LEAVING NO CHILD BEHIND

Annual report 2013

Save the Children

2013 IN NUMBERS

REACHING MORE CHILDREN THAN EVER BEFORE

REACHING CHILDREN

15.4 MILLION*
children helped directly through our work on the ground

58.5 MILLION
more children and adults reached

SAVING CHILDREN'S LIVES

9.7 MILLION
children helped through our health and nutrition programmes
Target: 5.9 million

1.3 MILLION
children with malaria, pneumonia and diarrhoea given life-saving treatment
Target: 1.4 million

600,000
children helped to gain access to nutritious food

EMERGENCIES

3.4 MILLION
people helped during emergencies, including 2.1 million children

88
emergency responses in 43 countries

EDUCATION

3 MILLION
children reached through our education programmes
Target: 1.9 million

CHILD PROTECTION

360,000
children helped to stay safe from harm and abuse
Target: 600,000

*This figure includes 800,000 children who were helped through Merlin's emergency health work in 2013.

ENDING
UK POVERTY

24,300

children helped through our education programmes and our work to make sure families get the basics they need

Target: 20,000

INCOME

£343 MILLION

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Cover photo: Amina, age 13, at a refugee camp in Dollo Ado, Ethiopia

Some children's names have been changed to protect identities.

SIGNIFICANT PROGRESS

PHOTO: MARK OSBORNE/SAVE THE CHILDREN

All charities are facing headwinds at present so it is particularly inspiring to see the generosity of spirit with which they reach out to help those in trouble, willingly giving their time, their voice and their money to help children around the world.

As President of Save the Children, I am fortunate enough to view the organisation's activity at home and abroad and I am always struck by the unwavering commitment of the staff to improving the lives of children. From significantly reducing malnutrition in some of the poorest parts of Bangladesh to sheltering, feeding and vaccinating the young people affected by the devastating winds and rain of typhoon Haiyan in the Philippines and ensuring children in the UK leave primary school reading competently and able to fulfil their potential, their efforts to ensure that every child survives to live a happy, healthy life are outstanding.

But they could not do any of that without Save the Children's supporters and volunteers across the UK, and I have had the pleasure of meeting and talking to many of the selfless people who help this organisation to raise the money and awareness that save children's lives. I want to thank you all for the compassion, benevolence and ongoing support for our cause that enabled us to feed, shelter, protect and educate so many millions of children in 2013.

Anne

HRH The Princess Royal
President, Save the Children

TRUSTEES' REPORT

STEPPING UP TO THE CHALLENGE

Save the Children is going through a radical transformation. While we are enormously proud of our heritage, we are moving forward, determined to perform at the highest level of effectiveness to deliver lasting change for children.

Our mission has three central elements:

Saving the Children. Around 6.6 million children under the age of five still die every year, most from hunger and preventable diseases such as pneumonia, diarrhoea and malaria. This number has been almost halved over the last 25 years, thanks to better healthcare and the rising tide of prosperity – but we can go further still. We have the food, the medicines and the vaccines; it is our job to bring these benefits to the children who are hardest to reach. They must not miss out. If we succeed in this, it is now a credible aim for us to be the generation that eradicates the unnecessary suffering and death of children.

We are not alone in our passion and determination to do this. In addition to an increasing number of individual donors supporting our work, we are partnering with companies, foundations and governments to have even greater impact for children.

Educating the Children. We believe that every child should be able to read and write confidently. This ambition may have sounded unachievable 20 years ago but again, we now have the tools and the partners. If we have the will, it is possible. This would be an incredible achievement – and we could see it happen in our lifetime.

Protecting the Children. Wherever children are at risk, it is our mission to shield them from harm. In Syria, Somalia, the Central African Republic and South Sudan, we sheltered them from conflict; in the Philippines, India and Mozambique, we helped families rebuild lives destroyed by natural disaster. We were aided in this by Merlin, the frontline health charity that joined Save the Children in July. The aim is to combine skills and capabilities to do even more for children in some of the world's harshest environments, and that is just what has happened.

Our organisation continues to undergo significant change as we invest in training and developing our people, improving our systems, taking advantage of new technologies and working with other Save the Children teams around the world. We want to lead the sector and, with our combined strength and solidarity of purpose, I know we can achieve that.

While the scale of the challenge we have set ourselves is humbling, it is incredibly inspiring to see the impact we can have and the impressive commitment, spirit and skills of people right across this organisation. If you are close to us, you're a part of this fantastic transformation and I hope you can see it taking shape. If you are not then I would urge you to get closer and look and listen to what we are doing. I know it will inspire you to join us.

Sir Alan Parker
Chair of Trustees, Save the Children

Nurse Lenon Bautista, a member of a Save the Children and Merlin mobile health team in the Philippines. In the wake of typhoon Haiyan, millions of children here faced homelessness, injury and illness.

LEAVING NO CHILD BEHIND

I met Céline in Bouar hospital in the Central African Republic. She was traumatised and frightened. Her village had been attacked. She fled her home and had been shot in the arm. She was so badly injured that, at the Save the Children-supported hospital, the doctor had to amputate her arm. Céline is just six years old.

A few days later, in the capital Bangui, I toured the city with our teams as they scrambled to respond to an escalating crisis. I was shocked by what I saw. Dead bodies littered the streets. Thousands of people sought shelter at the airport. Hospitals were overwhelmed. I'll never forget the look of fear in the eyes of the children I met at a Catholic mission, sheltering out in the open, sometimes in torrential rain, night after night. Hundreds of thousands of children like Céline are scared – many are in camps surrounded by militia or hiding out in the bush.

Our teams in CAR and in other emergencies like Syria are doing an extraordinary job. Hundreds of Save the Children staff inside Syria have braved incredibly dangerous conditions, risking their lives to vaccinate children from polio. These are just two of the 88 emergencies that Save the Children responded to last year, in 43 countries.

But it's not all like this. It is not all sticking plasters on gaping wounds. The wider story is one of progress. Since 1990, the number of child deaths has been cut from 12 million to 6.6 million. We're at a tipping point. We could be the generation – the first generation – to say that no child dies from preventable causes, every child is educated and every child has a fair chance in life.

And at Save the Children, we're having more impact than ever before. Last year we reached 15.4 million children, up from 8 million just three years ago. We've done this through investing in a new way of programming – Signature Programmes – where we collect the evidence of what works to convince others to replicate this on an enormous scale. In Indonesia, based on our programme and the evidence we collected, the government changed the way it looks after vulnerable children, moving them from orphanages back to live with families, based on our programme evidence.

In addition, we're running bigger and more exciting campaigns, both at home and abroad – engaging the public and winning more support for our cause than ever before. With our focus on nutrition in our No Child Born to Die and the Enough Food for Everyone IF campaigns, we achieved major breakthroughs in the fight against hunger and helped secure the Government's commitment to spending 0.7% of national income on aid. In Syria, we worked hard to push for improved access for humanitarian aid – mobilising the public and securing commitments from world leaders at the United Nations Security Council. We took a strong stand on UK child poverty, launching a focus on reading and helping the poorest children succeed at school. At Christmas, we raised over £6 million for our work around the world and took our Christmas Jumper Day event to the next level, involving more than 2 million people across the UK. I'm so proud of the impact we've had and the incredible response from the British public.

We're at a critical moment for the world's children. We face a moment of opportunity, challenge and responsibility. Business as usual is not enough. If we're going to achieve even more impact for children, we know we need to make changes and work in different, innovative ways.

Last year, we began to do this. We brought another NGO, Merlin, into Save the Children to help build our frontline health capacity, responding swiftly to emergencies in some of the most challenging places in the world, from the Philippines to South Sudan. We also launched ground-breaking partnerships with

Justin Forsyth meets Céline, age six, in Bouar hospital, Central African Republic.

RB (formerly Reckitt Benckiser) and GlaxoSmithKline (GSK), harnessing the power of their core businesses to transform the lives of children in some of the world's poorest countries. With RB, for example, we're working to improve hygiene standards and reduce the spread of diarrhoea. With GSK, we're collaborating to transform an antiseptic used in mouthwash into a life-saving product for use on the umbilical cords of newborn babies. Our crucial partnership with Unilever, a lead partner in our global EVERY ONE campaign, is working to help reach more than 2 million children and their mothers by 2016 and helping underpin our humanitarian response work in Syria and other countries. What they do best elevates what we do best – these are hugely exciting partnerships.

It doesn't stop there. We're already moving forward with a wave of innovative ideas. We've started to lay the foundations for a Humanitarian Leadership Academy to help transform how we respond globally to the ever-increasing numbers of humanitarian crises. We're working with the humanitarian sector and partners from the technology industry, private sector and universities to train hundreds of thousands of local people around the world to prepare for and respond to crises in their own countries. We're also helping other Save the Children members across the world, in key countries like China and India, increase their strengths to ensure we're having the most impact for children globally and to build public support in these countries for our cause.

Our success brings scrutiny, which we welcome, but we will always continue to speak out on behalf of the most vulnerable. Our work is the strongest proof of the impact we're having for children. And we're not able to do any of this without the support of our amazing staff, volunteers and supporters. We achieved an enormous amount last year thanks to their efforts. We increased our income to £343 million and we recruited and retained more than 650,000 committed supporters.

In 2014, our driving focus is to be even more ambitious in our quest for greater impact for children – to get even closer to our ultimate goal of ending preventable child deaths and to give children like Céline every chance to fulfil their potential. Because no child should be left behind.

Justin Forsyth

Justin Forsyth
Chief Executive, Save the Children

STRATEGIC REPORT

GREATER IMPACT FOR CHILDREN

In the fight to save and transform children's lives, 2013 was a critical year. We built on previous years to take our impact to record levels, accelerating our progress towards permanently ending the death of children under five from preventable or treatable illness. There has never been more evidence to suggest that we really can be the generation to achieve this.

We are more than half way through our Ambition 2015 strategy, with its focus on saving children's lives, fighting for their rights and helping children fulfil their potential. In pursuit of this vision, our approach became even more focussed during last year.

PROGRAMMES WITH EVEN MORE IMPACT

In 2013, we reached 15.4 million children directly through our programmes – more children than ever before – including nearly 800,000 children reached by our Merlin programmes. This significant increase from 8 million children three years ago is a result of the choices we made to invest in higher impact, world-class programmes – Signature Programmes – as well as in innovation, frontline humanitarian work and strong advocacy and campaigning.

The thinking behind these programmes is based on years of experience and insight, and is driving further and faster change: we innovate to find what works best for children on the ground, we collect the evidence to prove that it does, we lead the thinking and then advocate for change. And we work with partners to influence governments to embed our approach and replicate at huge scale.

Throughout this report, there are examples of the impact this approach can have, and of the difference it has already made to millions of children's lives.

COLLABORATION & INNOVATION

We also know that to make faster progress, we have to work with our partners in business to transform the traditional charity/corporate fundraising model into a relationship that harnesses their core business strengths to create global change for children.

In May, we launched a ground-breaking partnership with GSK that will result in the development, and accelerate the roll-out, of life-saving, low-cost paediatric products. With RB, we aim to save thousands of children's lives each year by finding ways to stop children under five dying from diarrhoea. The partnership will see RB invest in new products, expert research and programmes on the ground to help vulnerable families improve their hygiene. As a lead partner in our global EVERY ONE campaign, Unilever is helping us reach more than 2 million children and their mothers by 2016, and is a leading supporter of our humanitarian work, including increasing our frontline health worker capacity and supporting our vital emergency responses in Syria and other countries. Together we are working in 23 countries on five continents.

