our Open Information Policy, both available on our website.

COMPLIANCE INFORMATION

MODERN SLAVERY ACT

Over the course of 2016 our work in response to the new Modern Slavery Act included updating our key policies and contracts, and identifying areas in our direct supply chain where there may be significant risks of forced labour, human trafficking or other forms of modern slavery, and working with key suppliers to establish the steps they are taking to eliminate these risks. We are also working with our colleagues at Save the Children International to address modern slavery in the supply chain for the international work undertaken by SCI with our funds. For more information, see the modern slavery statement on our website.

DATA PROTECTION

In 2016, an internal working group was established to prepare the organisation for meeting the new General Data Protection Regulation (GDPR) changes which are due to come into effect in May 2018. This group will examine guidance and best practice issued by the Information Commissioner's Office and the Fundraising Regulator to ensure Save the Children UK maintains compliance.

FUNDRAISING

We comply with all relevant statutory regulations, including the Charities Act 2011, the Charities (Protection and Social Investment) Act 2016, the Data Protection Act 1998, the Privacy and Electronic Communications Regulations 2003 and the Telephone Preference Service. We strive for best practice in fundraising by complying with a range of codes of practice and standards including being a member of the Institute of Fundraising and registering with the new Fundraising Regulator, adhering to its Code of Fundraising Practice and Fundraising Promise.

We use a wide range of fundraising approaches to raise money – from working with philanthropists and corporate supporters, to our chain of charity shops; from volunteer groups to individuals completing sporting challenges like the London Marathon; from advertising on TV and elsewhere to talking to our existing supporters. Much of this activity is done by our own internal team, but we also engage professional fundraising agencies to fundraise face-to-face on high streets and in other sites such as shopping centres and to speak to existing supporters on the phone.

Our Supporter Promise

In 2015 we launched our Supporter Promise, the guiding principle for all our fundraising activities, whether undertaken by a volunteer, a paid staff member, or a professional fundraising agency. In 2016 we reviewed this promise to ensure its clarity and conducted an internal audit of the promise to review how well it is complied with. The review indicated good practice in terms of fundraising compliance but made recommendations to improve and strengthen the governance process. Our continuing efforts to enhance our supporters' experience will enable us to respond effectively to further changes in fundraising regulation.

The full Supporter Promise text is published on our website. For more information please see pages 18–19 in our Accountability and Transparency Report.

Vulnerable people

We have continued to ensure that vulnerable supporters and members of the public are afforded the highest levels of support, respect and protection. Guidance for fundraisers on protecting vulnerable people, as well as communicating with children, was updated in 2016 to align with enhanced sector guidance and best practice.

Fundraising on our behalf

Save the Children engages 'professional fundraisers' (agencies) to undertake fundraising on our behalf, such as face to face fundraising and telephone fundraising. During 2016 we implemented enhanced oversight and monitoring procedures of our fundraising agencies in line with the Fundraising Regulator recommendations. Monitoring of our agencies is undertaken through a combination of 'mystery shopping', call monitoring, regular meetings and training of fundraisers on our expectations.

We also work with corporate partners (commercial participators) who sell goods and donate a proportion of the proceeds to us. For instance, in 2016 this included Build a Bear Foundation, which made a donation for every 'Save the Children' Heart purchased to go inside a bear between January and March; Papa John's, which donated 50p for every XXL pizza sold over the Den Day and Christmas Jumper Day campaign periods; and Ella's Kitchen, which donated 30p from every limited-edition Jingle Belly Christmas Dinner Pouch sale throughout November and December.

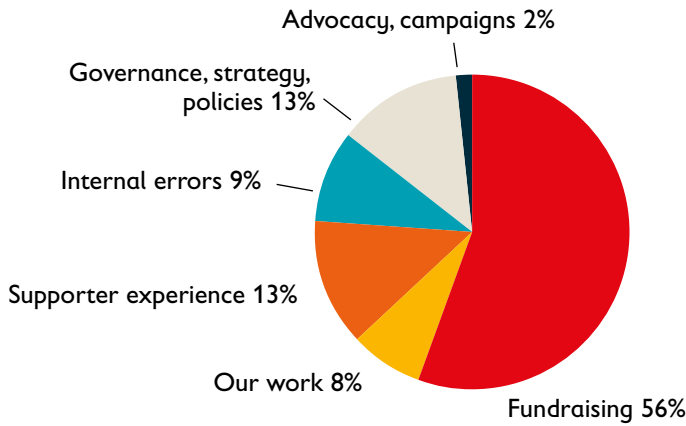
We are also revising all fundraising and commercial participator contracts to comply with the requirements of the new Charities (Protection and Social Investment) Act 2016 and best practice, outlining our expectations and oversight practices.

The Fundraising Regulator's investigation into Neet Feet

Following an undercover report by The Sun in July 2016, which revealed evidence of bad practice on the part of third-party fundraising agency Neet Feet, the Fundraising Regulator launched an investigation into Neet Feet and eight charities that had contracted them to fundraise on their behalf. The Regulator's report found that, despite having some safeguards in place, Save the Children - amongst several other charities - had not "employ[ed] all reasonable efforts" to ensure that Neet Feet fundraised in compliance with the Code of Fundraising Practice.

We terminated our relationship with Neet Feet as soon as we became aware of The Sun's findings, and we have acted on all of the Regulator's recommendations, implementing enhancements to the monitoring, oversight and due diligence process for the fundraising agencies we employ. We have also enhanced our own record keeping and internal reporting, including to our Audit Committee, and we have significantly increased training with agencies as to our expected practices, the Code of Fundraising Practice and SCUk's Supporter Promise.

Breakdown of supporter complaints received in 2016



Category	No
Fundraising	741
Our work	101
Supporter experience	174
Internal errors	124
Governance, strategy, policies	172
Advocacy, campaigns	20
Total	1,332

Percentages do not add up to 100 due to rounding

RAISING A CONCERN OR MAKING A COMPLAINT

Our approach to feedback and complaints

We know there are times when we do not meet the high standards we set ourselves. When this happens we want to hear about it, deal with the situation as quickly as possible and put measures in place to stop it happening again.

In 2016 our Supporter Care team received a total of 1,332 complaints which was down 47% on 2015 (2,505 in 2015). 741 of these complaints (56%) related to fundraising. The pie chart above provides a breakdown of complaints by thematic area. Notable areas of improvement include our fundraising complaints which have fallen by 48% as we have continued to tailor our communications for supporters, ensuring supporters have the opportunity to influence what and how often we are communicating with them, as per our supporter promise.

For further details please see page 24 in our Accountability and Transparency Report. We also publish our Complaints Procedure on our website.

Grievance policy

We provide a safe environment for reporting staff grievances. The aim of our Grievance Policy is to ensure that employees have an effective way of raising a serious dissatisfaction or complaint relating to their conditions of service, work situation, working relationships or any action that Save the Children has taken or is contemplating taking in relation to that employee. In 2016 this policy was reviewed to focus more on early resolution of a complaint rather than entering into a formal process.

Whistleblowing policy

Our Whistleblowing Policy is intended to protect anyone from discrimination who discloses concerns they have. Applicable to all staff, volunteers, partners, children and adults we work with, our Whistleblowing Policy is guided by the principles of fairness, openness, transparency, protection and accountability. In 2016 a staff helpline was set up, providing a confidential and independent way to report an issue.

ADDITIONAL KEY POLICIES

Our Code of Conduct

Our Code of Conduct and supporting policies are binding on all Save the Children staff and representatives. If anyone fails to meet these standards, they risk disciplinary action and we will refer any serious infractions to the relevant professional organisations or legal authorities. In 2016, 97.5% of our staff had completed our Code of Conduct training within three months. For further details on our Code of Conduct please see our website.

Child safeguarding

We are committed to upholding the highest standards in child safeguarding. Our Child Safeguarding Policy and accompanying procedures clearly outline what is expected of our staff, and how to report any concerns. It is a requirement for all staff, regardless of their role within our organisation, that they complete child safeguarding training as part of their induction. For further details please see pages 26–28 in our Accountability and Transparency Report. We also publish our Child Safeguarding Policy Statement on our website.

Equal Opportunities

Save the Children 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 gender, sex, marital status, ethnic origin, disability, age, 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. Our equal opportunities and diversity policy states that any training or development opportunities made available to employees will be provided in a fair manner based on merit or developmental need (wherever possible), free from discrimination in relation to any of the above listed characteristics. Furthermore, where an employee becomes disabled while in employment we are committed to making reasonable adjustments and to providing support as appropriate.

Anti-Fraud, Bribery and Corruption Policy

We take a zero-tolerance approach towards fraudulent, dishonest and corrupt practices. We are committed to being a transparent and accountable organisation, ensuring that the funds we raise are used effectively to have a real impact for children. Our Anti-Fraud, Bribery and Corruption Policy and accompanying procedures put in place controls and processes designed to prevent and detect fraud and dishonesty, to investigate any allegations that arise, and to take appropriate action where necessary. For further details, see page 30 in the Accountability & Transparency Report.

Health, safety and security

We are committed to safeguarding the health, safety, security and wellbeing of our staff and representatives and to ensuring that they are given adequate training, support and information. We are also committed to further developing a positive safety culture where everyone, from the Board to our dedicated volunteers, is responsible for making sure health and safety is considered in the planning of all that we do.

Environmental policy

We are committed to limiting the environmental impact of our operations, by ensuring that our staff minimise the environmental impact of their activities including travel, paper use, waste and recycling. For further details please see pages 35–37 in the Accountability and Transparency Report. We also publish our Environment Policy and Carbon Mapping Report on our website.

Pay at Save the Children

In line with recommendations from the National Council for Voluntary Organisations 2014 inquiry into executive pay, we now publish our approach to pay in detail on our website, explaining how our pay levels are defined, publishing the ratio of pay levels across the organisation and listing the roles and salaries of our executive team. We are also committed to paying our staff a fair salary that is competitive within the charity sector, proportionate to the complexity of each role, and responsible in line with our charitable objectives.

We provide all paid staff with a salary at least in line with guidance from the Campaign for a Living Wage, currently £9.75 per hour in London and £8.45 per hour outside of London. Details of salary and pensions costs, including individual salaries of all executive directors, can be found in note 8 in the financial statements (see page 58).

For further details on our gender pay ratios please see our website as well as page 34 in our Accountability and Transparency Report.

TRUSTEES' ANNUAL RISK STATEMENT

WHY RISK MANAGEMENT IS IMPORTANT TO US

Proactive risk management allows us to anticipate and respond to challenges in our complex operating environment. In 2016, our risk management approach supported us in:

- keeping our promises to the children we work with, and contributing to keeping them safe;

- safeguarding our people who work in challenging and difficult environments;
- delivering global programmes to high quality standards;
- meeting our obligations to our supporters, donors and partners.

Robust risk management enables us to make informed decisions and take calculated risks for the benefit of children.

2016 RISK CONTEXT

WORLD CLASS IMPACT	To reach every last child we continued to work in dangerous locations, such as Yemen and Syria, through our people and partners	Launching a search and rescue response in the Mediterranean Sea challenged us to adapt our operations to a maritime context	Challenging operating conditions for programmes in complex environments increased the risk of reportable incidents but led to increased collaboration across the movement on fraud management
CAUSE OF MILLIONS	New Charity Commission guidance on fundraising and the creation of a new UK Fundraising Regulator set higher standards for compliance	Increasing restrictions on communicating with supporters and pressure on unrestricted income drove us to further diversify our donor portfolio	Declining public trust in charities combined with shifting political environment impacted our fundraising and advocacy work
OUTSTANDING ORGANISATION	Concerns about future income following the ending of DFID Programme Partnership Agreement drove a renewed focus on our strategic direction	Improved process, technology and systems contributed to increased operational and cost efficiency but threats to information security increased	Focus on People & Culture led to improved staff turnover numbers but Employee Engagement scores remained lower than hoped

Key challenges that we encountered in 2016 under our three strategic objectives – delivering world-class impact, becoming a cause of millions and building an outstanding organisation – are presented in the table above. These themes are reflected in our principal risks and uncertainties.

PRINCIPAL RISKS AND UNCERTAINTIES IN 2016

The principal risks are those which without effective mitigation would have a severe impact on our work, our reputation or our ability to achieve our ambitions. Due to our operating environment, Save the Children faces a number of inherent principal risks which are constant year-on-year.

The Board of Trustees has carefully considered the impacts of the principal risks to the organisation achieving its strategic objectives and ambitions for children. The principal risks are summarised below and aligned to strategic objectives for 2016.