Our three-year partnership with the Bill & Melinda Gates Foundation, to support our advocacy work on immunisation, health workers and nutrition, is also having an impact. Last year we saw real progress in the fight against hunger, with world leaders pledging an extra £2.7 billion to tackle malnutrition (see page 11). And in Nigeria – following calls from our health advocacy project – the federal government launched a national immunisation policy.

BUILDING SUPPORT TO MAKE 2013 A BREAKTHROUGH YEAR FOR CHILDREN

We worked hard at the other end of our movement, too – bringing in new people to support our cause by engaging them in new ways, all to help children. We campaigned with increased impact – galvanising a coalition to create massive public engagement with the political opportunity to help end hunger at the UK G8. In the process, we helped bring to fruition a 40-year promise to commit 0.7% of gross national income to international aid. We stood up for poor children in the UK and highlighted the importance of them being able to read confidently when they leave primary school at the age of 11 – to help keep their life chances alive and well. And, of course, we shone a light on the devastating experiences of Syria's children, to remind leaders across the world that action is urgently required.

We offered richer and more inspiring experiences too for our supporters to express their commitment to children. Christmas Jumper Day, the Christmas Tree Sessions, the Secret Winter Gala and the Night of Funk & Soul – to name but a few – all generated more financial 'rocket fuel' for our work and widened our support.

What is a Signature Programme?
Save the Children believes that complex problems require large-scale, ambitious solutions. To this end we have created Signature Programmes: evidence-based programmes, undertaken with key partners, with all successes replicable at scale. These programmes will create ever greater impact for children.

DOING WHATEVER IT TAKES WHEN DISASTER STRIKES

Our commitment to react swiftly when children's lives are devastated by environmental disaster, conflict and turmoil remains a foundation stone for our movement – and tragically, 2013 was a year when this readiness and expertise were called into action all too often. Our wider approach, however, is to help countries develop greater capability to respond when disaster strikes, and 2013 was a year in which we pursued this, as you will read.

PHOTO: HEIDI ANICETE/SAVE THE CHILDREN

Justin outside his home, which was rebuilt following the devastation of typhoon Haiyan in the Philippines.

NO CHILD BORN TO DIE

Since we launched our No Child Born To Die campaign in 2011, the world has seen dramatic progress in the reduction of children's deaths, from more than 8 million under-fives at launch, to 6.6 million by the end of 2013. Given that the figure stood at more than 12 million back in 1990, the news is encouraging and the rate of change inspirational – but there is obviously still more to do.

Seven-month-old Habib was treated for severe malnutrition at one of our feeding centres in Afar, Ethiopia. Thankfully, he has now regained weight and has made a full recovery.

Save the Children, working alongside many others in our field, has been at the heart of this achievement. During the first two years of our campaign, we played a pivotal role in helping secure investment in vaccines that will save 4 million children's lives by 2015, and in helping secure a commitment to family planning that will save more than 3 million children's lives by 2020. So, in the second half of 2012, we introduced a new focus to the No Child Born to Die campaign, highlighting an issue that has been the Achilles' heel of efforts to reduce child mortality: hunger.

WORKING HARDER TO END MALNUTRITION

In a world that has enough food for everyone, it's a scandal that malnutrition continues to be the hidden cause of nearly a third of all children's deaths. If we fail to address it, malnutrition will continue to threaten the amazing progress we have made in saving children's lives.

That's why we took on this outrage, making it the focus of our fundraising, our campaigning and advocacy, and our continued commitment on the ground to ensure that every child has the nutrition they need to grow and thrive. We are at a pivotal moment in history, where we could be the first generation to end the preventable deaths of children, but to accelerate our progress, we need to address the stubbornly slow reduction of malnutrition rates.

Every hour of every day, 300 children still die because they can't get the nutrition they need. Tonight, one child in eight will go to bed hungry.

In 2013 we embarked on two significant ventures in this fight to ensure that every child has the food they need to grow strong and fulfil their potential.

First, in January, we launched a coalition campaign, working with other organisations in a massive push against malnutrition and hunger, keeping the issue at the forefront of people's minds to build momentum towards the G8 in June. Second, we kept hunger at the heart of our ambitious No Child Born to Die campaign, with a new focus on breastfeeding in the first hour of life, the most fragile time for a newborn baby. We worked closely with our allies and partners, including the Children's Investment Fund Foundation and the Bill & Melinda Gates Foundation.

ENOUGH FOOD FOR EVERYONE IF

As the first part in our strategic push against hunger, we helped assemble a coalition of more than 200 NGOs and other organisations to campaign around the UK's hosting of the G8 in June. The visionary thought behind the campaign was that the world has **Enough Food For Everyone IF.**

Building on David Cameron's commitment from 2012's Olympic Hunger Summit to help push hunger to the top of the international agenda – a commitment that we helped persuade him to make – the campaign relayed a simple message: we know there is enough food for everyone, yet one person in eight on our planet is hungry, and that has to change.

To make sure everyone has enough food, though, we know we need to tackle the root causes of hunger. Land must be used to grow crops to feed people, not fuel cars. We have to invest in agriculture, so the poorest can feed themselves. Governments have to stop companies avoiding tax in poor countries, so that the money can be used to reduce hunger. Smart aid must be delivered to stop children dying of malnutrition and we have to work towards improved transparency and good governance so people can hold their governments to account.

To convince the world's eight most powerful leaders to put this issue on the agenda and do more to prevent children dying, getting sick or growing up stunted through malnutrition, we knew we'd need to demonstrate mass public support. So, with help from some of the UK's best creative brains, including Danny Boyle and Richard Curtis, we mobilised our supporters. Vast numbers of people emailed and visited their MPs, signed and shared petitions, and watched and shared our Monty Python-inspired *What has Aid Ever Done for Anyone?* film.

0.7%: A LONG-HELD AMBITION REALISED

The Enough Food For Everyone IF campaign was part of a much bigger focus on development in one of the most significant years in its UK history. 2013 was the year that the UK fulfilled its historic promise to the world's poor by providing 0.7% of gross national income on aid.

One of the campaign aims was to show the government how much public support there is for spending more to help the world's poorest people. Together, we raised a protest so loud that our leaders listened. In March, largely as a result of pressure from our mass campaign, Chancellor George Osborne made a historic announcement: the UK would honour its 43-year-old promise on overseas aid.

This means that we will be able to do even more to end hunger in our lifetime. It's a fantastic outcome – and it shows that if we act together, we can deliver spectacular results that will transform the lives of children around the world.

In June, we inspired 45,000 people to take to the streets, rally in Hyde Park and Belfast, and send a message to the G8 that could not be ignored. At Nutrition for Growth, a special summit hosted by David Cameron, governments and other donors pledged £2.7 billion that will save 1.7 million children's lives by 2020.

We created a powerful groundswell of public support. We engaged people with our cause and reminded them why ours remains the most vibrant development movement in the world. This will have a lasting legacy for all of our work. Our ability to lead enabled us to harness the power of collaboration, to secure change from our government and to make sure the voices of those 45,000 people in Hyde Park were heard, and our willingness to take risks won the right reward: a commitment that means that 1.7 million children who would have died now won't.

New mum, Princess, with her baby, Jallah, at a hospital in Liberia.

PHOTO: RAJ YAGNIK/SAVE THE CHILDREN

SUPERFOOD FOR BABIES

Breastfeeding is key to addressing malnutrition and its long-term impact – a condition called 'stunting' – as well as the death of newborn children; it's a simple, natural way to boost a baby's immune system. As the second part of our push to accelerate progress towards ending hunger, we drew the public's attention to the power of breastfeeding, campaigning to make greater change happen and raising funds to support those changes.

Our report *Superfood for Babies*, published in February, showed that as many as 830,000 newborn deaths could be prevented every year if all babies were given breast milk in the first hour of life. The reasons why women don't breastfeed their children – our research found that rates are actually stalling or even declining in east Asia and parts of Africa – are various, although we identified two broad areas of opportunities for change:

- For many women, lack of empowerment means they may be pressurised into giving their babies harmful alternatives to breast milk.
- A shortage of midwives means that new mothers often don't get the support and information they need to make an informed decision about whether to breastfeed or not.

Our report also found that women who give birth with the help of skilled birth attendants are twice as likely to breastfeed in the first crucial hour.

Through raising funds to support our programmes and campaigning for political change, we set out to increase the number of midwives and health workers in areas where they are in drastically short supply, to ensure that new mothers understand the importance of breastfeeding.

By campaigning against the marketing tactics of some multinational breast-milk substitute companies, we aimed to eliminate any chance they might undermine women's choices when it comes to breastfeeding. We challenged two of the world's biggest infant formula companies – Nestlé and Danone – to make sure the way they market their products never puts children's health at risk.

Our 15,000-signature petition and the 10,000 emails that our campaigners sent, alongside hundreds of Facebook posts and phone calls, didn't go unnoticed. At their AGM, Danone said they'd carry out and publish the results of independent audits of their operations, which is common practice. They've also encouraged Save the Children to scrutinise their policies and make clear to them how they can improve, so we will continue to keep up the pressure. We also submitted our petition to Nestlé's UK Headquarters and they investigated the findings of alleged violations. We're waiting to hear. We haven't had the impact we want yet, but our supporters' voices made sure crucial concerns were heard.

GETTING CHILDREN THE FOOD THEY NEED

In some of the poorest and least accessible parts of the world, Save the Children is on the ground, working to make sure children get the nutrition they need to survive and thrive. Our aim is long-term, sustainable change, where children grow up healthy, free from hunger and strong enough to withstand the preventable diseases – like diarrhoea and pneumonia – that are so dangerous to an undernourished child.

Josephine, age 2, Tanzania

Ensuring a healthy diet in the period leading up to a child's second birthday is vital to their future growth and development. In Tanzania, in an area where more than half of all children are chronically malnourished,

THE TRAGIC LOSS OF UMI – 18 JUNE 2013

COLIN CROWLEY/SAVE THE CHILDREN

In June 2013, we received sad news. Umi, the little girl from Kenya who touched our hearts and moved us to act during the 2011 East Africa food crisis, died of pneumonia and diarrhoea – the two biggest killers of children in the world. She became unwell and was admitted to hospital with fever, vomiting and coughing. She also had difficulty breathing and was dehydrated. Umi's health deteriorated and she lost her fight for life on 18 June, aged two years and two months.

Umi and her mother, Amina, had arrived at one of our health centres in Wajir County two years earlier at the height of Kenya's worst drought in decades. She was suffering from severe malnutrition. At three months old she weighed just 1.7kg. Through the expert care of our amazing frontline health workers, Umi slowly recovered. Her survival became a symbol of hope and possibility. It embodied the wider story of child survival and the progress being made.

As a little baby, Umi survived severe malnutrition but it left her stunted, with an immune system so weakened that ultimately, she was less able to fight off subsequent illness. It was all the more tragic that her death came just days after the world agreed an action plan to battle hunger and malnutrition.

We were deeply saddened by Umi's untimely death and it was a profound shock to us all. She was such a beautiful little girl. Her loss is a painful reminder of the life-and-death struggle we are involved in. There is a huge amount of work that remains to be done to bring an end to preventable child deaths in places like Wajir County but to achieve this goal in our lifetime would be a fitting tribute to Umi's memory.

we are working to help 14,000 children under two have a better diet. The programme will provide valuable evidence for governments and aid donors on how to secure improvements in child nutrition from agriculture programmes.

We're delivering a five-year, multi-partner programme to tackle hunger in seven countries in Africa's Sahel region. The programme strengthens the ability of governments to use our Household Economy Approach to identify groups and households that are vulnerable to food shortages, improving responses to prevent disaster and helping to make at-risk families and households more resilient in the face of future disasters.

In northern Nigeria, where half of all children are chronically malnourished, we're working with the Nigerian government in two states to deliver an innovative cash grants scheme to 60,000 mothers with children under two. This programme, worth £48 million over five years, aims to protect children from hunger and extreme poverty so that they grow up to fulfil their potential. Young children will be better nourished, leading to a reduction in child deaths and stunting. The intention is for the scheme to be scaled up by state governments across Nigeria, backed by strong evidence from the programme. Since 2011, our programme has provided potentially life-saving vitamin A supplements to more than 5 million children.

SUCHANA: FAIRER FUTURES (SIGNATURE PROGRAMME)

Millions of children in Bangladesh are chronically malnourished. Families have faced one climatic shock after another in recent years – floods, cyclones and more floods – and it's destroying their livelihoods. To reach children here, and make sure that in their crucial first 1,000 days they're not permanently damaged by hunger, our approach must reach deep into the root causes of family poverty.

Our Signature Programme called Suchana: Fairer Futures will prevent chronic malnutrition in children in Sylhet, an urban region in north-east Bangladesh.

Bangladesh has one of the highest child malnutrition rates in the world. Our Suchana: Fairer Futures programme to prevent malnutrition in Sylhet aims to have an impact on a national level.

This year we've been building a unique and ambitious coalition, bringing together partners who have renowned experience and expertise in nutrition, livelihoods and food security in Bangladesh. Through this coalition we'll deliver our Signature Programme approach: building the evidence to secure government support and replication on a massive scale for the solutions that work.

Household by household, we'll work to make sure families can rebuild and sustain their livelihoods within local markets, produce their own food and get the support they need to keep on providing the right nutrition for their young children. We'll train health workers and improve access to nutrition services, crucially for women of and approaching child-bearing age. We'll involve families, including mothers-in-law and fathers, in improving their children's development, from before they're born.

This is an ambitious programme driven by insight into family life and built on cutting-edge partnerships. To achieve the country-wide changes that will support children here for years to come, we plan to build evidence of what works and use this to create impact on a national level. It's only by working on this scale that we can make sure there are always safety nets to support families and their children through each crisis that hits.

UNITE FOR MATERNAL AND CHILD HEALTH (SIGNATURE PROGRAMME)

An effective health system – of hospitals, clinics, surgeries, outreach workers and midwives – with medical expertise and equipment is vital if children are to be protected from killer diseases. Every day, in the world's poorest countries, our staff demonstrate remarkable skill, ambition and ingenuity in the fight to save children's lives and our Signature Programme approach is now laying the foundations for progress on a massive scale. By using the evidence of our impact and innovation on the ground to drive wider replication and thus create even more impact, the challenge of establishing or transforming an entire health system becomes more achievable.

The Democratic Republic of Congo (DRC) is one of the toughest countries in the world in which to be born. One child in five here dies before their fifth birthday. The country is bottom of the UN's human development index. After years of brutal conflict, the situation for many children here is desperate. Illnesses such as malaria, diarrhoea and pneumonia are a deadly threat. After decades of neglect, health workers and medicines are in critically short supply. Outbreaks of measles, cholera and polio are common – with lethal consequences.

It's a challenging and complex place to work, but last year we made a step-change in our approach. We launched a programme that aims to reach 700,000 children under five over the next five years, saving more than 75,000 children's lives a year. Replicating success at this kind of scale is exactly what our Signature Programme approach is designed to achieve.

"We're not just focusing on one area of health. We're using a holistic approach that looks at the life cycle of a child – from before birth into adolescence," says Christophe Hodder, Regional Health Adviser. "So that includes five areas: maternal and newborn health, child health, sexual and reproductive health, nutrition and HIV."

In two provinces – Kinshasa and East Kasai – we're making sure children have access to life-saving healthcare; building and renovating clinics; training hundreds of health workers; improving the supply of life-saving vaccines and other medicines; and supporting local communities to take greater control of their own health. We aim to work in eight 'health zones' – home to 4 million of the poorest and most vulnerable people in the country.

In 2013 we immunised 25,000 children against measles and other deadly diseases. Over five years, our immunisation campaign aims to achieve 90% coverage in the areas where we're working, and to help improve the supply chain of vaccines nationally.

But the size of the challenge in the DRC – and the scale of our ambition – means we can't achieve everything we want for children on our own. We're working closely with the Ministry of Health to improve health services nationally, and we're supporting communities and local organisations to propose solutions to their healthcare needs and to hold the authorities to account.

We've also formed an innovative partnership with pharmaceutical multinational GlaxoSmithKline (GSK). As well as providing considerable financial support for the programme, GSK is using its core business to improve availability of vital healthcare services, widen vaccination coverage and accelerate the development of life-saving products for children. For example, the antiseptic Chlorhexidine – commonly used in mouthwash – will be reformulated into a gel to prevent infection in a newborn baby's umbilical cord stump. This is a major cause of newborn death in DRC and other poor countries.

"In the DRC we've started from a blank canvas in terms of the level of healthcare provided to local communities," says Christophe. "We've run workshops with these communities so they can tell us what their priorities are, and we're aligned with the government's strategy. GSK is partnering on the child-health section of the programme and has been integral to its development."

A health worker at a health centre we're supporting in the Democratic Republic of Congo, where our programme aims to save more than 75,000 children's lives a year.

UNFLINCHING WHEN DISASTER STRIKES

When disaster strikes – whatever the cause – young lives are lost or put at deadly risk, families are torn apart and communities devastated. Those are the times when our experience, our commitment and the bravery of our humanitarian staff come into their own. It might be a typhoon, a flood or an earthquake. It might be the violence of conflict. But wherever children are in urgent need – of food, shelter, medicine or emotional support – our Emergency Response teams are on the ground within hours, reaching children and families when they need us most.

2013 was an extremely challenging year. Responding to both natural and man-made disasters, our teams worked against the odds to reach devastated or war-torn communities with food, clean water, medicine, shelter and proper sanitation. Thanks to the immense generosity of our supporters and the vital resources in our Emergency Fund, we were able to reach vulnerable children in the Philippines and Syria, and to respond to unexpected crises – whenever and wherever we were needed around the world.

We made sure children had the basics they needed to survive. We gave them a sense of security and kept hopes for the future alive by delivering education in some of the most hostile environments in the world. We set up safe spaces where children who had been through traumatic experiences could learn and play. And we made a long-term commitment to help communities get back on their feet, helping families re-establish their livelihoods and ensuring children get back to school, so they can look forward to a brighter future.

Save the Children was able to respond to 88 emergencies in 43 countries in 2013. The global power of our movement meant Save the Children International emergency responses reached more than 7 million people with life-saving and life-sustaining aid, including 3.3 million children – the highest number in a single year in our 94-year history.

THE WORST HUMANITARIAN CRISIS IN A GENERATION

As millions of Syrians continued to face the devastating violence of their country's civil war, our staff on the ground saw a dramatic change in the experience of families fleeing the conflict.

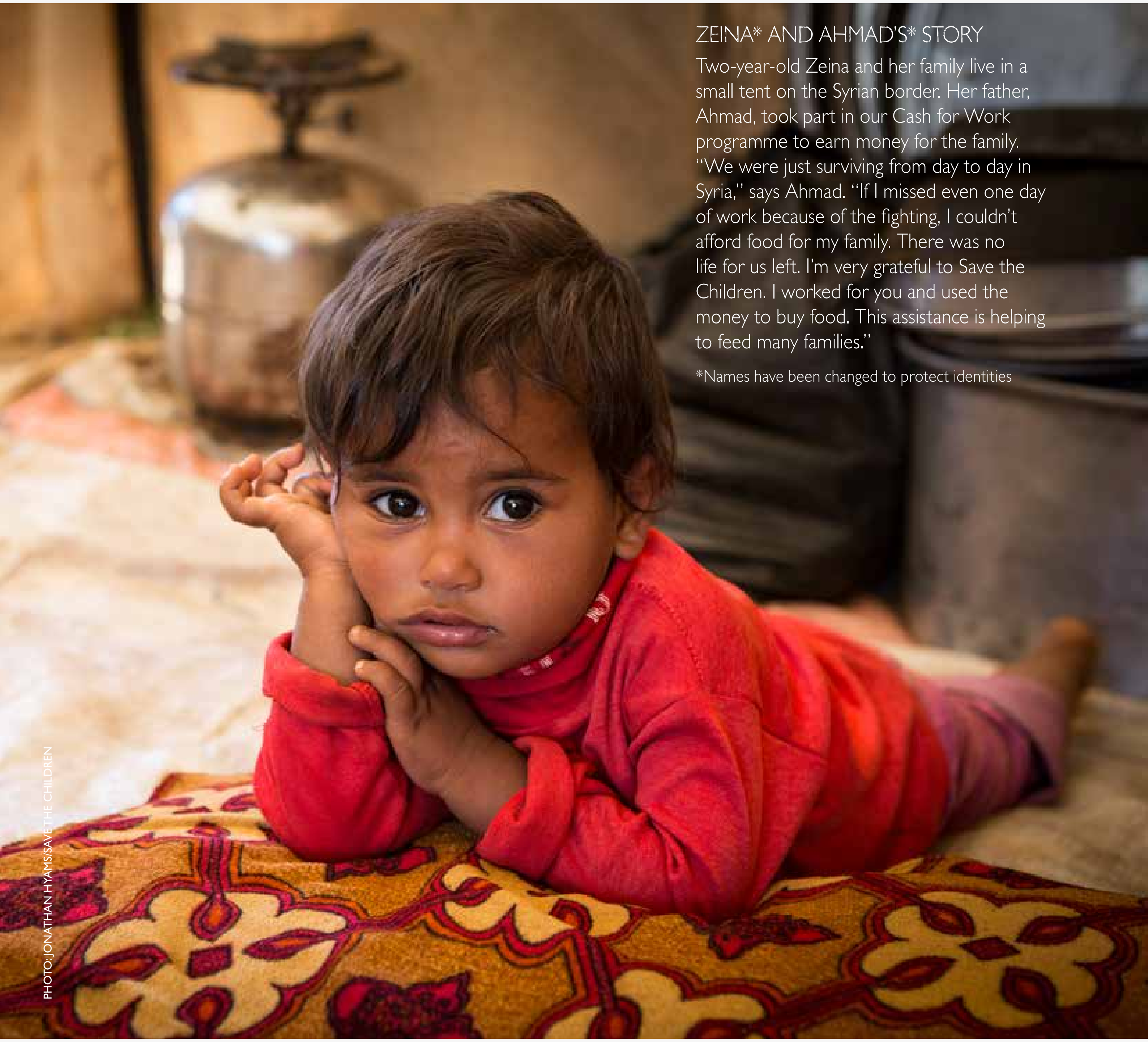
"A year ago, I asked refugees what had made them leave Syria. The answer was simple and horrifying: the massacres, the torture, the relentless barrage of shells," says Cat Carter from our Emergencies Team. "Now hunger is also stalking Syria. What was a complex, brutal conflict is also a growing humanitarian emergency."

We responded to these changing circumstances, providing food, water and medicine to thousands of children and their families in Syria and its surrounding regions. We protected more than 500,000 children from deadly diseases through our vaccination campaign. And we delivered vital supplies to families forced to live in makeshift shelters, run-down buildings and overcrowded camps, helping them prepare for the onset of a freezing winter.