Programming in complex environments



Working in complex environments and fragile states also presents the risk of:

- health, safety and security incidents causing harm to our staff;
- unintentionally working with, or assisting, prohibited parties;
- fraud, theft, bribery and corruption;
- failure to deliver programmes to the high quality standards expected by our beneficiaries, supporters and donors.

KEY MITIGATION

Save the Children International delivers the vast majority of our overseas programmes and is responsible for managing the operational risks present in the challenging environments where we work. We work with them to mitigate those risks as far as possible and as part of this, in 2016, we continued to invest in their Operational Platform Strengthening, designed to support effective programme delivery in complex operating environments.

In Save the Children UK:

- We train our staff to equip them to manage the risks we face in delivering programmes in complex environments.
- In 2016, we launched our AWARE programme to support the mental wellbeing of our staff deploying to humanitarian crises and conflicts.
- Our Audit Committee and board received programming updates throughout the year, including the annual health & safety and safety & security reports, supported by updated policies and procedures relevant to working in the UK and overseas.

Child safeguarding



Keeping the children we work with safe from harm is a top priority. As part of the global Save the Children movement, we recognise that any child safeguarding failings on the part of Save the Children globally could damage our ability to fundraise or deliver programmes, and reduce the effectiveness of our advocacy in the UK and globally. We aim to prevent a child safeguarding incident occurring in our events, activities and programmes in the UK, or to effectively manage any incident that arises.

KEY MITIGATION

Within the UK:

- In line with Save the Children's global child safeguarding protocol, which sets out the standards required of us for ensuring that the children we work with are kept safe, we have adopted a 'safeguarding' approach to ensure robust preventative measures and systems are in operation, and that if abuse or exploitation occurs, appropriate action is taken to protect those affected. This is overseen by our Child Safeguarding Director.
- Disclosure and Barring Service checks are conducted on all staff plus international police checks are completed on staff who have lived overseas.
- Mandatory training is given to all staff and in-depth child safeguarding training provided for those working directly with children.
- In November, we launched our 'Children First' initiative to help all Save the Children representatives understand how we should behave when working with children; promoting positive, safe behaviours, highlighting unsafe attitudes and ways of working and emphasising the vital importance of reporting concerns.
- Child safeguarding updates were received by our board throughout the year, actively supported by our nominated trustee for Child Safeguarding.

Save the Children International delivers the vast majority of our overseas programmes and is responsible for implementing child safeguarding arrangements in the challenging locations where they operate but we:

- Ensure that our staff travelling overseas to visit or work in our international programmes are appropriately trained and vetted.
- Work closely with Save the Children International and other Save the Children Members to share expertise and ensure a joined-up approach to keeping children safe.

Upholding our supporter promise

Our supporters are critical to our success and what we can achieve for children. Failure to uphold our supporter promise could lead to losing support for our campaigns, shops and operations, as well as the valuable funds our supporters generously donate for our work. This was more important than ever in 2016, when charities were under increasing media and regulator scrutiny over their fundraising activities.

KEY MITIGATION

In 2016, we:

- Delivered supporter data handling training and guidance to our staff.
- Further improved our internal processes pertaining to fundraising agencies and revised all fundraising agency contracts to include updated standards, for example on vulnerable people, adherence to the Supporter Promise and how we monitor overall compliance.
- Revised our guidelines when fundraising with Vulnerable People to align with enhanced guidance from the Institute of Fundraising and other sources.
- Following an internal audit of our Supporter Promise we enhanced governance and oversight frameworks to support adherence to the Promise and implemented a Supporter Advisory Forum.
- Provided regular updates to the board on our marketing, fundraising and communications activities, as well as to Audit Committee and Donation Acceptance Committee, subcommittees of the board with particular responsibility for scrutiny of our relationship with the public.

We are fully registered with the Fundraising Regulator and work constructively with them.

Attracting, engaging & retaining high performing staff

Our people are our greatest asset; failure to attract, engage and retain the best staff leads to reduced ability to deliver successful outcomes for children.

KEY MITIGATION

In 2016:

- We focused on management excellence training and improving the quality of line manager relationships and dialogue with our staff.
- We launched our mandatory Respect in the Workplace training for all staff as well as our new Integrity Line that enables staff to report inappropriate behaviour or misconduct.
- Our People & Culture strategy evolved and was discussed by the board throughout the year, including results from our October Employee Engagement Survey.
- Our People in Aid accreditation is in place for 2015-2018.

We experienced lower staff turnover in 2016.

Financial stability

External trends and factors affecting our income, expenditure, cash flow or reserves could put our future financial stability at risk and leave us unable to deliver on our strategic objectives for children.

KEY MITIGATION

In 2016:

- We made concerted efforts to diversify our institutional and corporate donor base within the confines of the home donor rules applied by the Save the Children movement and worked with our fundraising teams to respond to changes in our fundraising model; we will continue to progress this in 2017.
- We monitored our reserves, debt and cash flow positions against our agreed thresholds throughout the year.
- Internal audits were performed of our payroll systems and fraud management arrangements.
- Our board reviewed our financial performance and budget at their meetings in April and December.

Responding to global political and economic challenges

The decision for the UK to leave the EU, and the outcome of the US presidential election, resulted in a number of shifts in our operating environment, such as fluctuating foreign exchange rates and potential policy changes in our primary institutional donors, which we are continuing to assess and manage as the situation develops.

KEY MITIGATION

In 2016, we:

- Undertook a strategy review designed to sharpen and hone our 2017-19 strategy and further align with our financial plans.
- Streamlined activities across the organisation to align with the revised strategic plans.

We continue to monitor political and economic trends as they evolve and we will report on our more detailed mitigation plans in the 2017 annual report.

Safeguarding confidential and sensitive information

If we, or one of our suppliers or partners, lose or allow unauthorised access to the data we hold on children, supporters, staff, volunteers or partners, it could cause harm to those individuals and lead to regulatory action against Save the Children.

KEY MITIGATION

In 2016:

- Data Protection and Information Security policies and procedures were underpinned by mandatory data protection training for all new staff.
- Specialist staff provided information security advice and guidance to the organisation and implemented technical security measures including laptop encryption, firewalls etc.
- Detailed information security risk and cyber security risk assessments were completed and recommendations arising from this reported to the Audit Committee and board of trustees.

Net risk movement through 2016**KEY**

Stable

Increasing

Decreasing

HOW WE MANAGE RISK

Save the Children updates its risk profile on a quarterly basis to ensure reflection of new or emerging threats and challenges. Quarterly, the principal risks are actively discussed by Executive Directors and with the Board of Trustees. The Audit Committee reviews the risk dashboard and summary risk matrix at their meetings throughout the year.

Our risk registers and dashboards were used by Internal Audit as the basis for preparing their annual audit plan.

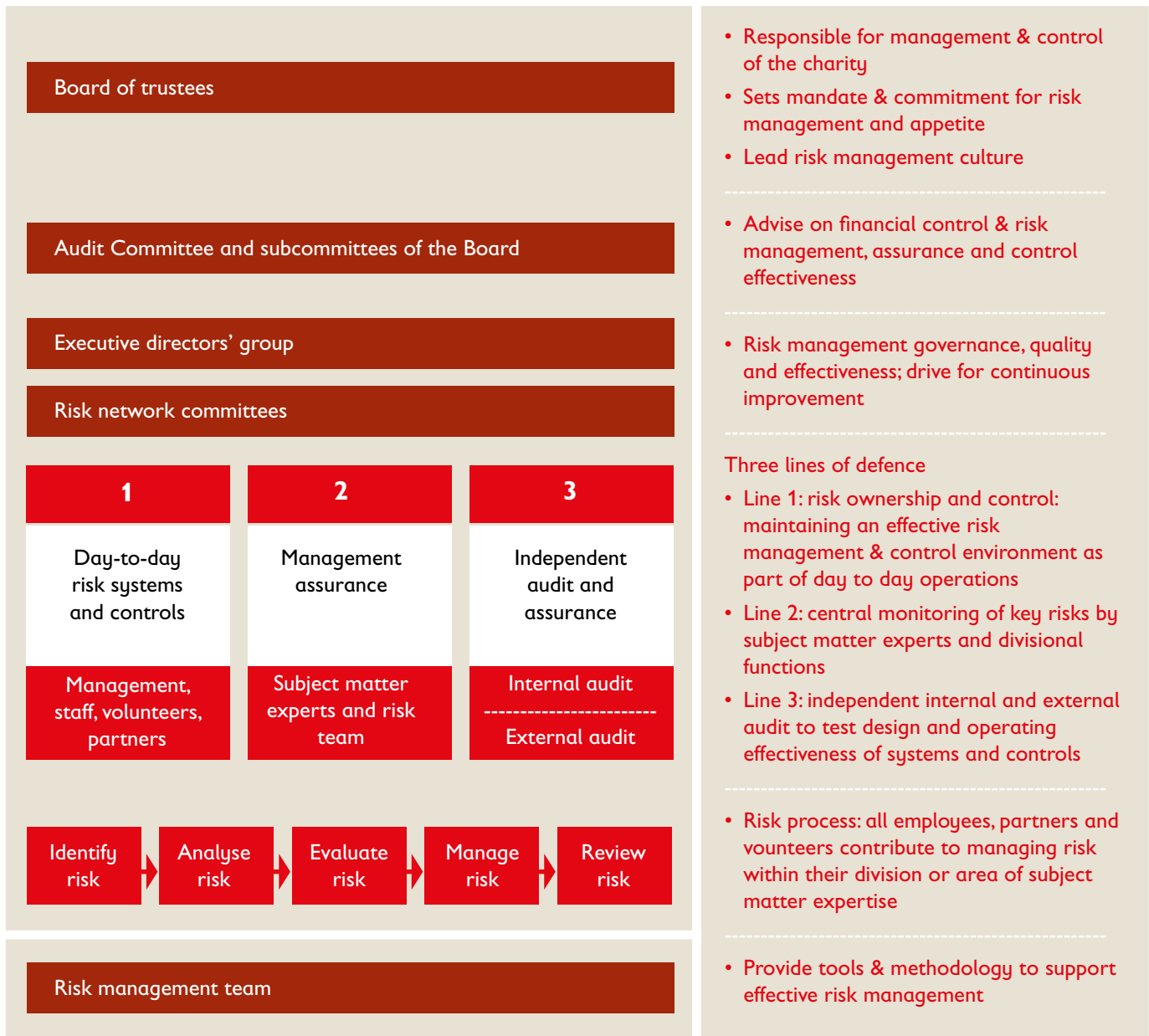
In 2016, we:

- used our organisational risk appetite to assess opportunities for the benefit of children and to help us decide which risks we take, and how those risks are managed.

- maintained a set of measurable 'triggers' to help us identify when our risk profile may be increasing and to alert us when additional mitigation is required.
- developed our 'three lines of defence' approach, mapping controls for our principal risks, and strengthening them where gaps were identified.
- continued with a three-year project to update our policies and procedures framework.

Our risk management processes enable us to manage risk to the best of our ability; they provide reasonable, but not absolute, assurance that the organisation is protected. In the event of an incident, we have a robust crisis management plan to ensure we manage incidents effectively and lessons learned are incorporated into future planning.

ROLES AND RESPONSIBILITIES FOR MANAGING RISK IN 2016



Working together to manage shared risks

We share exposure to financial, operational and reputational risk due to Save the Children's networked structure and ways of working; we therefore work closely with Save the Children International and other Save the Children members to better identify and manage the risks we face as an international organisation working in challenging operating environments.

Internal audit

We outsource our internal audit function to Grant Thornton.

Risk-based audits were conducted across the organisation in 2016, across a number of key areas including finance, HR, campaigns, global programmes and fundraising.

Internal audit reports were shared with the relevant director for the audit topic, as well as the Chief Operating Officer, Chief Financial Officer and Audit Committee; agreed actions and recommendations were systematically followed up throughout the year and reports on implementation were reviewed by the Audit Committee.

The Audit Committee meets with both our internal auditor and our external auditor (Deloitte LLP) in a private session, independent of management, on an annual basis.

AUDITORS

Deloitte LLP have expressed their willingness to continue to act as auditors. A resolution to reappoint them, under section 485 of the Companies Act 2006, was approved at the Board of Trustees Meeting on 25 April.

The trustees' report, including the strategic report, was approved on behalf of the Board of Trustees.

Peter Bennett-Jones CBE
Chair of Trustees, Save the Children

5 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF SAVE THE CHILDREN FUND

We have audited the financial statements of Save the Children Fund for the year ended 31 December 2016 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 27. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 (as amended). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of the group's charitable company'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 requirements of 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 MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Trustees' Annual Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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.