LIVES TORN APART IN HOURS

"Typhoon Haiyan has caused such massive damage in the Philippines that the effects will be felt for years. They have never seen anything on this scale before." Gareth Owen OBE, Humanitarian Director

Images of the devastation caused by typhoon Haiyan grabbed the world's attention in November, as winds of up to 195 miles per hour and 15-foot waves left millions of children facing homelessness, injury and illness.



ZEINA* AND AHMAD'S* STORY

Two-year-old Zeina and her family live in a small tent on the Syrian border. Her father, Ahmad, took part in our Cash for Work programme to earn money for the family. "We were just surviving from day to day in Syria," says Ahmad. "If I missed even one day of work because of the fighting, I couldn't afford food for my family. There was no life for us left. I'm very grateful to Save the Children. I worked for you and used the money to buy food. This assistance is helping to feed many families."

*Names have been changed to protect identities

PHOTO: JONATHAN HYAMS/SAVE THE CHILDREN

Eleven-year-old Angeline holds a Save the Children kit containing essential supplies to help families affected by typhoon Haiyan.

"Here in the Philippines we are used to storms and floods but we quickly realised this was going to be on a massive scale," says Myra Santos, a Logistics Assistant for Save the Children. "We worked around the clock, procuring and distributing aid and deploying staff to the islands to provide immediate humanitarian support."

In the crucial first few weeks after Haiyan hit, we delivered life-saving supplies including food, clean water, blankets, newborn kits and essential household items to children and their families affected by the disaster. We established safe spaces where children can play and receive support in dealing with their experiences, and helped teachers prepare for their pupils' vital first days back at school. We also began coordinating a longer-term response, to help rebuild communities and help families re-establish their livelihoods.

The global strength of our organisation meant we were able to launch a response fast, drawing on international staff from different Save the Children members, to put a team on the ground before the typhoon hit and then scale up rapidly in the immediate aftermath. Working to provide shelter, health, education, protection and nutrition, Save the Children International's response has reached 458,000 people so far – 222,000 of them children.

Now, as the country takes its first steps towards recovery, teams are still on the ground, providing medical care to devastated communities and helping families and local health workers tackle ongoing issues such as child malnutrition. Over the next three years, the Save the Children International response plans to reach more than 1.1 million people affected by the typhoon, including 800,000 children.

CHILDHOODS BLIGHTED BY VIOLENCE

Central African Republic

Violence in CAR has left around 1.3 million children facing a stark humanitarian crisis, characterised by exploitation, abuse and the risk of displacement.

Our work at the Bambari Regional Hospital in CAR will help children like nine-month-old Joseph*, who is suffering from malaria. "He is my only son and I am very worried," says his mum, Isabelle*. "We don't have money and can't afford to buy drugs. We need help."

"It does not get any worse than this," says Mark Kaye from our Emergency Response Team. "Children have had limbs amputated and witnessed their parents being killed; people are hungry and suffering from malaria. The needs are massive."

Thanks to our Emergency Fund, our teams are on the ground, risking their lives to ensure vulnerable children and their families have access to life-saving healthcare. We're vaccinating children against diseases including measles and polio, supporting clinics and hospitals and setting up new child protection spaces in the capital, Bangui, to meet the needs of the thousands of people who have been displaced.

*Names have been changed to protect identities

South Sudan

As fighting continues in the country, we're doing everything we can to help the hundreds of thousands of children and their families who have fled their homes. We're making sure families have access to life-saving medical help. We're reuniting children who have been separated from their families with parents and relatives through our Family Tracing and Reunification scheme. We're supporting children to get back into education and providing safe places for them to learn and play, where they can receive the care they need to recover from their experiences.

"Children born here face some of the harshest living conditions in the world," says Helen Mould, Save the Children International's Information and Communications Manager in South Sudan. "Fewer than half of the two-year-olds here will have the chance to go to primary school. One in three will end up stunted as a result of malnutrition, and one in eight will die before they reach their fifth birthday."

Save the Children is supporting the Primary Health Care Centre (PHCC) in Pagak, South Sudan through the Empowering to Advance Community Health project, and has been supporting 20 primary healthcare centres and units across Upper Nile state. The PHCC in Pagak provides patients with access to primary healthcare, antenatal and postnatal care and vaccinations, among other services. Around 50 to 100 people, mainly children, visit the centre every day and on average, between five and 20 babies are born there every week. The most common health problems facing the children at the centre include diarrhoea, malaria and respiratory problems.

Nyayalny (above) lost her first two children to preventable diseases. This was before she had access to a primary healthcare centre like the one Save the Children is currently supporting in Pagak, South Sudan.

"Both of my children were suffering from diarrhoea, and one of them had serious chest pains and a cough," says Nyayalny. "I couldn't take them to a health clinic because we were in a faraway village. When they fell sick there was nothing I could do and both of them died. They were both around two years old. Previously I had no knowledge of medicine or what to do when my children fell sick, I did not know that I should take them to a facility like this. I found out about this place when some people [Save the Children community-based distributors] came to our village to tell us that when our children fall sick we should bring them here and they will get medicine. So now when they are ill I always bring my children here.

"My younger children are much healthier than the older ones were because they can come here and get treatment when they are sick, and they have had all their vaccinations. It makes me very happy that I can bring my children here when they get sick. Without this facility, history would simply repeat itself and there would be nothing I could do."

Dr Jackson Fleuranvil at a Merlin clinic in Haiti.

A WORLD-CLASS HEALTH FORCE FOR CHILDREN

Merlin joins Save the Children

Joining forces with Merlin meant we had a world-class humanitarian health force on the ground, ready to respond when typhoon Haiyan struck. We were able to do much more, much faster. Together, we provided life-saving healthcare to the injured and sick. We set up mobile health clinics and provided vaccinations for thousands of children, to prevent the spread of waterborne diseases in the critical days and weeks after the storm.

One week into the response, Save the Children/Merlin, backed by DFID, sent in a team of 12 medical specialists with vast experience of providing frontline healthcare in humanitarian disasters all over the world. Six travelled from island to island on board Royal Navy ship HMS Daring, reaching some of the remotest communities, while their colleagues supported an Australian field hospital at the airport in the devastated city of Tacloban.

The team on HMS Daring travelled to seven islands in the space of four days, where they treated wounds – often deep lacerations from flying debris – as well as illnesses like diarrhoea, which is prone to spread when water sources have become polluted and populations crowd together to find shelter.

The combined power of Merlin and Save the Children means we will be able to do even more in future. It will enable our health programmes to reach an estimated 7 million more people each year, increasing our annual reach across the movement from 29 million to 36 million people. By working together, we also expect to increase by 20% the number of frontline health staff we deploy to support fragile states or respond to emergencies.

LIFE-SAVING LEARNING

Humanitarian Leadership Academy

Throughout 2013, we have been laying the foundations for Save the Children's Humanitarian Leadership Academy, which aims to work with the humanitarian sector and new partners from the technology industry, private sector and universities to help local communities become more resilient in the face of disaster and give them the training and skills to respond to crises in their own countries. We've already met with more than 300 organisations and individuals from civil society, NGOs, the UN and governments.

As crises become more frequent, more widespread and more complex, we must bring in new people and develop new knowledge and skills, together. That's why we are working with partners across the sector to train the next generation of humanitarian leaders and responders, especially those located in vulnerable countries and communities. We'll also ensure that information on best practice and knowledge of what works are shared, so that humanitarian aid is more effective and more efficient – and has even greater impact on people's lives.

Working with partners around the world, we will establish ten Academy centres in the next five years – starting in the UK, the Philippines, Kenya and Indonesia – to provide high-quality humanitarian training for more than 100,000 people from more than 40 countries. By establishing the Academy and transforming the way aid organisations, governments, civil society and the private sector work together, we can do even more to meet the urgent needs of children affected by emergencies.

CHANGING THE STORY FOR OUR POOREST CHILDREN

Here in the UK, one of the richest countries in the world, millions of children are in danger of being left behind. Born into poor families, living on very little, they are doubly affected by poverty: it ruins their childhoods here and now, and drastically reduces their chances of a full and rewarding life in the future. One poor child in five lives in a cold home. The same proportion are falling behind in reading by the age of seven – twice the rate of their richer classmates. The IFS predicts that a million more children will be living in poverty by 2020.

We know that this is totally unacceptable. Save the Children has always stood up for children here at home, and we're working tirelessly to get every child a decent childhood, with every chance of fulfilling their potential. A good start and a fair chance.

That's why last year we reached out to twice as many children in the UK as we did in 2012, running world-class, innovative programmes that support families' immediate needs and achieving wider change by finding new solutions to old problems.

In 2013, we reached 24,376 children through our UK work, providing 12,098 essentials to families in desperate need. And we supported the education of 6,552 children by bringing their families and school communities together, through our FAST programme.

FAMILIES AND SCHOOLS TOGETHER (SIGNATURE PROGRAMME)

Families and Schools Together (FAST) is an award-winning programme and another of our signature programmes; it is designed to give children the best possible start at school. Over eight weekly sessions, activities help children improve their reading, writing and maths, as well as their behaviour and their bonds with parents, teachers and peers. Graduated FAST families then continue to run their own monthly meetings. By building children's learning, development and confidence at home, we can help them achieve at school.

In 2013 we expanded this crucial project. Our ambition is to reach 50,000 children by 2017, employing the Signature Programme approach – building evidence of this innovative programme to show the government that these kinds of parent-support programmes should be available to all families.

A BETTER LIFE AT HOME

For families living in desperate need, getting the basics they couldn't otherwise afford, like a bed for their child, a cooker, washing machine or family table, can make a huge impact. Last year we provided struggling families with more than 12,000 of these life-changing essentials.

Vincent, five, would wake up in the night crying. "It felt like he was getting no sleep at all and was always miserable during the daytime because he was so tired," says his mum Rosie, who simply didn't have the money to replace his old cot bed and worn, uncomfortable mattress. Through our Eat, Sleep, Learn, Play! programme, she was awarded a new bed for Vincent.

"Getting [the bed] has made such a difference," explains Rosie. "We have a better bedtime routine and the general mood is better in the house. Life's just easier." Vincent finally sleeps through the night and now Rosie is studying part time at college.

"IT'S UNFAIR THAT MONEY MATTERS TO HOW WELL A CHILD DOES IN LIFE."

Maya, 11, London

Alysha, age 7, at a Born to Read session

We're giving children brighter futures by helping meet their basic needs in those crucial early years. As they grow, having the essentials at home will help prepare them for their time at school.

In 2013 we provided essentials including:

- 2,600 beds
- 1,044 cookers
- 424 tables and chairs
- 1,415 washing machines
- 1,530 toy and book packs.

BORN TO READ

In 2013 we launched Born to Read, our scheme to use reading to lift children out of the poverty cycle. One in four poor children left primary school in 2013 unable to read well. Reading is key to a child's future and our report, Too Young to Fail, highlighted the fact that many poor children in the UK today start school already behind their better-off peers. If we don't act during the early years and help them catch up, the impact on their futures is devastating. They leave school with fewer qualifications and face a higher likelihood of going into low-paid jobs – and a lifetime of wasted potential.

We know that we can break the vicious cycle that keeps people poor, generation after generation, if we can take the crucial opportunity to ensure that every child between the ages of four and seven gets the support they need to read well.

Central to Born to Read is our Volunteer Reading Support project, in partnership with the charity Beanstalk, which provides one-to-one support for children struggling with their reading. Through the pilot scheme, we recruited 210 volunteers who helped 630 children start to improve their literacy. By 2017, we aim to place 7,000 more reading helpers for 23,000 pupils in schools in deprived areas across the country.

"WHERE I'M FROM WE HAVE A SAYING: 'WHEN YOU HAVE A CHILD IT'S NOT JUST FOR YOU, IT'S FOR THE WHOLE COMMUNITY'. WE'RE ALL RESPONSIBLE FOR RAISING THE NEXT GENERATION. FAMILIES AND SCHOOLS TOGETHER (FAST) BRINGS THOSE VALUES BACK FOR ME. IT RAISES YOU UP. IT'S NOT ABOUT ONE PARENT: IT'S ABOUT ALL OF US TOGETHER."

Mercy, mum to Vaneesha, eight.

EVERY CHILD SAFE FROM HARM

Saving children from violence, abuse, neglect and exploitation is a fundamental part of our work – and not only in emergency situations, although children are especially vulnerable then. Wherever they are and whatever their circumstances, every child deserves protection from the lasting impact of violence on their physical and mental wellbeing and future life chances. To achieve that, our child protection work aims to prevent this kind of harm and to respond with help whenever it does occur, so that children who have suffered violence have the chance to make a full recovery.

As well as working with families and communities, we're pushing for national policy change and global agreements to keep children safe. In 2013, we helped shape the child protection strategies of a number of countries and influenced a landmark international Declaration on Sexual Violence to ensure it includes children. On the ground, our programme teams reached out to vulnerable children caught up in some of the world's most terrifying and dangerous situations, from Syria to South Sudan, Kenya and the Democratic Republic of Congo.

UNSPEAKABLE CRIMES

When the G8 foreign ministers gathered in London in April, we released the report *Unspeakable Crimes Against Children*. It shows that rape and sexual assault are shockingly common during war and that in some countries the majority of those who suffer these attacks are children. The report received widespread media coverage and more than 7,000 people signed our petition, calling on world leaders to ensure the UN has the resources and mandate required to keep children safe from sexual violence in conflict situations.

After the G8 meeting, foreign ministers issued a joint declaration in which they committed to work together to end sexual violence in conflict and provide comprehensive health, psychological, legal and economic support for survivors, with a particular focus on children and women.

MAKING SURE EVERY CHILD IS PROTECTED

While there has been an increasing focus on sexual violence in emergencies, children in both developing and developed countries are also at risk. In Tanzania, a 2009 study by the government and the UN showed remarkably high levels of abuse: three in ten girls and one in seven boys reported encountering sexual violence during childhood.

Our child protection experts have been working with the authorities in Zanzibar, one of the most under-resourced parts of Tanzania, to develop a more robust child protection system. We've helped to strengthen laws and policies, improve data collection and develop a state social welfare workforce, resulting in a comprehensive plan of action to prevent and respond to violence against children. This includes establishing a government child protection unit and enabling children to testify in court by video link.

At a community level, we've established an innovative 'one-stop centre' at Zanzibar hospital where children can seek help. Decorated with colourful murals, it is treated as another hospital service so children don't feel stigmatised. Medical staff, counsellors and the police all operate out of this centre, to ensure children only have to recount their experiences once and only encounter specialist professionals. The success of this one-stop model has convinced the government of Tanzania to replicate it throughout the country.

HELPING CHILDREN END EXPLOITATION

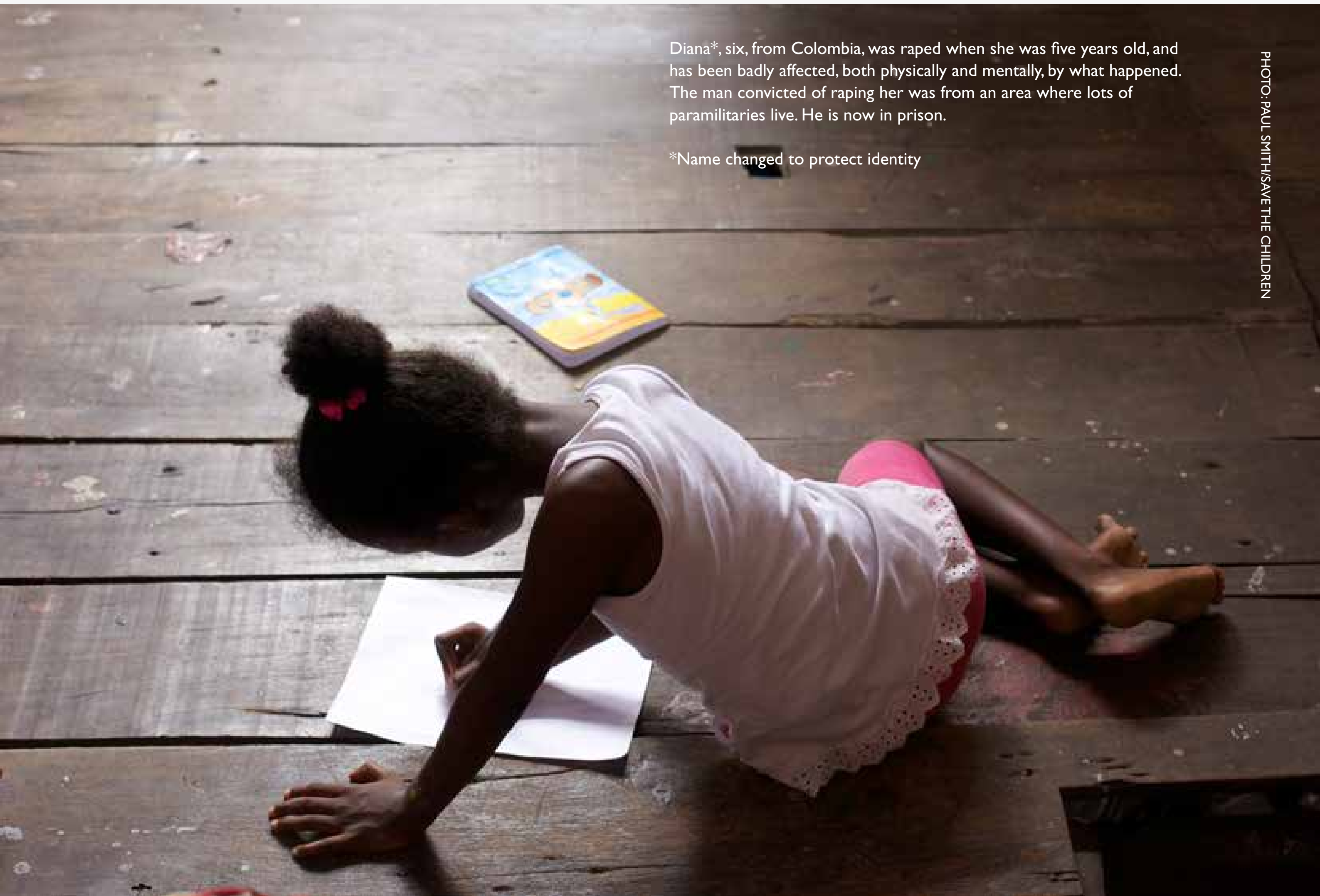
There are an estimated 9 million children in India employed in domestic labour who are at risk of exploitation and abuse. Many have been promised decent work and pay by traffickers, only to be forced to undertake arduous work in harsh conditions for little or no money. They lose the chance to attend school and are often subjected to emotional, psychological and sexual abuse.

Supported by a grant of almost £1 million from Comic Relief, we're working with partners across three states to protect these children. In rural communities, where children are most vulnerable to trafficking, we've set up children's groups, empowering girls and boys to speak out about protection issues and to identify those in their communities who are most at risk. In some villages this has resulted in the virtual elimination of trafficking for child domestic work.

In cities, we've helped establish activity centres where children who are already undertaking domestic work can attend classes to prepare them to enrol in school. For example, in Kolkata, funding from RB has enabled girls to escape domestic work and study computing courses, train as mechanics, work in hair and beauty salons and even start up their own businesses.

KEEPING CHILDREN SAFE IN COLOMBIA

In conflict-affected areas of Colombia, we've established safe places where children who are at risk of recruitment into armed groups can seek help. These centres help children identify the risks associated with joining armed groups and develop strategies to avoid them. Key to this approach is building children's confidence and resilience and giving them a voice within their communities through media and communications work.



Diana*, six, from Colombia, was raped when she was five years old, and has been badly affected, both physically and mentally, by what happened. The man convicted of raping her was from an area where lots of paramilitaries live. He is now in prison.

*Name changed to protect identity

PHOTO: PAUL SMITH/SAVE THE CHILDREN

Supported by the European Commission's Department of Humanitarian Aid and Civil Protection (ECHO), the project was first implemented in urban areas in Medellin and has since been scaled up to include rural Cali, reaching more than 6,300 children.

FAMILIES FIRST (SIGNATURE PROGRAMME)

In Indonesia, our aim is to transform the culture of care for vulnerable children who live in, or are at risk of being placed in, unregulated and often harmful and abusive institutions. It is estimated that around 500,000 children in Indonesia live in such institutions, despite the fact that 90% of them have at least one parent living.

Families place their children in institutions believing they can't afford to look after them, or that it will help their children get an education. We are working with the Indonesian government to help families and communities care for their children. In partnership with the Ministry of Social Affairs, we've created the concept of professional social workers, writing the first national standards to regulate childcare institutions. We're also working with universities to establish social work as a career path with a recognised accreditation and licensing system. This means we can improve care for children both in their communities and in institutions.

Together with the government, we're delivering training in 200 institutions across 18 provinces, to ensure every child placed in an institution is assessed to determine whether or not, with support, they could remain with their family. Professional social workers can then also offer support directly to vulnerable families in their homes.

This approach, if adopted by the Indonesian government, could ensure an estimated 11.5 million children are cared for by their families instead of being placed in institutions. To show that family support services can work for children, our goal is to provide support to 115,000 households – 230,000 adults and 195,000 children – plus 8,400 children in 240 institutions. Our evidence will then be used to influence governments in other countries with high numbers of orphanages to adopt the family support services model as an alternative.

In 2013, we saw early success when, following publication of early results, the government of Indonesia invested in rolling out standards of care and expressed an interest in scaling up the child and family support services model to support families in their communities. This work can eventually be handed over entirely to the Indonesian government, ensuring its sustainability and scale. This success has been achieved with limited funding. With additional support we will be able to have a global impact on child protection methods.

"TODAY WE HAVE REACHED A HISTORIC AGREEMENT AS G8 FOREIGN MINISTERS: PLEDGING TO WORK TOGETHER TO END SEXUAL VIOLENCE IN CONFLICT… THE DECLARATION EMPHASISES THAT PROTECTION EFFORTS AGAINST SEXUAL VIOLENCE SHOULD BE INCLUDED IN THE FIRST PHASE OF ALL RESPONSES TO CONFLICT AND HUMANITARIAN EMERGENCIES. AND IT INCLUDES VITAL COMMITMENTS ON WOMEN'S AND CHILDREN'S RIGHTS."

William Hague, UK Foreign Minister

THE LIFE-CHANGING POWER OF LEARNING

Education is the key to unlocking any child's potential. It is a crucial part of our mission to give children the powers of learning and self-expression that are so important for a bright and rewarding future.

In 2013, we focused on ensuring that each child receives an education of sufficient quality to allow that development and fulfilment, and to ensure that girls in particular have access to learning as a step towards greater opportunity, freedom and empowerment.