Reza Motazed (FCA Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

5 May 2017

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2016 £000	Total funds year to 31/12/2015 £000
Income and endowments from:					
Donations and legacies	2	80,723	38,908	119,631	127,501
Charitable activities	3	–	270,836	270,836	249,327
Other trading activities	4	9,752	–	9,752	9,693
Investments	5	931	20	951	925
Other	6	2,367	988	3,355	2,271
Total income		93,773	310,752	404,525	389,717
Expenditure on:					
Raising donations and legacies	7	26,594	40	26,634	26,505
Other trading activities	7	8,272	21	8,293	7,754
Investment management costs	7	127	–	127	152
		34,993	61	35,054	34,411
Charitable activities					
Nutrition	7	4,705	43,823	48,528	31,177
Livelihoods	7	4,961	43,026	47,987	26,423
Health	7	6,687	71,880	78,567	87,393
HIV/AIDS	7	89	33	122	216
Protection	7	1,793	9,992	11,785	10,813
Rights	7	349	432	781	1,434
Education	7	5,544	44,469	50,013	54,052
Rapid onset emergencies	7	14,309	96,985	111,294	110,714
Campaigning and awareness	7	18,471	6,032	24,503	24,039
Total charitable activities		56,908	316,672	373,580	346,261
Other	7	1,464	2	1,466	1,212
Total expenditure		93,365	316,735	410,100	381,884
Net gains/(losses) on investments	13	3,060	432	3,492	(659)
Movement on share of associate's surplus/(deficit)	14	35	–	35	(8)
Net income/(expenditure)		3,503	(5,551)	(2,048)	7,166
Transfers between funds	21	(1,422)	1,422	–	–
Actuarial (losses)/gains on defined benefit pension scheme	25	(15,502)	–	(15,502)	3,398
Net movement in funds		(13,421)	(4,129)	(17,550)	10,564
Fund balances brought forward		23,840	35,721	59,561	48,997
Fund balances carried forward	21	10,419	31,592	42,011	59,561

All gains and losses recognised in the period are included above. All activities relate to continuing operations.

The restricted fund balances carried forward include £3,676,000 (2015: £3,236,000) which relate to endowment funds.

There were no new endowments in this period and there were gains in the funds in the current period of £432,000 (2015: loss £82,000).

The accompanying notes are an integral part of this consolidated statement of financial activities.

CONSOLIDATED AND CHARITY BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Notes	Group 31/12/2016 £000	Group 31/12/2015 £000	Charity 31/12/2016 £000	Charity 31/12/2015 £000
Fixed assets					
Intangible assets	11	5,582	5,080	5,582	5,080
Tangible assets	12	3,159	2,972	3,159	2,972
Investments	13	35,473	26,084	34,768	26,334
Associates	14b	472	1,392	–	–
		44,686	35,528	43,509	34,386
Current assets					
Stocks	15	1,690	5,649	1,583	4,991
Grant debtors	16a	33,963	36,980	33,661	34,272
Other debtors	16b	32,923	48,534	32,719	48,201
Short-term deposits		34,503	40,172	34,503	40,172
Cash at bank and in hand		32,968	13,807	31,144	12,027
		136,047	145,142	133,610	139,663
Creditors: amounts falling due within one year	17a	(85,626)	(79,075)	(85,491)	(77,528)
Net current assets		50,421	66,067	48,119	62,135
Total assets less current liabilities		95,107	101,595	91,628	96,521
Creditors: amounts falling due after more than one year	17b	(1,454)	(1,500)	(1,454)	(1,500)
Provisions for liabilities	18	(12,922)	(13,655)	(12,097)	(10,865)
Net assets excluding pension liability		80,731	86,440	78,077	84,156
Defined benefit pension scheme liability	25	(38,720)	(26,879)	(38,720)	(26,879)
Total net assets		42,011	59,561	39,357	57,277
Unrestricted funds					
General reserve	21	35,210	38,121	34,404	37,760
Revaluation reserve	21	4,031	3,168	4,031	3,168
Designated funds:					
Tangible fixed assets reserve	21	8,126	7,383	8,126	7,383
Programme related investment	21	955	–	–	–
Associates	21	472	1,392	–	–
St John's Lane reserve fund	21	345	655	345	655
Total unrestricted funds excluding pension reserve		49,139	50,719	46,906	48,966
Pension reserve	25	(38,720)	(26,879)	(38,720)	(26,879)
Total unrestricted funds		10,419	23,840	8,186	22,087
All restricted and endowed funds					
Restricted income funds	22	27,916	32,485	27,495	31,954
Endowment funds	23	3,676	3,236	3,676	3,236
Total restricted funds		31,592	35,721	31,171	35,190
Total funds		42,011	59,561	39,357	57,277

The accompanying notes are an integral part of these consolidated and charity balance sheets.

The financial statements on pages 47 to 80 were approved by the Board of Trustees on 25 April 2017 and signed on their behalf by the Chair and Honorary Treasurer on 5 May 2017.

Peter Bennett-Jones CBE – Chair

Gareth Davies – Honorary Treasurer

Company Number: 178159

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Net cash flows from operating activities	(a)	20,159	(25,372)
Cash flows from investing activities			
Bank interest received		133	174
Dividends received		818	751
Purchase of intangible fixed assets	11	(1,903)	(1,632)
Purchase of tangible fixed assets	12	(769)	(632)
Proceeds from sale of fixed assets		31	54
Purchase of investments	13	(16,675)	(6,475)
Proceeds from sale of investments	13	11,885	5,360
Net cash movement in investments	13	(152)	1,140
Investment in associate	14b	(35)	8
Net cash used in investing activities		(6,667)	(1,252)
Change in cash and cash equivalents in the year	(b)	13,492	(26,624)
Cash and cash equivalents at the beginning of the year		53,979	80,603
Cash and cash equivalents at the end of the year		67,471	53,979

The accompanying notes are an integral part of this consolidated cash flow statement.

		Year to 31/12/2016 £000	Year to 31/12/2015 £000
NOTES TO THE CASH FLOW STATEMENT			
(a) Reconciliation of net (expenditure)/income to net cash flow from operating activities			
Net (expenditure)/income		(2,048)	7,166
Investment income		(951)	(925)
(Gains)/losses on investments		(3,492)	659
Adjustment for pension funding		1,219	1,380
Payments to defined benefit pension scheme		(4,880)	(4,401)
Net gain on disposal of fixed assets		–	(13)
Depreciation charge		551	438
Amortisation charge		1,335	958
Impairment charge		66	42
Decrease/(increase) in stocks		3,959	(3,881)
Decrease/(increase) in debtors		18,628	(24,238)
Increase in creditors falling due within one year		6,551	584
Decrease in creditors falling due in more than one year		(46)	(247)
Decrease in provisions		(733)	(2,894)
Net cash flows from operating activities		20,159	(25,372)
(b) Analysis of cash and cash equivalents			
	At 01/01/2016 £000	Cash flow £000	At 31/12/2016 £000
Cash at bank and in hand	13,807	19,161	32,968
Short-term deposits	40,172	(5,669)	34,503
	53,979	13,492	67,471

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 'Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102)' published in July 2014, and applicable United Kingdom law and accounting standards.

The charity meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemption in relation to a presentation of a cash flow statement in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The group meets the definition of a public benefit entity under FRS 102. See page 36 for further details. The financial statements have been prepared under the historical cost convention, unless otherwise stated in the relevant accounting policy note.

The financial statements have been prepared on the going concern basis as discussed in the trustees' report on page 30.

The group statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its wholly-owned subsidiary undertakings, Save the Children (Sales) Limited, Medical Emergency Relief International (MERLIN) and the Humanitarian Leadership Academy (HLA). The results of these subsidiaries are consolidated on a line-by-line basis.

Save the Children International (SCI) carries out international programming on behalf of Save the Children UK (SCUK) and other movement members. Following a review of the accounting treatment for SCI it was determined that it would be more appropriate to reclassify the £955,000 investment in SCI as a programme related investment as this investment is made directly in pursuit of SCUK's charitable purposes. As a result this amount has been reclassified within fixed assets on the balance sheet from associates to investments in 2016. There was no impact on net assets, total income or expenditure. The comparative information has not been restated as the amounts involved are not material.

Grants provided by SCUK to SCI are considered to be a part of the costs and assets of activities in furtherance of the objects of the charity and are accounted for in accordance with the grants made to external parties. This is because of the significance of the charity's programme activity carried out through SCI and the nature of the programme operating model. The amounts recognised with SCI are disclosed in the relevant notes to the financial statements.

Save the Children UK has treated the William Belmer Rush Foundation as an associate owing to the significant

influence exerted over its financial and operating policies, and has accounted for the Foundation in the group financial statements on a net equity basis. The consolidated SOFA includes the group's share of the associates' surplus or deficit.

The charity has availed itself of Paragraph 4 (1) of Schedule 1 to the Accounting Regulations and has adapted the Companies Act formats to reflect the special nature of the charity's activities.

Save the Children is a member of the Start Network, a consortium of 42 Member NGOs that is working to strengthen the humanitarian aid sector. As the lead agency within the consortium, Save the Children is legally responsible to donors for the charitable application of funds. Funding for the Start Network consortium is recognised by Save the Children as a separate restricted fund under the agreement with donors.

(B) COMPANY STATUS

The charity is a company limited by guarantee. The members of the company are the trustees named on page 33. 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 that 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 note 21.

Unrestricted funds include a **pension reserve** adjustment to match the pension deficit, in line with FRS 102 section 28: Employee 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. Costs are charged against the specific fund in line with donor wishes. An analysis 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.

1.ACCOUNTING POLICIES (CONTINUED)

(D) INCOME

All incoming resources are included in the SOFA when Save the Children UK is entitled to the income, when receipt of funds is probable, and when the amount can be measured with sufficient reliability.

Donations and legacies

Donations

Donations include all income received by the charity that is made on a voluntary basis and is not conditional on delivering certain levels or volumes of service or supply of charitable goods. This will include grants from institutions, corporates and major donors that provide core funding, or are of a general nature.

Legacies

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received.

Residuary legacies are recognised as receivable once probate has been granted, provided that sufficient information has been received to enable valuation of the charity's entitlement.

Reversionary interests involving a life tenant are not recognised until we are notified that the prior interest has ended.

Gifts in kind

Gifts for onward distribution

Gifts in kind donated for distribution are included at fair value and are recognised as income and stock when they are received from donors and in expenditure when they are distributed to beneficiaries. Gifts in kind include food, clothing and medical supplies.

Gifts for resale

Gifts in kind donated for resale are recognised within retail income when they are sold.

Donated facilities and support

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

Volunteers

We currently involve over 13,000 volunteers in all of our divisions and across most of our departments. There are many types of volunteers at Save the Children UK, including Events Managers, Area Leaders, Voluntary Interns, Pro-bono Specialists, Organisers, Community Campaigners, Bloggers, Trustees and Ambassadors. In accordance with the SORP, no

monetary value has been attributed to their work although their work is considered vital to the activities of the charity.

Income from charitable activities

Grants from governments, agencies and foundations, corporates and trusts have been included as 'Income from charitable activities' where these grants specifically outline the goods and services to be provided to beneficiaries. For these performance related grants, in the absence of specific milestones to determine entitlement, income is recognised to the extent that resources have been committed to the specific programme, as this is deemed to be a reliable estimate of the right to receive payment for the work performed. In this case, cash received in excess of expenditure is included as a creditor (as deferred income) and expenditure in excess of cash included as a debtor (as accrued income).

Unless otherwise specified by donors, restricted funds are not held in separate bank accounts, and any interest income arising on restricted funds held is treated as unrestricted to offset the costs where Save the Children UK is required to pre-finance projects.

Other trading activities

Other trading activities includes retail income from the sale of new and donated goods through shops, branches and online. Where applicable, income is recognised net of value added tax.

(E) EXPENDITURE

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

Expenditure on raising funds is that incurred in seeking voluntary income, running our retail operations and managing our investments and does not include the costs of disseminating information in support of the charitable activities.

Expenditure on charitable activities includes grants payable and costs incurred directly by Save the Children UK in the furtherance of its charitable objectives, along with associated support costs. Grants payable to partner organisations such as Save the Children International 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 children, which are monitored by the charity. Grants are also made to fund immediate emergency relief provision in times of crisis, catastrophe or natural disaster.

Support costs, such as general management, governance, human resources, financial management, programme support, information systems and premises costs are

1.ACCOUNTING POLICIES (CONTINUED)

allocated across the categories of charitable activities and costs of raising 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.

However, if complements of equipment (eg, office equipment and computers) are acquired with individual costs below the stated capitalised threshold but collective costs of above £5,000 and anticipated asset lives in excess of two years, then such complements are capitalised at the time of purchase.