We have also made significant progress in making sure that children caught up in disasters or conflict still get the chance to continue their education – not only to keep alive their hopes for the future, but to retain some sense of normality, stability and security despite their experiences.

Last year, our education programmes reached 3 million children in some of the poorest, hardest-to-reach and most dangerous parts of the world. From national reading programmes to education in emergencies and vocational training, we're making sure children everywhere get the chance to fulfil their potential.

SYRIA'S CHILDREN: PREVENTING A LOST GENERATION

"Most of these students have been traumatised," says Nada Toufaily, a Save the Children Education Officer in eastern Lebanon. "With the help of the Child Protection team, our aim here is to help these children get back to their lives again. They're children, so they have to be children again."

Save the Children has supported the education system in Lebanon since Syria's brutal civil war first forced families to seek safety across the border in 2011. With an estimated 300,000 Syrian child refugees out of

Somali children are taking catch-up classes at a refugee camp in Ethiopia.

PHOTO: JONATHAN HYAMS/SAVE THE CHILDREN

“I'VE LEARNED THE IMPORTANCE OF READING AND SINGING TO YOUR CHILDREN AT THIS EARLY STAGE. IF ALL THE PARENTS PARTICIPATE IN THE FIRST READ SESSIONS, CHILDREN IN OUR COMMUNITY WILL GROW UP TO BE MORE DISCIPLINED AND SMARTER.”

Gina, a mother of two from inner-city Manila

school in Lebanon, the need is greater than ever. Last year, we ran Back to School campaigns throughout the Bekaa Valley, supported by accelerated learning programmes designed to help children who have been out of education for more than two years to catch up.

In 2013 we also worked with partners to develop the No Lost Generation initiative, which focuses on both child protection and education for Syrian children. It is a unique collaboration between all the main child-focused INGOs and UN agencies that focuses on the specific impact of the crisis on children's education and protection.

We are pioneering an approach to help these children, both within Syria and in neighbouring countries, by providing them with protection from exploitation, abuse and violence and access to the quality education and psychological care so many of them desperately need. No Lost Generation launched at the beginning of 2014. The initiative is still in the early stages but the aim is to raise $1 billion to give children safety, stability and the chance to resume their education and rebuild their lives.

PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

In the remote Amhara region of Ethiopia, Bayitekus, above, grew up herding cattle. His future changed completely when Save the Children built a primary school in his village. Now, more than a decade later, he is studying for a chemistry degree at Gondar University.

“Education is everything to me,” Bayitekus says. “It has enabled me to see a better future. As the number of educated people grows, change will come to the whole community, which will benefit the country.”

‘FIRST READ' IN THE PHILIPPINES

Children's earliest educational experiences have a significant impact on their capacity to learn later on. In the Philippines, our First Read programme is helping ensure children in disadvantaged communities get the support and stimulation they need in their earliest years to succeed when they start school.

Through peer-led workshops, First Read equips parents with knowledge, skills and resources to support their children's learning and development. As well as promoting good parenting, the programme shows carers how to help their children develop language and pre-reading skills through stories, songs and games. Each family receives a pack of high-quality children's books in their local language, which has resulted in the creation of the first-ever books for very young children in the minority indigenous languages T'Boli, Cebuano and Blaan.

Gina, a mother of two from inner-city Manila, has been attending First Read sessions with her young sons. “I've learned the importance of reading and singing to your children at this early stage,” she says. “If all the parents participate in the First Read sessions, children in our community will grow up to be more disciplined and smarter.”

This £1.6 million programme, which is being funded by Prudential, reached 11,500 children in 2013.

ENSURING YOUNG MUMS DON'T MISS OUT

In Liberia, our programme enabling girl mothers to return to education after their children are born has helped influence government policy. Working with the Ministry of Education (MoE) in Liberia, we've established eight centres where young mums can attend classes while their children are cared for in a safe learning environment.

This programme has shown that access to education transforms lives – those of girl mothers and of their children. It has proved so successful that the MoE has now introduced an early childhood care and development policy framework. In 2013, in response to girls' feedback, we also initiated a project to provide girls with basic trade skills such as baking, hairdressing and tailoring, to help them earn a living and support their families.

ADVANCING THE RIGHT TO READ (SIGNATURE PROGRAMME)

It's hard to imagine starting school at the age of seven having never seen a book. But that's still a reality for many children across the world. In Rwanda, many children nearing the end of their primary education are still struggling with basic words, denying them the opportunity to learn. Children's reading skills are highly dependent on early childhood stimulation as well as their first years at school.

Advancing the Right to Read (ARR) aims to enable parents, carers, communities and schools to work together to help children develop their literacy skills from birth into primary school.

Drawing on in-depth understanding of the reading culture in poorer homes in Rwanda, ARR combines a range of tested innovative approaches to enhance children's reading skills up to age nine. It employs practical, age-appropriate tools to help literate and illiterate parents support their children's learning, along with training for primary school teachers to enable them to teach children to read effectively.

Almost all poor households in Rwanda go without books, so ARR also includes the Children's Book Initiative, which trains local publishers, writers and illustrators to create engaging books for young readers.

2013 was our first year of implementing ARR. By the end of the year we had created a team of trainers to support teachers, parents and caregivers in early childhood development centres and to pilot community activities to support children's reading.

PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

Hervé, from Rwanda, holding a book we have published as part of our Advocating the Right to Read programme.

We also trained 728 teachers and 87 school principals and district education officials in book collection and management and the use of books in the classroom.

Over the next five years we will work with 140,000 children. We'll use the evidence of our impact to advocate for governments in Rwanda and other countries to replicate this approach – helping to make sure every child leaves primary school able to read.

GREATER SUPPORT, GREATER IMPACT

Save the Children supporters have done us proud once again, raising a staggering £77 million through a mind-blowing array of amazing activities, events and challenges. In the hearts and minds of individuals, families and communities across the UK, it's clear that the cause of children still burns incredibly brightly. It's continually humbling to celebrate the lengths our supporters go to for the cause.

Those who help us come from all walks of life and from all over the globe. Eight-year-old Ryan did something incredible, walking and cycling ten miles in memory of his little brother Zach, who died aged just 21 months. Fifty people came out to cheer on Ryan's heroic effort and he raised £2,000 to help save children's lives. And 76-year-old Jo Goodwin fulfilled a lifelong ambition when she skydived for us in Australia, raising more than £2,500.

CHRISTMAS WITH SAVE THE CHILDREN

Last year saw our biggest Christmas campaign yet. Superstar singer Susan Boyle released a new duet version of Elvis Presley's *O Come All Ye Faithful* in aid of Save the Children and choirboy sensation Jack Topping recorded the song *Tomorrow* for our TV commercial, which was seen by 42.5 million people. At Christmas Tree Sessions, our live music night, Lauren Laverne played host to top musicians including Paul Weller, Holly Johnson and Gaz Coombes.

MAKING THE WORLD BETTER WITH A SWEATER

Meanwhile, Christmas Jumper Day 2013 smashed all targets, tripling its income in only its second year. The event raised more than £1.3 million, with up to two million people in 4,508 schools and 11,482 workplaces wearing festive woollies for the day. Supported by

Save the Children ambassadors Samantha Cameron and Myleene Klass join pupils from Manorfield School in east London in a Christmas Jumper Day workshop.

PHOTO: KI PRICE/SAVE THE CHILDREN

The Secret Winter Gala at London's Guildhall.

celebrities including Julie Walters, Dom Joly and Gok Wan, the campaign achieved media coverage with a total PR value of £10 million and raised public awareness of our cause all over the UK. More than 35 celebrities wore Christmas Jumpers and we were also grateful for strong support from our corporate partners, in particular John Lewis, Westfield London, Morrisons and Deramores.

THE SECRET WINTER GALA

Our inaugural Secret Winter Gala in November saw 350 guests step inside the pages of ETA Hoffman's *The Nutcracker and the Mouse King* for an elegant evening of fine dining and fantastical entertainment. Sponsored by Bulgari and held at London's historic Guildhall, the event featured a performance by the English National Ballet and was attended by our friends and celebrity ambassadors including Samantha Cameron, Myleene Klass, Natasha Kaplinsky and Mariella Frostrup. In total, it raised more than £770,000.

A NIGHT OF FUNK & SOUL

In March, Helena Bonham Carter, Tim Burton and Alan Parker hosted a night of exciting, high-energy music at The Roundhouse in London, a spectacularly effective fundraising event that raised an incredible £1.3 million for Save the Children. Compèred by Jonathan Ross, the event offered guests a remarkable night of entertainment, including funk & soul legends Trevor Horn CBE, Nile Rodgers and Maceo Parker and contemporary guest artists James Morrison, Lemar and Beverley Knight.

BRINGING OUR WORK TO A HUGE AUDIENCE

Our ambassadors have, once again, shown real commitment – speaking with deep conviction and insight from our projects on the ground at key moments during the year.

At the launch of our breastfeeding campaign, we showed compelling films of our ambassadors Natasha Kaplinsky, Myleene Klass and Isla Fisher. Last year also saw Lewis Hamilton, the 2008 Formula One World Champion, commit himself to our cause as an Ambassador for Education, and globally acclaimed actress Naomie Harris join our ranks as our Ambassador for Women's and Girls' Rights.

Save the Children's celebrity supporters were prominent forces throughout the Enough Food For Everyone IF campaign, with Myleene Klass, Daniel Roche, Lauren Laverne and Natasha Kaplinsky at the forefront, and for the first time we launched a powerful TV advert for our work in the UK, voiced by Paul O'Grady, which was a huge success. Our ambassadors also supported our frontline work on the Syrian borders, with Dom Joly travelling to Za'atari camp in Jordan to see our emergency response there firsthand.

MARY'S LIVING & GIVING SHOPS

2013 was a year of significant growth for Mary Portas's Living & Giving shops in London, as they passed £1 million in income for the first time. We opened six more of these stylish charity boutiques last year, to make 11 in total – and our new Chiswick branch took £8,000 on its opening day. Each store was beautifully designed as a gift by designers such as Boxco2 and AMD, and we collaborated for the first time with the MA Interior Design students from the Royal College of Art who competed to design a Living & Giving store as part of their syllabus. We were supported by a huge number of brands and designers who kindly donated stock for the shop openings, including Ted Baker, Aspinal of London, Barbour and Diane von Furstenberg.

The shops' total income for 2013 reached £1,276,164 – 63% up on the previous year – with a contribution after costs of £500,166, which was a 22% increase on the year before. We also spent the year putting community activity at the heart of each shop, in line with Mary's original philosophy. Our shops busily held yoga classes, sewing workshops, styling evenings, bake-offs and even a sponsored dog-walk.

THE RACE AGAINST HUNGER

In October 2013, we came together as one Save the Children to deliver our first Global Day of Action for Child Survival. More than 80,000 children from 68 countries mobilised for the day of action and called on their governments to do more to stop children dying from preventable causes.

In the UK, big names in athletics including Adam Gemili and Paula Radcliffe joined actor Daniel Roche to support the thousands of children who ran at hundreds of venues across the country – securing more than 75 pieces of coverage in the media, including national broadcast coverage on the BBC, ITV and Sky. Schoolchildren also managed to raise over £50,000 for Save the Children.

SAVING SYRIA'S CHILDREN

We maintained a resolute focus on the humanitarian impact on children of the Syrian civil war and the public's passionate support for our Syria Crisis Appeal to Save Syria's Children continued throughout 2013. In March, the Save the Children family mobilised to mark the second anniversary of the start of the crisis, organising child-led, candle-lit vigils in key capital cities. Together, we created global media coverage to further highlight the release of our report, *Childhood under Fire*, which gained global news attention.