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 from the time assets are available for use at rates calculated to write off the costs on a straight-line basis over their expected useful economic lives, as follows:

Freehold properties	50 years
Leasehold property improvements – headquarters	Lease period
Other leasehold property improvements	Shorter of 10 years and lease period
Computer equipment	5 years

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.

(G) INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets are held on the balance sheet at cost less accumulated amortisation and impairment losses.

Computer software, including development costs, is capitalised as an intangible asset and amortised on a straight-line basis over the expected useful life of five years

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.

(H) 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.

Investments in subsidiaries and programme related investments are included in the balance sheet at their historical cost (ie, the fair value of the consideration given by the company) less, where appropriate, impairment provisions for any permanent decrease in value.

(I) STOCKS

Stocks are valued at cost less an allowance for obsolescence. Undistributed gifts in kind are recognised on the balance sheet as stocks at the fair value of those gifts at the time of receipt.

(J) PENSION COSTS

For **Defined benefit schemes**, the amounts charged in expenditure are the costs arising from employees' services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the statement of financial activities and included within finance costs or credits similar to interest. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in actuarial gains/losses on defined benefit pension schemes in the SOFA.

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 credit 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 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 statement of financial activities in respect of pension costs and other 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.

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. This scheme has been treated as a

1. ACCOUNTING POLICIES (CONTINUED)

multi-employer scheme as it is not possible to separately identify the assets and liabilities of participating employees. The growth plan is accounted for as a defined contribution scheme and a liability is recognised on the balance sheet in respect of the committed contributions.

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

Merlin contributed to a defined contribution pension plan operated by AEGON. The contribution payments are charged to the SOFA.

(K) 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. The group does not have assets under finance leases.

(L) FOREIGN CURRENCIES

Foreign currency balances have been translated at the rate of exchange ruling at the balance sheet date into the accounts presentational and functional currency, which is GBP. 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.

(M) PROVISIONS

Provisions for liabilities are recognised when there is a legal or constructive obligation for which a measurable future outflow of funds is probable.

A provision is made for an onerous lease where the expected income from sub-let property is significantly less than the expected associated rental payments. Save the Children UK is committed to paying to its landlord.

Where the time value of money is material, provisions are discounted using a discount rate reflecting the current market assessment of the time value of money as represented by the interest rates available to the group when placing cash on deposit.

(N) 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.

(O) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The Group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. With the exception of fixed asset investments, basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposits or similar account. Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(P) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates, judgements and assumptions are made based on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

The following areas are considered to involve the critical judgements and sources of estimation uncertainty when applying the group's accounting policies.

Revenue recognition

Due to the range and complexity of the group's funding streams, revenue recognition is deemed to be an area that requires judgement to appropriately apply the income accounting policies explained in accounting policy 1d. The recognition and valuation of legacy income also requires significant judgement - see note 1d for further details.

Pension liability

Estimates of the net pension liability depend on a number of complex judgements relating to the discount rate used, changes in retirement ages and mortality rates. The group engages a firm of actuaries to provide expert advice about the assumptions made and the effect on the pension liability of changes in these assumptions.

1. ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions such as the onerous lease, dilapidations, bad debt and terminal grants involve assumptions and estimation techniques. These are based on the experience and knowledge of management and evidence from past experience.

Cost allocation

The cost allocation methodology requires a judgement as to what are the most appropriate bases to use to apportion support costs; these are reviewed annually for reasonableness. The bases used are outlined in note 7e.

2. DONATIONS AND LEGACIES

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2016 £000	Year to 31/12/2015 £000
(a) Donations and gifts				
Individual giving	42,127	6,023	48,150	54,899
Trusts and major donors	2,975	5,339	8,314	10,264
Community fundraising	5,668	966	6,634	10,466
Corporate fundraising	2,017	4,778	6,795	9,201
Save the Children global member development	–	455	455	667
Institutional donors	9,423	14,964	24,387	9,409
	62,210	32,525	94,735	94,906
(b) Gifts in kind by type				
Gifts in kind for distribution ¹	–	5,301	5,301	12,791
Headquarters professional services	–	205	205	214
Fundraising	–	594	594	858
	–	6,100	6,100	13,863
(c) Legacies				
Legacies ²	18,513	283	18,796	18,732
Total donations and legacies	80,723	38,908	119,631	127,501

¹ Gifts in kind for distribution comprises mainly food aid and pharmaceuticals.

² The estimated amount of legacies for which the charity has received notice of entitlement, but which has not been accrued, whether because probate has not yet been obtained, or on grounds of insufficient certainty, was £4.1 million (2015: £4.2 million).

3. INCOME FROM CHARITABLE ACTIVITIES

	Year to 31/12/2016 restricted £000	Year to 31/12/2015 restricted £000
Performance related grants		
UK central government	138,742	127,778
United States government	220	140
Irish government	3,314	2,422
Other national governments	1,172	2,898
UK local and regional government	680	421
European Commission including European Commission Humanitarian Organisation of £19,186,000 (2015: £26,774,000)	34,334	32,810
Disasters Emergency Committee	7,256	11,069
United Nations	40,109	30,945
World Bank	7,695	4,472
Global Fund to fight AIDS, tuberculosis and malaria	319	766
Total government and multilateral organisations	233,841	213,721
Comic Relief	1,734	1,798
Bill & Melinda Gates Foundation	4,356	5,894
Big Lottery Fund	1,220	298
Corporate partners	16,459	15,050
Trusts	4,287	1,526
Save the Children members	443	389
Lankelly Chase	30	–
Other	8,466	10,651
Total income from charitable activities	270,836	249,327

Income from charitable activities relates to income from performance-related grants that are used to further our charitable objectives across our thematic areas.

4. OTHER TRADING INCOME

	Charity £000	Save the Children (Sales) Ltd £000	Total year to 31/12/2016 £000	Total year to 31/12/2015 £000
Retail income and costs				
Retail income	9,184	568	9,752	9,693
Cost of sales	–	(237)	(237)	(191)
Direct expenses	(7,868)	(188)	(8,056)	(7,585)
Total expenses	(7,868)	(425)	(8,293)	(7,776)
Surplus	1,316	143	1,459	1,917

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £371,000 (2015: £509,000) of donations raised in shops, and £36,000 (2015: £79,000) of property income, totalling £407,000 (2015: £588,000).

5. INVESTMENT INCOME

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Dividends on investments listed on a recognised stock exchange	818	–	818	751
Interest on bank deposits and other investments	113	20	133	174
	931	20	951	925

6. OTHER INCOME

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Rental income	1,811	–	1,811	1,550
Gain on disposal of fixed assets	–	–	–	35
Other income	556	988	1,544	686
	2,367	988	3,355	2,271

7. EXPENDITURE

(a)

	Grant funding of activities (note 7b) £000	Activities undertaken directly			Allocation of support costs (note 7e) £000	Year to 31/12/2016 £000	Year to 31/12/2015 £000
		Staff costs (note 8) £000	Other direct costs £000	Gifts in kind £000			
Expenditure on raising funds							
Expenditure on raising donations and legacies (note 7d)	122	8,740	15,482	53	2,237	26,634	26,505
Expenditure on other trading activities	–	2,545	5,300	10	438	8,293	7,754
Investment management costs	–	–	123	–	4	127	152
	122	11,285	20,905	63	2,679	35,054	34,411
Charitable activities							
Nutrition	39,458	484	2,661	3,277	2,648	48,528	31,177
Livelihoods	42,037	778	2,355	132	2,685	47,987	26,423
Health	62,946	951	4,991	5,512	4,167	78,567	87,393
HIV/AIDS	100	2	13	–	7	122	216
Protection	10,390	112	562	65	656	11,785	10,813
Rights	671	55	9	–	46	781	1,434
Education	40,916	2,412	3,783	33	2,869	50,013	54,052
Rapid onset emergencies	76,568	10,469	17,177	606	6,474	111,294	110,714
Campaigning and awareness (note 7c)	4,607	9,135	8,115	70	2,576	24,503	24,039
	277,693	24,398	39,666	9,695	22,128	373,580	346,261
Support costs	72	17,406	6,979	395	(24,852)	–	–
Other expenditure ¹	–	–	1,421	–	45	1,466	1,212
Total expenditure	277,887	53,089	68,971	10,153	–	410,100	381,884
Prior year	259,737	48,535	63,512	10,100	–	381,884	

¹ Costs relating to the sub-let of certain floors of the headquarters building at St John's Lane have been identified as a separate activity of the group.

(b) Grant funding of activities

During the year ended 31 December 2016, Save the Children UK made grants to partner organisations carrying out work to help children. A list of grants is made available at www.savethechildren.org.uk/resources/online-library/annual-report-2016

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

These have several 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; and
- 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 activities that further our charitable purposes and enable us to deliver change through mobilising millions of people around the world to show they care, and demand others fulfil their responsibilities.

7. EXPENDITURE (CONTINUED)

(d) Costs of raising donations and legacies	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Individual giving	15,397	17,280
Trusts and major donors	2,031	1,962
Community fundraising	6,315	4,784
Corporate fundraising	1,995	1,749
Legacies	896	730
	26,634	26,505

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

Support costs include the cost of providing key organisational support in the areas of general and financial management, human resources and information technology. In addition, this includes costs incurred directly to design and monitor our programmes, and the costs incurred by SCI to deliver our international portfolio.

Management and administration costs	Basis of apportionment	Year to 31/12/2016 £000	Year to 31/12/2015 £000
General management	Pro-rata by expenditure	1,716	1,477
Governance	Pro-rata by expenditure	1,179	998
Human resources	Pro-rata by salary costs	2,300	2,415
Financial management	Pro-rata by expenditure	3,348	3,583
Premises and facilities	Pro-rata by building usage	4,254	5,116
Information systems	Pro-rata by expenditure	6,639	5,664
		19,436	19,253
Programme support costs			
Programme support	Pro-rata by charitable expenditure	10,098	9,058
Central and regional operating costs to SCI	Pro-rata by charitable expenditure	7,574	7,783
Core contributions to SCI	Pro-rata by charitable expenditure	2,341	2,453
Contribution to growth of other Save the Children members	Pro-rata by charitable expenditure	1,330	900
SCI strategic investment funding	Pro-rata by charitable expenditure	2,914	–
		24,257	20,194
Other support costs			
Gifts in kind (pro-bono professional services)	Pro-rata by expenditure	395	497
(Gains)/losses on foreign exchange	Pro-rata by expenditure	(2,637)	1,189
Net interest cost ¹	Pro-rata by expenditure	918	1,046
		42,369	42,179
Indirect cost recovery ²	Pro-rata by charitable expenditure	(17,517)	(15,249)
		24,852	26,930

¹ This is the net interest cost on the pension schemes, see note 25 for further details

² Indirect cost recoveries are the contributions received from donors for the overhead costs of running our programming activities

7. EXPENDITURE (CONTINUED)

(f) Total resources expended include the following amounts:

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Group auditor's remuneration		
Audit of charity	107	128
Audit of subsidiaries	19	13
Total audit	126	141
Audit related assurance services	10	5
Total assurance services	10	5
Other non-audit services	46	4
Total non-audit services	46	4
Total fees	182	150

Deloitte LLP provided pro-bono consultancy services worth £22,500 to HLA in 2016 in relation to a review of partner reporting frameworks.

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Lease rentals: land and buildings		
Retail	2,388	2,347
Programme offices	300	397
Headquarters	3,775	3,778
	6,463	6,522

Ex-gratia payments

There have been no ex-gratia payments made to the relatives of testators who had willed part of their estate to Save the Children UK.

8. STAFF COSTS

(a)	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Wages and salaries	42,099	39,241
National Insurance	4,317	3,896
Pension costs defined contribution scheme	3,504	3,390
Pension costs defined benefit scheme	301	334
Other staff costs	2,868	1,674
	53,089	48,535

Staff costs are shown inclusive of all amounts directly funded by donors through programme awards. Included within other staff costs is £463,565 of termination costs.

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

	Average headcount		Average FTE headcount	
	Year to 31/12/2016 number	Year to 31/12/2015 number	Year to 31/12/2016 number	Year to 31/12/2015 number
Charitable activities	924	1,446	902	1,415
Raising funds	285	261	279	256
	1,209	1,707	1,181	1,671

Figures above include average staff numbers of 58 (2015: 618) relating to Merlin.

8. STAFF COSTS (CONTINUED)

(c) At 31 December 2016 the number of staff was as follows:

	Headcount ¹ number	Headcount equivalent ² number
UK HQ	916	895
UK non-HQ	153	146
International	116	115
	1,185	1,156

¹ Headcount is defined as the number of roles filled by employees.

² Headcount equivalent is defined as headcount adjusted to take into account hours worked, where employees do not work on a full-time basis. Figures above include staff numbers of 0 (2015: 617) relating to Merlin.

(d) The following number of employees (including those on short-term contracts) earned emoluments within the bands shown below.

Emoluments include salaries, fees, 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 31/12/2016 number	Year to 31/12/2015 number
£60,001-£70,000	27	22
£70,001-£80,000	14	7
£80,001-£90,000	6	4
£90,001-£100,000	2	1
£100,001-£110,000	2	1
£110,001-£120,000	1	3
£120,001-£130,000	1	–
£130,001-£140,000	2	–
£140,001-£150,000	–	1
	55	39

(e) 2016 Executive Director remuneration

The trustees delegate the day to day running of the organisation to the executive directors who are considered to be the key management personnel. Emoluments for all permanent Executive Directors employed at Save the Children UK for the year ending 31 December 2016 are detailed below.

Position	Name	Actual gross salary* 2016	Full-time equivalent annual salary 2016	Full-time equivalent annual salary 2015
Chief Executive Officer (CEO)	Kevin Watkins (from 28 Sep 2016)	£37,400	£143,000	–
Chief Executive Officer (CEO)	Justin Forsyth (to 21 Apr 2016)	£46,112	£149,865	£149,865
Chief Operating Officer (COO)	Jennifer Geary	£131,899	£132,549	£129,950
Marketing, Fundraising and Communications Director	Tanya Steele ¹ (to 31 Dec 2016)	£132,876	£139,019	£119,892
Global Programmes Director	Fergus Drake	£121,642	£122,534	£118,965
Chief Financial Officer (CFO)	Sam Sharpe	£119,939	£120,819	£117,300
Human Resources Director	Paul Cutler (to 31 Mar 2016)	£62,028	£106,080	£106,080
Director of Policy, Advocacy and Campaigns	Kirsty McNeill (from 01 Mar 2016)	£83,333	£100,000	–
Human Resources Director	Clare Conaghan (from 05 Dec 2016)	£8,214	£100,000	–
		£743,443		

* Differences between full-time annual salaries and actual gross salary and emoluments arise due to annual pay rises that take effect in April each year and as a result of individuals joining or leaving Save the Children during the reporting period. Interim appointments are excluded. In addition to the gross salary, £166,123 was paid for employer's national insurance, pension contributions and life insurance in respect of the above individuals.

¹ Tanya Steele was Marketing, Fundraising and Communications Director, and was appointed interim CEO following the departure of Justin Forsyth. She held this role until 28th September 2016 when she became Managing Director.

9. 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 or paid directly on their behalf as follows:

	Year to 31/12/2016 number of trustees	Year to 31/12/2015 number of trustees	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Expenses including travel and subsistence	3	4	2	3

Trustees received no remuneration or direct expenses for volunteering their time.

Save the Children has purchased indemnity insurance at a cost of £15,330 (2015: £7,738) 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.

10. RELATED PARTY TRANSACTIONS

In accordance with the provisions of Financial Reporting Standard 102, 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 £294,728 (2015: £281,904) for advertising and creative services provided by adam&eveDDB during the year and an additional amount of £107,335 (2015: £256,179) was invoiced for creative production services that adam&eveDDB arranged on behalf of Save the Children UK and passed directly onto separate production companies. One of the agency founders is the brother of the charity's former Chief Executive, but the relationship pre-dates the Chief Executive's employment by the charity and he had no input into the awarding of contracts. In the trustees' opinion, the contract has been entered into on an arm's length basis. Of the total amount invoiced, £38,000 was outstanding as at 31 December 2016 (2015: £nil).

As well as donating their time and expertise during 2016 the trustees made unconditional donations of £275,631 (2015: £210,603) to the charity.

Two trustees on the Save the Children UK board in 2016 were also trustees for Save the Children International during 2016 (Sir Alan Parker and Anne Fahy)

Mark Esiri was a Trustee on the board of Medical Emergency Relief International (Merlin). After the wind-down of its Pakistan programme in 2016, the Merlin Board retired with effect from 12th August 2016, and was replaced by an administrative Board comprised of SCUUK staff.

Fiona McBain is also a Trustee on the board of the Humanitarian Leadership Academy (HLA).

Transactions with Save the Children International (SCI) in the year are detailed below:

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Income and expenditure items		
Funds transferred for programme delivery	232,778	207,450
Country operating costs	6,157	4,482
Central and regional operating costs	7,574	7,783
Core contributions	2,341	2,453
Member growth	1,330	900
Strategic investment funding	2,914	—
Reimbursements	(921)	—
	252,173	223,068
Balance sheet items		
	As at 31/12/2016 £000	As at 31/12/2015 £000
Prepayment for programme activity	10,762	24,064
Cost of services incurred by (SCI)/Save the Children UK to be settled in the future	(122)	358

11. INTANGIBLE FIXED ASSETS

Group and Charity	Computer software £000	Assets under construction £000	Total £000
Cost at 1 January 2016	9,655	396	10,051
Additions	1,557	346	1,903
Transfers of assets available for use	91	(91)	–
Cost at 31 December 2016	11,303	651	11,954
Accumulated amortisation at 1 January 2016	4,971	–	4,971
Charge for the period	1,335	–	1,335
Impairment	66	–	66
Accumulated amortisation at 31 December 2016	6,372	–	6,372
Net book value at 31 December 2016	4,931	651	5,582
Net book value at 31 December 2015	4,684	396	5,080

Assets under construction relate to software systems that are not yet complete. Expenditure on these assets is capitalised as incurred but no amortisation is charged until the asset is brought into use. Once in use, a rate appropriate to the useful economic life of the asset will be applied.

12. TANGIBLE FIXED ASSETS

(a) Group and Charity

	Freehold property £000	Leasehold property improvements £000	Computer equipment £000	Total £000
Cost at 1 January 2016	1,383	5,306	28	6,717
Additions	–	735	34	769
Disposals	(111)	–	–	(111)
Cost at 31 December 2016	1,272	6,041	62	7,375
Accumulated depreciation at 1 January 2016	589	3,138	18	3,745
Charge for the period	25	523	3	551
Disposals	(80)	–	–	(80)
Accumulated depreciation at 31 December 2016	534	3,661	21	4,216
Net book value at 31 December 2016	738	2,380	41	3,159
Net book value at 31 December 2015	794	2,168	10	2,972

(b) Capital expenditure contracted for but not provided in the financial statements was £nil (2015: £nil).

13. INVESTMENTS

	Notes	Group 31/12/2016 £000	Group 31/12/2015 £000	Charity 31/12/2016 £000	Charity 31/12/2015 £000
Fixed asset investments	13a	34,518	26,084	34,518	26,084
Programme related investment	13b	955	–	–	–
Investment subsidiary	13c	–	–	250	250
Total Investments		35,473	26,084	34,768	26,334

(a) Fixed asset investments	Total 31/12/2016 £000	Total 31/12/2015 £000
Market value at start of period	26,084	26,768
Acquisitions	16,675	6,475
Sales proceeds	(11,885)	(5,360)
Net movement in cash balances	152	(1,140)
Net realised investment gains	1,734	394
Net unrealised investment gain/(loss)	1,758	(1,053)
Market value at end of period	34,518	26,084

The market value is represented by:

	Total 31/12/2016 £000	Total 31/12/2015 £000
Equities	21,005	20,445
Bonds	3,799	5,173
Cash and cash equivalents	9,714	466
	34,518	26,084

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.

(b) The programme-related investment relates to the investment in Save the Children International, which was reclassified in the year from associates – see accounting policies for further details.

(c) Investments held by the charity include £250,000 investment in Save the Children (Sales) Limited at cost – see note 14.

14. GROUP MEMBERS

Subsidiary undertakings	Registration number	Country	Principal activity	Accounting year end
Save the Children (Sales) Limited	00875945	UK	Retail activities and commercial promotions	31 Dec
Medical Emergency Relief International (Merlin)	02823935 1135111	UK	International development and humanitarian response charity	30 Jun
Humanitarian Leadership Academy (HLA)	09395495 1161600	UK	Global learning initiative to enable preparedness and response to crises	31 Dec

Associate undertakings

William Belmer Rush Foundation	00307079	UK	Grant-making charity	31 Mar
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Lead Consortium member

The Start Network (see note 22)	9286835	UK	Humanitarian response charity	N/A
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For entities with non co-terminous year ends, results for the 12-month period to 31 December 2016 have been consolidated.

The registered address of each group member is 1 St John's Lane, London, EC1M 4AR.

14. GROUP MEMBERS (CONTINUED)

	Save the Children (Sales) Limited		Merlin		HLA	
	Year to 31/12/2016	Year to 31/12/2015	Year to 31/12/2016	Year to 31/12/2015	Year to 31/12/2016	Year to 31/12/2015
	£000	£000	£000	£000	£000	£000
Income	1,859	2,997	759	10,386	6,433	1,105
Expenditure	(844)	(745)	(848)	(11,287)	(6,433)	(805)
	1,015	2,252	(89)	(901)	–	300
Donation to parent charity	(1,015)	(2,252)	–	–	–	–
	–	–	(89)	(901)	–	300
	As at 31/12/2016	As at 31/12/2015	As at 31/12/2016	As at 31/12/2015	As at 31/12/2016	As at 31/12/2015
	£000	£000	£000	£000	£000	£000
Assets	337	2,002	2,158	4,277	1,607	998
Liabilities	(87)	(1,752)	(1,199)	(3,229)	(1,307)	(698)
Net assets	250	250	959	1,048	300	300

(b) Associate undertakings

During the year, Save the Children UK received £36,000 (£36,000) as grant funding and £1,000 (£1,000) as an administration fee from the William Belmer Rush Foundation.

	Group Year to 31/12/2016	Group Year to 31/12/2015
	£000	£000
Investment in associates		
At 1 January	1,392	1,400
Reclassified as programme related investment (note 13b)	(955)	–
Share of retained profit/(loss) for the year	35	(8)
At 31 December	472	1,392

15. STOCKS

	Group 31/12/2016	Group 31/12/2015	Charity 31/12/2016	Charity 31/12/2015
	£000	£000	£000	£000
Gift in kind stock for distribution ¹	1,147	5,211	1,147	4,634
Emergency	409	325	409	325
Goods for resale	107	81	–	–
Head office	27	32	27	32
	1,690	5,649	1,583	4,991

¹ Gift in kind stock for distribution comprises mainly food aid and pharmaceuticals.

16. DEBTORS

(a) Grant debtors	Group	Group	Charity	Charity
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	£000	£000	£000	£000
UK central government	10,090	12,940	10,090	12,940
European Commission including European Commission Humanitarian Organisation	8,305	10,953	8,003	9,020
Disasters Emergency Committee	108	1,133	108	1,133
United Nations	7,269	5,206	7,269	4,835
World Bank	2,162	793	2,162	793
Other	538	1,357	538	971
Total government and multilateral organisations	28,472	31,589	28,170	28,899
Comic Relief	245	57	245	57
Big Lottery Fund	–	54	–	54
Corporate partners	1,717	1,178	1,717	1,178
Trusts	169	–	169	–
Save the Children members	–	237	–	237
Other	3,360	3,865	3,360	3,847
Total other	5,491	5,391	5,491	5,373
Total grant debtors	33,963	36,980	33,661	34,272

Grant debtors above include amounts both billed and unbilled.

(b) Other debtors	Group	Group	Charity	Charity
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	£000	£000	£000	£000
Trade debtors	458	437	338	401
Legacy debtors	11,213	10,302	11,182	10,275
Amount owed by subsidiary undertakings	–	–	–	1,698
Taxes recoverable	2,335	3,649	2,335	3,692
Prepayments and accrued income	7,531	9,206	7,485	7,301
Save the Children International	10,640	24,421	10,640	24,421
Other debtors	746	519	739	413
	32,923	48,534	32,719	48,201

All debtors are falling due within one year.

17. CREDITORS

(a) Amounts falling due within one year	Group	Group	Charity	Charity
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	£000	£000	£000	£000
Trade creditors	3,685	2,075	3,380	2,016
Taxes and social security	1,404	1,130	1,198	1,109
Amount owed to subsidiary undertakings	–	–	1,118	550
Accruals	3,657	2,986	3,188	2,694
Deferred income ¹	74,392	69,584	74,392	68,615
Operating lease incentives ²	179	182	179	182
Grant obligations	2,195	1,935	1,972	1,647
Other creditors	114	1,183	64	715
	85,626	79,075	85,491	77,528
(b) Amounts falling in more than one year				
Operating lease incentives ²	1,454	1,500	1,454	1,500
Total other	1,454	1,500	1,454	1,500

¹ The deferred income represents cash received from donors prior to entitlement under our income recognition policy. Deferred income of £58,588k arose in the year and £53,780k brought forward from 2015 was released.