Our supporters kept rising to the challenge. Frank Burns raised more than £8,000 by cycling 4,000km through New Zealand and Australia, while Lord Bates walked 518 miles in 35 days, raising a phenomenal £50,000. Our appeal was boosted by a partnership with The Sunday Times that saw the paper run weekly articles on our Syria appeal with a call for donations. The appeal raised £2.5 million, of which £1.9 million was eligible for matched funding from DFID, bringing the total to £4.4 million. And tens of thousands bought the single *I Know You Care*, dedicated to Syria's children by singer Ellie Goulding.

And we kept pushing on behalf of Syria's children at the United Nations General Assembly in the autumn. We successfully pushed heads of state to acknowledge the need for humanitarian access to Syria in their keynote speeches, and we secured a particular success through lobbying the UK government for the Prime Minister to take the lead on pursuing this goal at the G20 and in the Security Council, following the loss of the vote on military intervention in the House of Commons. This laid the foundations for the eventual presidential statement agreement by the Security Council on the need for full, unfettered humanitarian access.

Children from St Mark's primary school, Belfast, at a vigil to mark the anniversary of the conflict in Syria.

One of our volunteers, Rachel Buller, at a Born to Read session at a primary school in south London.

BEING OPEN WITH OUR SUPPORTERS

It has never been more important to be open and transparent about our decisions and the way we work with those who are in any way part of our cause. For us to be transparent, people must have access to timely, relevant and clear information about our organisation. We are committed to presenting this in a way that can be accessed and understood by children and their communities. In 2013, we published our first Accountability & Transparency Report (for 2012), which contains further information. The 2013 edition will be available this year.

OUR FANTASTIC VOLUNTEERS

As ever, volunteers continue to be the lifeblood of Save the Children. We benefited from the time, energy and enthusiasm of 15,323 volunteers in 2013. They helped deliver nationwide events as part of the Enough Food for Everyone IF campaign, met with the Prime Minister and MPs including Nick Clegg and William Hague, and some even spent a morning dressed as George Osborne to call on the government to uphold its pledge to spend 0.7% of gross national income on aid.

By giving their time to run our shops, fundraise, organise events, provide specialist expertise and campaign, volunteers have raised millions in income as well as raising awareness of Save the Children's work across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children and we're incredibly grateful for the valuable gift of time they give on a daily basis.

We've also expanded our volunteering opportunities with the launch of the UK Born to Read programme, which offers people the chance to give their time as a reading helper in a local primary school. Soraya has been volunteering since February 2013. "The children really love the one-to-one aspect and the time you're giving them," she says. "You can see their confidence grow just from half an hour every morning. I'd recommend it to anyone. "

Without our volunteers, our events couldn't take place and much of our fundraising and campaigning would be impossible. Going forward, we are committed to building on the strength of our inspirational volunteer force, expanding their numbers and the diverse range of activities they can undertake to support our collective work for children.

THE POWER OF PARTNERSHIPS

At the heart of our most important strategy, our theory of change, sits the idea of partnership.

We know we can't achieve our ambition for children alone. We bring together supporters from every sector of society: corporate and commercial, political, other NGOs, donors and funders. In 2012, we committed to take this to a new level, with a particular focus on global partnerships and key institutional donors. 2013 saw this approach bring significant results for children.

HARNESSING THE POWER OF BUSINESS

Working closely with Save the Children teams across 120 countries is enabling us to deliver sector-leading global partnerships. The Save the Children network allows us to partner with global companies and other international organisations to create collaborations with real reach and impact across the world.

Last year marked the record-breaking tenth year of our partnership with RB (formerly Reckitt Benckiser), which has raised more than £15 million and helped to reach more than 1 million children since 2003. We're working together to stop children under five dying from diarrhoea. RB is investing in new products, expert research and programmes on the ground to help vulnerable families improve their health and hygiene. Head office and employees in more than 60 countries also united to raise £5.5 million, including £500,000 to support our Emergency Fund.

In 2013 we launched a ground-breaking partnership with GSK to help save the lives of 1 million children. By combining our global reach and influence, we can achieve even more for children, and we are sharing expertise and resources in order to deliver programmes and initiatives on a global and local level that will tackle some of the leading causes of child mortality. This includes the development and roll-out of life-saving, low-cost paediatric products. GSK is committing £15 million over five years and globally, staff have already raised more than £700,000 through employee fundraising activities.

Sir Andrew Witty, CEO of GSK, said, "A partnership of this scale gives us an opportunity to do something amazing – to save the lives of 1 million children, and to transform the lives of millions more."

Working as one global organisation is also enabling us to strengthen our partnership with Unilever. The company is a lead supporter of our global campaign to inspire urgent action to reduce child mortality, with the aim of reaching 2 million children and mothers. As part of Unilever's three-year, €15 million commitment (approximately £12.5 million), 30,000 employees in 12 countries united in a day of action to support our work; Unilever has also developed an innovative emergency strategy that supports our work before, during and after an emergency. 2013 saw its ground-breaking commitment to our emergency work increase, and as a leading corporate partner it has donated more than €600,000 (approximately £418,000) to the Syria Crisis Appeal since 2012, as well as donating vital supplies and funds to our emergency response to the typhoon in the Philippines.

Morrisons made the third and final year of our partnership the most successful yet by raising £2.8 million, pushing their total raised to a fantastic £7.1 million. This included raising £100,000 for the Philippines Typhoon Appeal through a week-long bucket collection.

Our three-year partnership with the Bill & Melinda Gates Foundation to support our advocacy work on nutrition, vaccines and health workers – as part of our global campaign to save children's lives – celebrated a number of key breakthroughs in 2013. The Nutrition for Growth summit in London in June (see page 11) secured new funding of up to £2.7 billion from governments and other donors to tackle malnutrition until 2020. In the run-up to the G8 summit in June, Bill Gates addressed a crowd of 45,000 people at the 'Enough Food For Everyone IF' rally in Hyde Park, calling on world leaders to act decisively to tackle malnutrition. Meanwhile, in Nigeria, where the Foundation is supporting our health advocacy project, the federal government launched a national routine immunisation policy, which we had been calling for, and made key commitments on health workers.

Save the Children has a global partnership with RB targeting the devastating death rate of children under five from diarrhoea

MAKING OUR PARTNERSHIPS TRANSPARENT

There was public scrutiny of our corporate partnerships and the extent to which they impact on our approach. Panorama broadcast a programme which questioned our integrity around some of our private-sector partnerships – the programme alleged that we compromise some of our campaigning activity or 'self-censor', to avoid antagonising corporate partners, particularly GSK, British Gas and EDF.

As we said at the time, we would never refrain from speaking out on an issue because we had a partnership with a particular company. That would clearly compromise our values. The reason we work with the private sector is to have more impact for children – not just through the money they give, but also using their core business or research and development to innovate for change, engaging their staff to support our fundraising and using their brands to bring our cause to more people.

We recognise the need for transparency in our partnerships and have stringent safeguards in place to ensure our independence and to make sure everything we do aligns with our core values. We are also an organisation whose beating heart is its supporters, staff and volunteers and we would never do anything to disappoint those people. We turn down partnerships, however potentially lucrative – some worth millions of pounds – that would compromise our integrity.

INSTITUTIONAL PARTNERS

In 2013, we redoubled our efforts to build strong partnerships with our donors that will accelerate progress for children. Well established partnerships, such as those with the UK government, which gave us £80.4 million, and the Humanitarian Aid and Civil Protection department of the European Commission (ECHO), which gave us £34.3 million, remain vital to us both financially and in our role as global advocates for change. The UK Department for International Development (DFID) provides us with critical strategic support via the Programme Partnership Arrangement. Additionally, we have begun to work more with organisations such as the World Bank and the Children's Investment Fund Foundation, and these organisations are helping us find new ways to save and improve more children's lives. Overall, our income last year included £175.6 million in grants from national and local government institutions.

2013 also saw us begin programmes with even greater ambitions to achieve scale impact for children. The DFID-funded Peace and Development Programme in Ethiopia and the Girls' Educational Challenge – a group of transformative projects to increase access to basic education and improve learning outcomes for girls in Afghanistan, Mozambique, DRC and Ethiopia – represent a vital step forward in programme delivery.

Our Syria winter appeal also benefited from a hugely successful match-funding arrangement with DFID: the UK government agreed to double all donations from individual UK supporters over a three-month period. This initiative (which ran until 23 February 2014) enabled us to raise an additional £1.9 million.

LISTENING TO CHILDREN

We are accountable to children. Whatever we do, wherever we work – in remote areas of developing countries, among families traumatised by conflict, or within poorer UK communities – it is central to our core values that we give the children we help a voice.

That means making sure they have the opportunity to influence the key decisions affecting how we work with them. It is also about giving children the power to hold us to account in ways that influence our policies, priorities and actions at all levels.

Listening to children and their families is also key to our accountability to our supporters, who entrust us to spend every pound – from a £2 text to a £1 million grant – in a way that will do as much good as it possibly can. That's why in 2013, we stepped up our ongoing efforts to stay constantly accountable to our supporters, our partners and, most of all, to children.

HANDING YOUNG PEOPLE THE LEAD

In Sierra Leone, we have given over 400,000 children and families access to life-saving healthcare. The Edwards project, which began in 2005, has refurbished, built and equipped health clinics in slum areas of Freetown and across the rural district of Kailahun and has trained health workers to combat killer diseases such as malaria, diarrhoea and pneumonia.

As one 11-year-old boy in Kailahun said, "After Save the Children come, parents not dead; now children not dead". But that's not all. We're keen to empower older children and teenagers to take care of their own health and the health of younger siblings, and to make sure they know about the services they and their families are entitled to. For example, as well as helping improve water and sanitation in the project areas, we make sure children understand the importance of hygiene for their own health and know what services they should expect.

As one 13-year-old girl from our project in Susan's Bay, a slum area in Freetown, told us: "Before we didn't have knowledge about health. But now we use our head to think and gain more knowledge".

Last year we held workshops with children in the project areas to find out their views about healthcare and the programme. "Sometimes we think that children can't understand, but they can," one project worker said. "If children are allowed to take part, we can achieve so many things."

Children from the project showed a powerful understanding of what needs to change. When we asked what kind of community they would like to live in, they said: a place where children aren't killed by diseases, a place where people don't have to fear violence and abuse. Somewhere with a decent, clean hospital, where you can get help from a doctor whenever you need it, where there are no unwanted teenage pregnancies and women aren't afraid they and their babies might die while they're giving birth.

SEEING THE WORLD THROUGH THE EYES OF A CHILD

We can only truly change children's lives for the better by working to understand what they need most: by listening to them, involving them, and letting them shape the way we work.

In the Philippines, 41% of the 14 million people affected by typhoon Haiyan are children, so we worked in collaboration with Plan and World Vision to organise consultations and find out children's priorities and ideas to improve our response to the disaster. They said what they wanted most was their homes rebuilt, electricity restored and their schools reopened. By taking children's views into account, agencies and the Philippines government were able to ensure that the decisions being made, which affect children's lives, really responded to their needs.

In Somalia, the country office set up a hotline to receive complaints and feedback from hard-to-reach communities. They judged the level of feedback too low, so the country office directly called 275 beneficiaries, addressed their complaints and informed them of the action that had been taken.