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	At	Provision	Provision	Total
	01/01/2016	created/	utilised	31/12/2016
	£000	(released)	£000	£000
Terminal grants and severance	1,200	323	(1,100)	423
Dilapidations	1,628	180	(81)	1,727
Grants	5,879	2,959	(2,532)	6,306
Tax	505	16	–	521
Onerous lease	3,699	74	(425)	3,348
Other	744	(11)	(136)	597
	13,655	3,541	(4,274)	12,922
Charity				
	At	Provision	Provision	Total
	01/01/2016	created/	utilised	31/12/2016
	£000	(released)	£000	£000
Terminal grants and severance	1,200	323	(1,100)	423
Dilapidations	1,628	180	(81)	1,727
Grants	3,771	2,999	(902)	5,868
Tax	300	–	–	300
Onerous lease	3,699	74	(425)	3,348
Other	267	278	(114)	431
	10,865	3,854	(2,622)	12,097

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Terminal grants and severance provisions relate to employees in country programmes leaving employment with Save the Children UK and transitioning to SCI. 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.

Grant provisions represent estimated funds returnable to donors where Save the Children UK has not been able to spend funds received in accordance with donor wishes and grants which require an element of co-financing where Save the Children UK may be required to fund the additional financing required.

Tax provisions represent the accumulated estimated tax liability in overseas jurisdictions where the amount payable is disputed or the tax legislation is unclear.

Onerous lease provisions represent the estimated difference between lease income from sub-tenants and lease expenditure on sub-let premises to Save the Children UK's landlord up until the end of our lease term.

19. FINANCIAL COMMITMENTS: OBLIGATIONS UNDER OPERATING LEASES

Group

The total future minimum lease payments under non-cancellable operating leases:

Total payments due:	Total 31/12/2016 property £000	Total 31/12/2015 property £000
Within one year	5,609	5,705
In years two to five	17,749	17,821
After five years	24,479	27,306
	47,837	50,832

Charity

The total future minimum lease payments under non-cancellable operating leases:

Total payments due:	Total 31/12/2016 property £000	Total 31/12/2015 property £000
Within one year	5,609	5,681
In years two to five	17,749	17,821
After five years	24,479	27,306
	47,837	50,808

The lease commitment for the head office building is included above.

20. FINANCIAL COMMITMENTS: GRANT COMMITMENTS

(a) The table below shows the charity and group's commitment in delivering projects on behalf of donors, which will be completed over a number of years as detailed below.

A proportion of the funds needed for these programmes has already been received and is included within deferred income in note 17. For those not yet received, there are legal agreements with donors to ensure that Save the Children UK will be reimbursed for completion of those projects.

	Group 31/12/2016 £000	Group 31/12/2015 £000	Charity 31/12/2016 £000	Charity 31/12/2015 £000
Within one year	267,754	266,614	267,754	265,772
Between two and five years	118,202	157,081	118,202	157,081
After five years	2,392	3,850	2,392	3,850
	388,348	427,545	388,348	426,703

(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, these amounted to £4.3 million (2015: £4.2 million). A provision of £1.7 million (2015: £1.5 million) has been recognised as at 31 December 2016 in respect of grants where Save the Children does not expect to be able to find donors for these over the remaining life of the projects.

(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:

The International Programming (IP) contracts provide for those members of Save the Children Association (SCA) for whom SCI delivers international programmes to provide a share of an indemnity capped at USD \$20 million in the event that the members choose to cease SCI's programming activity. At 31 December 2016, Save the Children UK's share of this was approximately USD \$6.3 million (2015: \$6.6 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 is 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. Additional tax provisions have been made in relation to employees transferring to SCI. See note 18 for details.

The Save the Children Members have also provided SCI with a standby letter of credit to the value of USD \$6.2 million, of which Save the Children's share is USD \$3.1 million. This facility is provided in the event of SCI requiring reserves. SCI hold reserves to meet the following purposes:

- the operating expenses of the charity in the event of a downturn in income and/or unforeseen increases in costs
- the costs of unforeseen liabilities for employment or other legal claims not covered by insurance
- the costs of closure or wind-down of the core operations of the charity

As at 31 December 2016 no amounts had been drawn down on this facility.

(e) Save the Children UK had guarantees with Standard Chartered Bank totalling £4.8 million (2015: £7.1 million) at the year end in relation to grant-prefinancing. It is not anticipated that any claims will arise from these guarantees and as a result no liability has been recognised in the balance sheet.

21. STATEMENT OF FUNDS

(a) Group	At 01/01/2016 £000	Income £000	Expenditure £000	Other gains/losses £000	Transfers £000	At 31/12/2016 £000
Unrestricted funds						
General reserve	38,121	93,773	(92,146)	1,520	(6,058)	35,210
Revaluation reserve	3,168	–	–	1,540	(677)	4,031
Designated funds:						
Tangible fixed assets reserve	7,383	–	–	–	743	8,126
Programme related investment (note 13)	–	–	–	–	955	955
Associates (note 14)	1,392	–	–	35	(955)	472
St John's Lane reserve fund	655	–	–	–	(310)	345
Total unrestricted funds excluding pension reserve	50,719	93,773	(92,146)	3,095	(6,302)	49,139
Pension reserve (note 25)	(26,879)	–	(1,219)	(15,502)	4,880	(38,720)
Total unrestricted funds	23,840	93,773	(93,365)	(12,407)	(1,422)	10,419
All restricted and endowed funds						
Restricted income funds (note 22)	32,485	310,752	(316,735)	–	1,414	27,916
Endowment funds	3,236	–	–	432	8	3,676
Total restricted funds	35,721	310,752	(316,735)	432	1,422	31,592
Total funds	59,561	404,525	(410,100)	(11,975)	–	42,011
(b) Charity						
	At 01/01/2016 £000	Income £000	Expenditure £000	Other gains/losses £000	Transfers £000	At 31/12/2016 £000
Unrestricted funds						
General reserve	37,760	92,650	(92,091)	1,520	(5,435)	34,404
Revaluation reserve	3,168	–	–	1,540	(677)	4,031
Designated funds:						
Tangible fixed assets reserve	7,383	–	–	–	743	8,126
Programme related investment (note 13)	–	–	–	–	–	–
Associates (note 14)	–	–	–	–	–	–
St John's Lane reserve fund	655	–	–	–	(310)	345
Total unrestricted funds excluding pension reserve	48,966	92,650	(92,091)	3,060	(5,679)	46,906
Pension reserve (note 25)	(26,879)	–	(1,219)	(15,502)	4,880	(38,720)
Total unrestricted funds	22,087	92,650	(93,310)	(12,442)	(799)	8,186
All restricted and endowed funds						
Restricted income funds (note 22)	31,954	309,426	(314,676)	–	791	27,495
Endowment funds	3,236	–	–	432	8	3,676
Total restricted funds	35,190	309,426	(314,676)	432	799	31,171
Total funds	57,277	402,076	(407,986)	(12,010)	–	39,357

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. The transfer into the fund represents capital additions less disposal proceeds and depreciation. An adjustment is made for operating lease incentives in relation to fixed assets purchased by the landlord for our headquarters.

The **programme related investment** represents the value of Save the Children UK's investment in SCI (see note 13b for details).

21. STATEMENT OF FUNDS (CONTINUED)

The **associates reserve** represents the value of Save the Children UK's investment in the William Belmer Rush Foundation (see note 14 for details).

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 that runs until 2028. In addition, Save the Children UK has responsibilities towards its sub-tenants who occupy part of the headquarters building. The transfer of £310k represents spend on refurbishments that were originally paid from the general reserve.

The **pension reserve** represents the reported liability on the defined benefit pension scheme under FRS 102 (see note 25 for details). Transfers to the pension reserve represent payments into the scheme during the year for both the defined benefit plan (£4,738k) and the growth plan (£142k).

The **restricted income funds** represents unexpended balances on donations and grants given for specific purposes (see note 22 for details). Transfers have been made from general reserves to finance deficits on restricted funds.

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

22. RESTRICTED FUNDS

(a) Group

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

	At 01/01/2016 recategorised ¹ £000	Income £000	Expenditure £000	Transfers £000	At 31/12/2016 £000
Regions					
East Africa	6,307	56,629	(62,731)	–	205
Southern Africa	(424)	40,270	(39,235)	–	611
West and Central Africa	1,429	34,256	(34,495)	1,597	2,787
Asia	1,912	50,521	(54,275)	2,482	640
Latin America and Caribbean	(32)	1,315	(1,234)	–	49
Middle East and South–East Europe	(2,052)	44,669	(43,988)	2,052	681
United Kingdom	2,906	8,743	(13,190)	3,564	2,023
Multi–region	(94)	5,105	(4,979)	–	32
Emergency Appeals					
Child Refugee Crisis	4,195	4,174	(1,005)	(3,826)	3,538
Nepal	2,443	3,226	(4,519)	(480)	670
Syria	2,488	4,376	(1,920)	(1,159)	3,785
Philippines	946	787	(818)	(914)	1
Ebola Crisis Appeal	638	2,368	(2,393)	(508)	105
Other	1,103	3,423	(2,638)	(343)	1,545
Other Funds					
Children's Emergency Fund ²	3,094	4,023	(4,605)	(9)	2,503
Thematic/Country Funds ³	87	1,435	(114)	(1,178)	230
Corporate Fundraising	4,467	453	174	(4,537)	557
START	2,125	34,993	(30,693)	–	6,425
HLA	300	6,602	(6,602)	–	300
Other	647	3,384	(7,475)	4,673	1,229
	32,485	310,752	(316,735)	1,414	27,916

¹ Individual funds brought forward have been recategorised within the analysis above to more accurately reflect the location or nature of the individual fund.

There is no impact on total restricted reserves brought forward.

² Children's emergency funds not yet allocated to particular country programmes.

³ Funds restricted to a particular thematic objective (eg, health, nutrition).

22. RESTRICTED FUNDS (CONTINUED)

Fund balances may be negative when expenditure is made on a project that is expected to be reimbursed by a government or other agency, but where, at the end of the financial period, not all the conditions have been met that would justify this income being recognised within the accounts. This results in an excess of expenditure over income on some performance related project funds. The Trustees consider that the likelihood of reimbursement is of a sufficient level to justify the carrying of these deficit funds at the end of the year.

(b) Charity

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

	At 01/01/2016 recategorised ¹ £000	Income £000	Expenditure £000	Transfers £000	At 31/12/2016 £000
Regions					
East Africa	6,337	56,599	(62,731)	–	205
Southern Africa	(424)	40,270	(39,235)	–	611
West and Central Africa	1,422	34,256	(34,495)	1,597	2,780
Asia	1,561	49,873	(52,738)	1,859	555
Latin America and Caribbean	(32)	1,315	(1,234)	–	49
Middle East and South–East Europe	(1,908)	44,506	(43,988)	2,052	662
United Kingdom	2,808	8,657	(13,190)	1,956	231
Multi–region	(149)	5,105	(4,979)	–	(23)
Emergency Appeals					
Child Refugee Crisis	4,195	4,174	(1,005)	(3,826)	3,538
Nepal	2,443	3,226	(4,519)	(480)	670
Syria	2,488	4,376	(1,920)	(1,159)	3,785
Philippines	946	787	(818)	(914)	1
Ebola Crisis Appeal	638	2,368	(2,393)	(508)	105
Other	1,103	3,423	(2,638)	(343)	1,545
Other Funds					
Children's Emergency Fund ²	3,094	4,023	(4,572)	(9)	2,536
Thematic/Country Funds ³	21	1,473	(114)	(1,178)	202
Corporate Fundraising	2,609	146	174	(2,929)	–
START	2,125	34,987	(30,693)	–	6,419
HLA	–	6,113	(6,113)	–	–
Other	2,677	3,749	(7,475)	4,673	3,624
	31,954	309,426	(314,676)	791	27,495

¹ Individual funds brought forward have been recategorised within the analysis above to more accurately reflect the location or nature of the individual fund. There is no impact on total restricted reserves brought forward.

² Children's emergency funds not yet allocated to particular country programmes.

³ Funds restricted to a particular thematic objective (eg, health, nutrition).

Fund balances may be negative when expenditure is made on a project that is expected to be reimbursed by a government or other agency, but where, at the end of the financial period, not all the conditions have been met that would justify this income being recognised within the accounts. This results in an excess of expenditure over income on some performance related project funds. The Trustees consider that the likelihood of reimbursement is of a sufficient level to justify the carrying of these deficit funds at the end of the year.

22. RESTRICTED FUNDS (CONTINUED)

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

	At 01/01/2016 £000	Income £000	Expenditure £000	At 31/12/2016 £000
Big Lottery Fund				
Building Sustainable Livelihoods and Resilient Communities	–	1,116	(1,116)	–
Eat, Sleep, Learn, Play! in Scotland	–	(1)	1	–
UKP Supporting 21st Century Life - FAST in Scotland	–	77	(77)	–
Third Sector Early Intervention Fund	–	27	(27)	–
	–	1,219	(1,219)	–

23. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year

	At 01/01/2016 £000	Other gains/losses £000	Transfers £000	At 31/12/2016 £000
The Oliver Children's fund	3,236	432	8	3,676
	3,236	432	8	3,676

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

Fund balances at 31 December 2016 are represented by:	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	Total 31/12/2016 £000
Tangible and intangible fixed assets	615	–	8,126	–	–	–	8,741
Fixed asset investments	26,811	4,031	1,427	–	–	3,676	35,945
Current assets	32,233	–	345	–	103,469	–	136,047
Current liabilities	(10,073)	–	–	–	(75,553)	–	(85,626)
Non-current liabilities	(1,454)	–	–	–	–	–	(1,454)
Provisions for liabilities and charges	(12,922)	–	–	–	–	–	(12,922)
Pension liability	–	–	–	(38,720)	–	–	(38,720)
	35,210	4,031	9,898	(38,720)	27,916	3,676	42,011

(b) Charity

Fund balances at 31 December 2016 are represented by:	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	Total 31/12/2016 £000
Tangible and intangible fixed assets	615	–	8,126	–	–	–	8,741
Fixed asset investments	27,061	4,031	–	–	–	3,676	34,768
Current assets	30,555	–	345	–	102,710	–	133,610
Current liabilities	(10,276)	–	–	–	(75,215)	–	(85,491)
Non-current liabilities	(1,454)	–	–	–	–	–	(1,454)
Provisions for liabilities and charges	(12,097)	–	–	–	–	–	(12,097)
Pension liability	–	–	–	(38,720)	–	–	(38,720)
	34,404	4,031	8,471	(38,720)	27,495	3,676	39,357

25. PENSION COSTS

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

(b) – (c) Defined Benefit Triennial valuation

(d) – (k) Accounting valuation under FRS 102 (defined benefit scheme)

(l) Defined contribution scheme (open to staff with UK contracts over six months until September 2013. From October 2013 all staff may join a retirement savings scheme, either a group personal pension for UK based staff or a long term savings plan for overseas staff). Merlin also operate a separate group personal pension scheme with Aegon, which closed to new members in May 2014. Staff joining a pension scheme since May 2014, including under the automatic enrolment for pensions legislation, join the Save the Children Group Personal Pension.

(m) The Pensions Trust Growth Plan (multi-employer scheme)

Net movement in pension liability	Defined benefit scheme £000	Pension Trust growth plan £000	Year to 31/12/2016 £000	Defined benefit scheme £000	Pension Trust growth plan £000	Year to 31/12/2015 £000
Net pension liability at start of period	25,532	1,347	26,879	31,998	1,300	33,298
Current service cost	301	–	301	334	–	334
Net interest expense	886	32	918	1,022	24	1,046
Contributions by employer	(4,738)	(142)	(4,880)	(4,248)	(153)	(4,401)
Net actuarial (gains)/losses in the year	15,444	58	15,502	(3,574)	176	(3,398)
Net pension liability at 31 December	37,425	1,295	38,720	25,532	1,347	26,879

(b) Triennial valuation

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.

The last formal triennial valuation of the defined benefit scheme was performed at 30 September 2014 by a professionally-qualified actuary. This reported the scheme assets as £114.8m and the scheme liabilities as £151.1m. This corresponds to a scheme deficit of £36.3m and a funding level of 76%.

The triennial valuation also reported that there were 27 active members at 30 September 2014 and 1888 deferred/pensioner members, a total of 1915 members.

It was agreed with The Pensions Trust that this deficit would be met by Save the Children UK paying an increased employer percentage contribution rate plus fixed additional contributions as follows:

Employees	6.3% (average rate)
Employer (from 1 October 2012 to 31 March 2016)	10.4%
Employer (from 1 April 2016 to 31 March 2023)	12.3%
Employer (from 1 March 2012 to 31 March 2016)	£4,000,000 per annum in monthly instalments
Employer (from 1 April 2016 to 31 March 2017)	£4,600,000 per annum in monthly instalments
Employer (from 1 April 2017 to 31 March 2018)	£4,650,000 per annum in monthly instalments
Employer (from 1 April 2018 to 31 March 2023)	£4,700,000 per annum in monthly instalments

(c) Triennial valuation: assumptions

The triennial actuarial valuation carried out at 30 September 2014 used the following principal assumptions:

Average rate of return on investments pre-retirement	5.9% per annum
Average rate of return on investments post-retirement	3.3% per annum
Average rate of salary increases for active members	4.1% per annum
RPI assumption	3.1% per annum
CPI assumption	2.2% per annum

Mortality 57% before retirement, 86% after retirement of S2PMA males and S2PFA females. CMI_2013 with long-term improvement rates of 1.5% pa for males and 1.25% for females

25. PENSION COSTS (CONTINUED)

(d) FRS 102 valuation of the defined benefit scheme as at 31 December 2016

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 1j. 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 102 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 2014 triennial actuarial valuation referred to above, the discount rate used was that as at 30 September 2014 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 any difference between the amount of the deficit valued under either the triennial or FRS 102 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;

(e) Net movement in pension liability	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Net pension liability at start of period	25,532	31,998
Current service cost ¹	301	334
Net interest expense	886	1,022
Contributions by employer	(4,738)	(4,248)
Net actuarial losses/(gains) in the year	15,444	(3,574)
Net pension liability at 31 December	37,425	25,532

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 31/12/2016 £000	Year to 31/12/2015 £000
Present value of funded obligations	25h	183,160	147,870
Fair value of scheme assets	25i	(145,735)	(122,338)
Net pension liability		37,425	25,532

(g) Amounts recognised in the statement of financial activities

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Interest income	4,655	4,096
Interest expense	(5,541)	(5,118)
Net interest expense	(886)	(1,022)
Current service cost	(301)	(334)
Total decrease in net income	(1,187)	(1,356)
Net actuarial (losses)/gains in the year	(15,444)	3,574
Total (decrease)/increase in net funds	(16,631)	2,218

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

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Opening defined benefit obligation	147,870	152,753
Service cost	301	334
Interest cost	5,541	5,118
Contributions by employees	38	41
Actuarial losses/(gains)	33,878	(5,541)
Net benefits paid (including expenses)	(4,468)	(4,835)
Closing defined benefit obligation	183,160	147,870

25. PENSION COSTS (CONTINUED)

(i) Change in the fair value of scheme assets	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Opening fair value of the scheme assets	122,338	120,755
Interest income	4,655	4,096
Actuarial gains/(losses)	18,434	(1,967)
Contributions by employer	4,738	4,248
Contributions by employees	38	41
Net benefits paid (including expenses)	(4,468)	(4,835)
Closing fair value of the scheme assets	145,735	122,338
Actual return on scheme assets	23,089	2,129

(j) The assets at 31 December 2016 are represented by:	At 31/12/2016 Fair value £000	At 31/12/2015 Fair value £000
Equities	87,163	73,701
Property	9,697	9,153
Government bonds	47,809	39,108
Other	1,066	376
Scheme assets	145,735	122,338

(k) 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 102, namely:

Financial assumptions	Year to 31/12/2016 % p.a.	Year to 31/12/2015 % p.a.
Discount rate	2.65	3.80
Rate of revaluations for career averaged earnings (RPI related)	3.20	3.10
Rate of increase of pensions (CPI related):		
Limited Price Indexation 5%	2.40	2.10
Limited Price Indexation 2.5%	1.80	1.70
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI related)	3.35	3.10
Inflation assumption		
Retail Price Index	3.35	3.10
Consumer Price Index	2.35	2.10

Demographic assumptions**Mortality**

Year to 31/12/2016:	60% before retirement, 89% after retirement S2PXA All Pensioners; year of birth; CMI 2015 projections long term improvement rates 1.25% p.a. males and 1.00% p.a. females
Year to 31/12/2015:	60% before retirement, 89% after retirement S2PXA All Pensioners; year of birth; CMI 2013 projections long term improvement rates 1.25% p.a. males and 1.00% p.a. females

25. PENSION COSTS (CONTINUED)

(l) Defined contribution scheme

Save the Children UK also contributes to a defined contribution scheme. The cost of this is included within salary costs as shown in note 8 and is therefore also included in note 7 and is attributable to the different categories of expenditure according to the employees to which it relates. Employer's contributions are charged to the consolidated statement of financial activities as follows:

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Pension contributions	3,504	3,390
	At 31/12/2016 £000	At 31/12/2015 £000
Outstanding pension contributions	1	299

These are included within creditors in note 17a.

(m) The Pensions Trust Growth Plan

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan that has final salary and money purchase arrangements – a proportion of which have some guarantees. 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.

There is a potential liability for the employer that could be levied by the plan's trustee in the event of the employers ceasing to participate in the plan or the plan winding up. There is also a potential liability where other participating employers are unable to pay their debt relating to the plan.

The last formal triennial valuation of the plan was performed at 30 September 2014 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 solvency funding level of 76%.

The triennial valuation at 30 September 2014 showed that Save the Children UK had an estimated debt (and thus contingent liability) on withdrawal from the plan of £1.7m.

The actuary advises that the deficit in the scheme, on an FRS102 basis is £1.3m (2015: £1.3m). The deficit includes Save the Children's share of any 'orphan' liabilities in respect of previously participating employers. Save the Children UK started to make deficit contributions in April 2013. In 2016 Save the Children UK paid £142k (2015: £153k). Contributions in 2017 are £140k and increase annually by an inflation factor; it is estimated that this should reduce the potential debt to zero by September 2025. Under FRS 102 Save the Children UK is required to recognise a liability for the deficit funding arrangement that has been agreed relating to past service. However, Save the Children UK has no current intention to leave the plan and trigger the contingent liability.

	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Net movement in the pension liability		
Provision at the start of the period	1,347	1,300
Unwinding of the discount factor (interest expense)	32	24
Deficit contribution paid	(142)	(153)
Remeasurements – impact of any change in assumptions	58	(33)
Remeasurements – amendments to the contribution schedule	–	209
Provision at the end of the period	1,295	1,347
Amounts recognised in the statement of financial activities		
	Year to 31/12/2016 £000	Year to 31/12/2015 £000
Interest expense	32	24
Remeasurements – impact of any change in assumptions	58	(33)
Remeasurements – amendments to the contribution schedule	–	209
	90	200
Financial assumptions		
	Year to 31/12/2016 % p.a	Year to 31/12/2015 % p.a
Rate of discount	1.44	2.50

26. SAVE THE CHILDREN UK CHARITY – STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2016

	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2016 £000	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2015 £000
Income and endowments from:						
Donations and legacies	80,183	39,228	119,411	83,769	41,099	124,868
Charitable activities	–	269,190	269,190	–	242,383	242,383
Other trading activities	9,184	–	9,184	9,121	–	9,121
Investments	932	20	952	932	–	932
Other	2,351	988	3,339	2,021	175	2,196
Total income	92,650	309,426	402,076	95,843	283,657	379,500
Expenditure on:						
Raising funds	34,160	62	34,222	32,665	998	33,663
Charitable activities						
Nutrition	4,876	43,487	48,363	2,305	26,878	29,183
Livelihoods	4,961	43,026	47,987	3,010	23,413	26,423
Health	7,114	70,828	77,942	8,270	72,780	81,050
HIV/AIDS	89	33	122	17	199	216
Protection	1,793	9,992	11,785	1,718	9,095	10,813
Rights	349	432	781	313	1,121	1,434
Education	5,544	44,469	50,013	7,320	46,732	54,052
Rapid onset emergencies	14,501	96,733	111,234	13,268	95,883	109,151
Campaigning and awareness	18,459	5,612	24,071	16,678	7,249	23,927
Total charitable activities	57,686	314,612	372,298	52,899	283,350	336,249
Other	1,464	2	1,466	1,209	3	1,212
Total expenditure	93,310	314,676	407,986	86,773	284,351	371,124
Net gains/(losses) on investments	3,060	432	3,492	(577)	(82)	(659)
Net income/(expenditure)	2,400	(4,818)	(2,418)	8,493	(776)	7,717
Transfers between funds	(799)	799	–	2,364	(2,364)	–
Actuarial (losses)/gains on defined benefit pension scheme	(15,502)	–	(15,502)	3,398	–	3,398
Net movement in funds	(13,901)	(4,019)	(17,920)	14,255	(3,140)	11,115
Fund balances brought forward	22,087	35,190	57,277	7,832	38,330	46,162
Fund balances carried forward	8,186	31,171	39,357	22,087	35,190	57,277

27. INCOME FROM UK AND IRISH GOVERNMENTS

Income from the Department for International Development in the year ended 31 December 2016

Countries Supported	Project	£000
Afghanistan	Steps Towards Afghan Girls' Educational Success (STAGES)	2,664
Afghanistan	Strengthening the Resilience of Afghanistan's Vulnerable Communities Against Disasters	716
Bangladesh	Phase-2 Household Economic and Food Security of Extreme Poor	(36)
Bangladesh	SHIREE Household Economic and Food Security of Extreme Poor	(94)
Bangladesh	Shiree Innovation Fund 4	(7)
Bangladesh	SHIREE Strengthening safety-net linkages and resilience of BHHs	159
Bangladesh	Suchana – Ending the Cycle of Undernutrition in Bangladesh	3,895
Central African Republic	Emergency assistance to crisis affected communities in Central African Republic	446
Central African Republic	Empowering Communities to reduce poverty through improved Maternal and Child Health for 93,599 people in Nana Mambere	5
Central African Republic	Response to emergency health, nutrition and child protection needs	3
Congo, Democratic Republic of the	Emergency Child Protection and Education Response in Kitchanga and environs	(4)
Congo, Democratic Republic of the	Girl's Education Challenge	1,765
Congo, Democratic Republic of the	UK Aid Match Round 4	656
Ethiopia	Pastoralists Afar Girls' Education Support Project (PAGES)	3,461
Ethiopia	Peace and Development in the Somali Region of Ethiopia	6,326
Kenya	Accelerating Reduction in Maternal and Newborn Mortality in vulnerable and marginalised counties in Kenya	2,163
Kenya	Adolescent Girls Initiative Kenya (AGI-K) Implementation Phase	956
Kenya	Arid Lands Support Programme (ASP)	274
Kenya	Delivering Increased Family Planning Across Rural Kenya – Phase 2	313
Kenya	DFID Enhancing Nutrition Preparedness Surveillance and Resilience in Kenya	158
Kenya	Evidence on Cash Transfers for Education in Garissa	41
Kenya	Increasing access to quality care for preterm and low birth rate babies	272
Lebanon	Community-Based Alternatives for Strengthening Education	(14)
Malawi	Cash Transfer Intervention for Keeping Girls in School (KGIS) – Implementation Phase	2,994
Malawi	Improving the school experience and environment for adolescent girls (SE) – Implementation Phase	3,280
Malawi	INGO Consortium Emergency & Resilience Building Response to the 2016-2017 Food Crisis in Malawi	3,952
Malawi	Malawi Vulnerability Assessment Committee Cash Consortium	3,713
Mozambique	Citizen's Engagement Programme	381
Mozambique	COSACA Emergency Rapid Response and Disaster Resilience	7,651
Mozambique	DFID Girls' Education Challenge	1,761
Mozambique	Drought Response COSACA	5,445
Mozambique	Influencing Strategy for Africa Climate Change Resilience Alliance-ACCRA II 2014-2016	99
Multi-country	Inter-Agency Research on Strengthening Community-Based Child Protection for Children in Sierra Leone	13
Multi-country	Nepal Earthquake Response 2015 Emergency Health Unit	10
Multi-country	Providing essential life-saving shelter assistance to earthquake affected populations in Nepal Phase II	969
Multi-country	Rapid Response Facility – Cyclone Haiyan Response Consortium	(17)
Multi-country	Rapid Response to Ebola Outbreak in Sierra Leone in Consortium	161
Multi-country	Refugee Children Fund for Europe	881
Multi-country	Registration of households in Wajir and Mandera counties as part of DFID's hunger safety net programme	1

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

Multi-country	RRF Essential life-saving aid to typhoon affected populations in the Philippines	(31)
Multi-country	Health Pooled Fund (HPF) -- Kapoeta North	1
Multi-country	UK Aid Match: Addressing the Education and Protection Needs of Syrian Refugee Children in Jordan and Lebanon	(11)
Myanmar	Assistance to Conflict-Affected People, Eastern Myanmar	43
Myanmar	Process-led Support through CBOs to Remote Communities in Conflict and Displacement Areas in the Eastern Half of Myanmar	(21)
Myanmar	Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence In Rakhine State, Myanmar (Phase 5)	3,620
Myanmar	Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence In Rakhine State, Myanmar	1,619
Nepal	Nepal Quick-win WASH intervention and rehabilitation of water resources	52
Niger	Emergency Health, Nutrition Food Assistance Recovery Support to Vulnerable Communities in Niger, Burkina Faso	(2)
Niger	Urban Africa: Risk and Capacity-URBAN ARC	18
Nigeria	Child Development Grant Programme (CDGP), Northern Nigeria	5,811
Nigeria	Education Sector Support – ESSPIN	184
Nigeria	Northern States Maternal & Newborn Initiative in Nigeria – MNCH	388
Nigeria	Partnership for Reviving Routine Immunization in Northern Nigeria – PRRINN	447
Nigeria	Protection Project in Northeast Nigeria	278
Nigeria	Women for Health Initiative	176
Nigeria	Working to Improve Newborn and Child Nutrition in Northern Nigeria	2,563
Pakistan	Psycho-Social Support	126
Philippines	Cash and market-based recovery support for vulnerable children, households and communities	(12)
Philippines	Emergency surgical and specialist medical support to the Ministry of Health in the Philippines	(12)
Rwanda	Burundi Refugee Influx Response	214
Rwanda	Emergent Literacy and Numeracy Initiative	2
Rwanda	Integrated Protection, Health, Nutrition, Education, Livelihood and Youth Empowerment Services for Burundian Refugees in Mahama Camp	255
Rwanda	Rwandan Children's Book Initiative	(7)
Sierra Leone	Comprehensive Program for Ebola Survivors (CPES)	31
Sierra Leone	DFID Education consortium	76
Sierra Leone	DFID Freetown WASH Consortium (FWC) 3b	21
Sierra Leone	DFID Resilient Zero	195
Sierra Leone	Education Consortium for Sierra Leone	222
Sierra Leone	Freetown Urban WASH Consortium Phase 2	(3)
Sierra Leone	Freetown Urban WASH Consortium Phase 3	216
Sierra Leone	Protection of Vulnerable Groups during the Ebola Outbreak Response	174
Sierra Leone	Strengthening WASH Infrastructure in Government Hospitals	107
Sierra Leone	Support to WASH activities in Community Health Centres (CHCs)	701
Somalia	Community Health and Nutrition through Local Governance and Empowerment (CHANGE) programme	1,052
Somalia	Emergency Food Assistance and WASH Programme for Drought Affected Populations in Somalia	635
Somalia	Harmonised Support for Somali Maternal and Child Health HSSMCH Programme	569
Somalia	Increasing Women's Participation in Decision Making & Challenging Social Norms (SNaP)	264
Somalia	Integrated emergency response(3) in Somalia	(192)
Somalia	Strengthening Nutrition Security in South Central Somalia: combining life-saving treatment and prevention.	2,625
Somalia	Supporting Sustainable Approaches Towards Building Resilient Communities in Somalia	1,273

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

South Sudan	Alternative Education for All in Southern Sudan	(1)
South Sudan	Equitable Access to Quality BPHNS in Kapoeta North	80
South Sudan	Establishment and scale up of CEmONC in County Hospitals – HPF Nimule Hospital	(3)
South Sudan	Health Pooled Fund Wulu County	13
South Sudan	Health Services in Lakes – Rumbek East	(8)
South Sudan	Health Services in EES – Lopa Lafon County	(2)
South Sudan	Health Services in EES – Torit County	15
South Sudan	Health Services in Lakes – Rumbek Centre	(13)
South Sudan	Health Pooled Fund I Torit County	34
South Sudan	Health Pooled Fund Bridging Fund 2016	261
South Sudan	Health Pooled Fund II	1,176
South Sudan	Health Pooled Fund III	170
South Sudan	Integrated Community Case Management for Diarrhoea, Malaria, Pneumonia and SAM	963
START Network	START CAR Refugee Response Cameroon	82
START Network	START Ebola preparedness and health system strengthening	3,421
START Network	START Fund – Cholera outbreak	65
START Network	START Fund Inception 2014	2
START Network	START Fund Tranche 2 DFID	8,500
START Network	START Network – Migration Emergency Response Fund (MERF)	2,500
START Network	START Network DEPP (DFID)	3,993
START Network	START Network DEPP Coordination Budget	252
START Network	START Network ERR DFID bridge funding	5,341
START Network	START Network European Refugee Response	4,109
START Network	Talent Development	2,200
Syrian Arab Republic (Syria)	Humanitarian Relief for children and their families affected by conflict in Syria	21,203
Tajikistan	Women’s wealth and influence in Tajikistan	703
U.K.	DFID action/2015 campaign support	(11)
U.K.	DFID Preparation of SUN CSN Publications	1
U.K.	DFID Surgical Platform IETR Support	92
U.K.	ELRHA HiF – Strengthening Innovations in Int Humanitarian Action	(248)
U.K.	HIF Phase 3	1,989
U.K.	HLA DFID Contribution 2015-2020	3,673
U.K.	Humanitarian Passport Initiative	214
U.K.	Nutrition Research Programme Consortium	34
U.K.	Programme Partnership Agreement Contribution	9,409
U.K.	R2HC Phase 2 Research for Health in Humanitarian Crisis	750
U.K.	Supporting SUN CSN Secretariat Efforts	28
U.K.	The Research for Health in Humanitarian Crises (R2HC)	1,575
U.K.	Transforming Surge Capacity	22
U.K.	UKH Evidence Synthesis of Protection Outcomes for Interventions with UASC	19
Ukraine	Providing Immediate Protection and Emergency Response in Eastern Ukraine DFID Consortia	506
Yemen	Improved food security in Lahj and Taiz	6,584
Zambia	Addressing Food Insecurity in Western and Southern Provinces, Zambia	246
Zimbabwe	Community Accountability for Zimbabwe MNCH Programme	186
Zimbabwe	Strengthening Voice and Accountability for Improved MNCH Services in Zimbabwe	13
		159,217

The total above includes grant income of £30,465,296 which has been received by Save the Children UK as principal charity within the START Network.

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)**(b) Income from the Irish government in the year ended 31 December 2016**

Countries Supported	Project	£000
Ethiopia	Ethiopian Civil Society Coalition for Scaling up Nutrition (ECSC-SUN)	118
Lao PDR	Key Nutrition Interventions in Lao PDR	46
Malawi	INGO consortium food crisis response	(5)
Malawi	Malawi Vulnerability Assessment Committee Cash Consortium	1,529
Malawi	2016/2017 Cash transfer and Resilience Programme	1,021
Sierra Leone	Fambul Welbodi Programme	(4)
Sierra Leone	Fambul Welbodi II	82
Sierra Leone	Fambul Welbodi 3	52
START Network	Irish Aid STA 1501 Start Fund Contribution	491
START Network	Irish Aid STA 1502 Start Fund Contribution	221
START Network	Irish Aid STA 1601 Start Fund Contribution	786
Tanzania	Harnessing Agriculture for Nutrition Outcomes	448
Tanzania	Working Together for Better Nutrition in Tanzania	(5)
Vietnam	Improving the nutrition status of children 0-24 months-phase 2	7
Vietnam	Improving the Nutrition Status of Ethnic Minority Children in Thanh Hoa Province	26
		4,813

Negative figures relate to fund income received in previous periods that is now being returned to donors where Save the Children UK has not been able to spend the funds in accordance with donor wishes.

Save the Children believes every child deserves a future. In the UK and around the world, we give children a healthy start in life, the opportunity to learn and protection from harm. We do whatever it takes for children – every day and in times of crisis – transforming their lives and the future we share.

2016 was a year of change and uncertainty across the world. For Save the Children it was a year of huge challenges.

This report shows how we responded. In 2016 we helped children in the toughest situations – from saving refugee children at risk of drowning in the Mediterranean to protecting children in conflict in Syria, Yemen and South Sudan, to launching a new global campaign of support for Every Last Child.

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