In the UK, we ran a Young Leaders project offering comprehensive skills training in some of our key areas of work – from campaigning and advocacy to innovation and emergencies. Seventeen Young Leaders took part in Exercise Fire Blast, a day-long emergency role play with professionals from the Metropolitan Police, Islington Borough Council and the London Fire Brigade. The Young Leaders gave us their insight into children's priorities in emergencies, so we will be able to communicate more effectively with young people when a disaster next strikes.

IMPROVING IMPACT

To make our programmes accountable to children, we involve them and their communities in our decision-making, we share information about our programmes and information, and we listen to feedback – monitoring impact as we progress.

To build on this, in 2013, we commissioned *Improving Impact: Do Accountability Mechanisms Deliver Results?*, a ground-breaking research project carried out in collaboration with the Humanitarian Accountability Partnership and Christian Aid. It offers strong evidence that accountability mechanisms improve the relevance, effectiveness, efficiency and sustainability of Save the Children's projects and lead to increased impact for the communities that we support.

As a result of this, from 2014 onwards we will systematically include the feedback from this accountability work in order to improve the programmes we deliver.

A primary school in the Democratic Republic of Congo where we're supporting children displaced by conflict.

2014: ACCELERATING THE PACE OF CHANGE FOR CHILDREN

At the end of 2012, we committed to 'go further, faster' and set ourselves ambitious targets to increase our impact for children across the world.

Our top priority was to save more children's lives, and we achieved that. We also set ourselves targets on treating children for malnutrition and giving them better access to healthcare. We promised to get more children into school or improve their education in the toughest places in the world – such as conflict and emergency zones – as well as here in the UK, where we worked hard to break the cycle of poverty. We aimed high on protecting more children from abuse and harmful institutions. Achievements for 2013 and key targets for the year are given on the opening two pages of this report.

2014 TARGETS

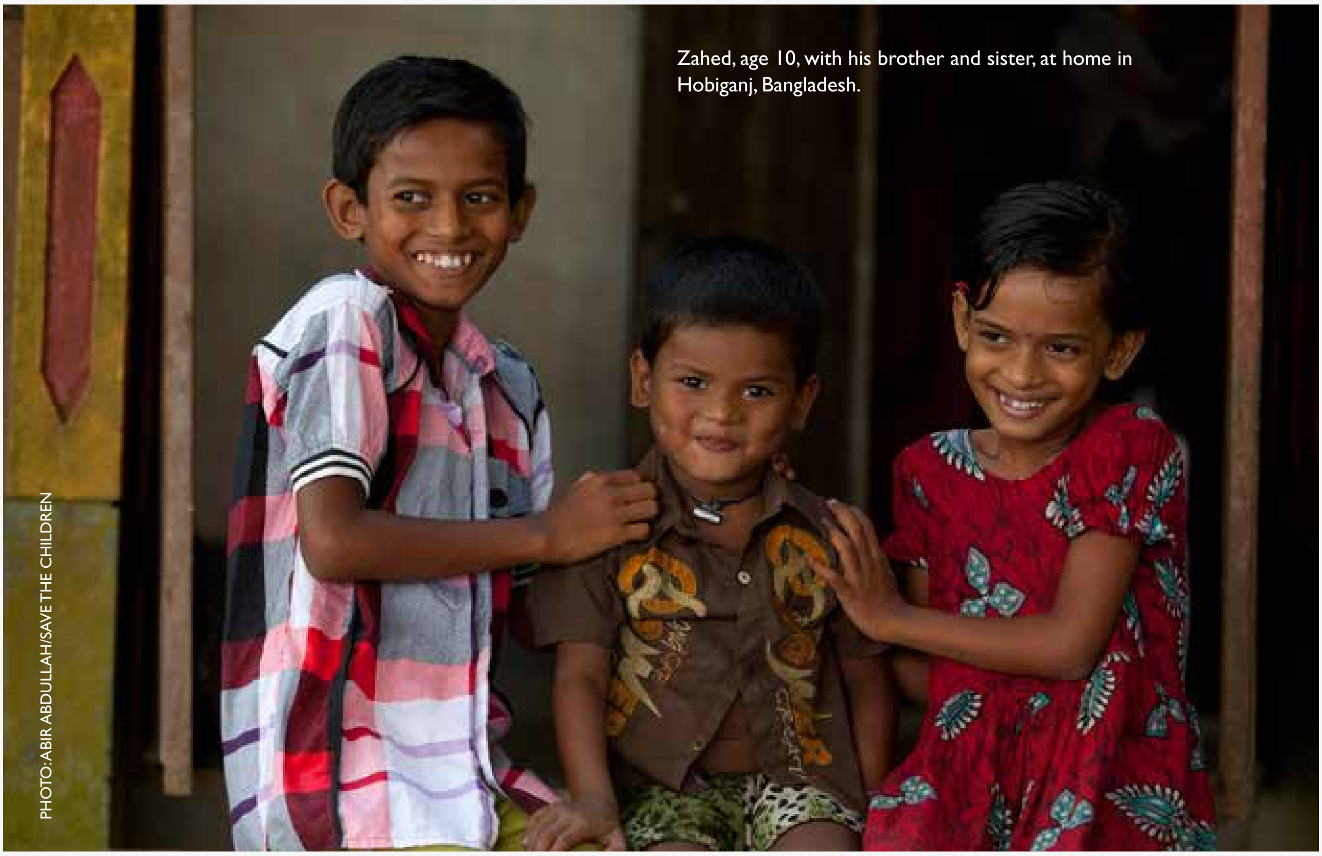
CHANGE FOR CHILDREN: We will directly reach 15 million children with high-quality, evidence-based interventions and transformative programmes. We will:

- **Treat 1,580,000 cases of malaria, pneumonia and diarrhoea and 160,000 young children for severe acute malnutrition and reach 8.8 million children with health services.**
- **Reach 2.4 million children directly through Save the Children education programmes. Ensure 480,000 children in conflict-affected and fragile states enrol in primary education, including first-time access to education for 60,000 children.**
- **Reduce child malnutrition and hunger, reaching 1 million children and 140,000 families who will benefit from cash, asset and food transfers, enabling them to eat more nutritious foods and escape extreme poverty.**
- **Reach 165,000 children directly through our child protection programmes and ensure at least 30% of targeted children and care-givers have access to child protection and response services.**
- **Reach 25,000 children through our UK programmes, FAST, Eat, Sleep, Learn, Play! and Born to Read.**

FIVE KEY PRIORITIES

In 2014, our focus will be on accelerating progress and taking our impact for children to the next level. To help us achieve this we are working across three main areas – our programmes, our engagement with our supporters and the public, and our organisation itself – and we have identified five top priorities:

1. **Delivering Signature Programmes**
2. **Increasing our humanitarian impact**
3. **Developing innovative strategies to engage the public and inspire them to join our cause**
4. **Investing in and engaging with our people**
5. **Strengthening our Save the Children movement**



Zahed, age 10, with his brother and sister, at home in Hobiganj, Bangladesh.

HOW WE'LL DO IT

We will put eight more Signature Programmes into operation. Of these, three will generate robust evidence that we can use to enrol partners and governments, leading to the delivery of these same programmes at significant scale.

We will increase our humanitarian capability through logistics, frontline healthcare, media surge, training and unrestricted income. The development of our Humanitarian Leadership Academy will progress and we will secure key DFID and other funding. Four academy centres will be operational, and we will also increase frontline health impact with our Merlin programmes.

To engage the public more broadly with our cause, we will innovate and test new strategies for mass participation – for example, through broadcast, a children's movement, new commercial ventures and strengthening our engagement with communities.

In terms of engaging Save the Children staff, we will continue to nurture a values-led culture and put particular efforts into developing the capabilities of our outstanding teams to be able to meet our growing ambitions. To support them in our growth agenda, we will strengthen our foundations by upgrading core people policies, systems and processes.

Globally, we will strengthen the effectiveness of our Save the Children movement by building stronger lead members in India, Brazil, China and South Africa and will improve efficiency and effectiveness by working collaboratively across Save the Children International and other Save the Children teams across the world.

FINANCIAL PERFORMANCE IN 2013

INCOME

As we continue to make dramatic progress towards our ambitious targets for children around the world, we are reaching more children than ever before, having greater impact on the ground, both in emergencies and in our development programmes. We have increased the number of children that we reach in a year from 8 million to 15.4 million over the last three years, and this is underpinned by the incredible generosity of our supporters.

This increased impact could not happen without the generosity of the public, the ingenuity of our partners in business, the imagination of our fundraisers, the dedication of our volunteers and the vision of our institutional partners. We are all working together to make the world better faster, we all want to see a world where no child is left behind and every child has a fair chance to fulfil their potential.

Overall, our income in 2013 was £342.6 million (of which £31.4 million relates to Merlin) – a record amount in our 94-year history. This 21% increase on last year is a massive testament to the generosity of our supporters – individual, corporate and institutional – and the wider British public.

The headlines below outline our extremely strong performance across all our fundraising activities.

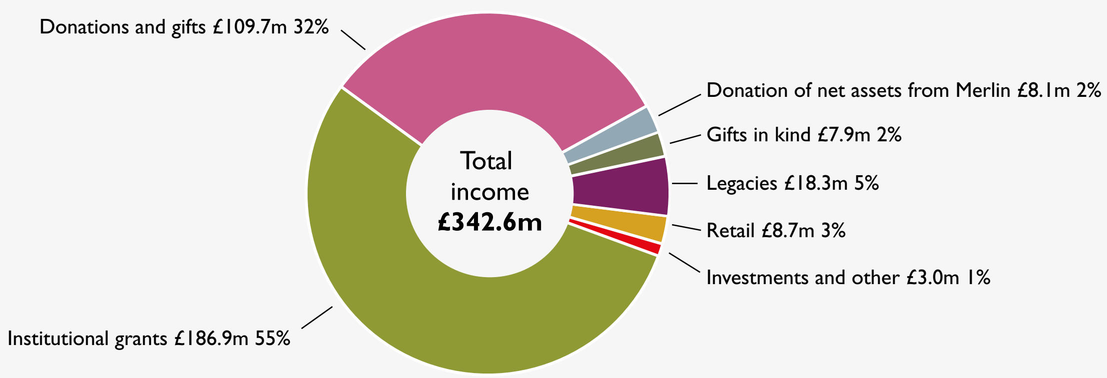
The economic environment is still extremely challenging for many in the UK, but when emergencies strike, the wellbeing of children like those in Syria or the Philippines inspires the British public to dig amazingly deep in times of unimaginable peril and devastation.

Overall donations and gifts saw a dramatic rise of 21%, hitting £109.7 million this year, from £90.6 million in the previous year, with unrestricted income also encouragingly up by 20% to £93.6 million. Income from individual giving grew from £41.6 million to £50.2 million and a surge in legacy income resulted in 40% growth, to £18.3 million from £13.1 million last year. More people are supporting our cause in new and different ways. Our overall number of supporters reached 650,000, and includes people who text donations, organise events and volunteer.

Our corporate partners are providing more help for children than ever before, with their support up a third from £19.6 million in 2012 to £26.3 million this year. This reflects our strategic focus on building strong partnerships. Income from trusts and major donors rose from £9.2 million to £12.6 million.

Income from national and local governments, as well as institutions such as the European Union, rose from £150.6 million to £186.9 million including £19 million

WHERE OUR INCOME CAME FROM IN 2013



"WHEN EMERGENCIES STRIKE, THE WELLBEING OF CHILDREN LIKE THOSE IN SYRIA OR THE PHILIPPINES INSPIRES THE BRITISH PUBLIC TO DIG AMAZINGLY DEEP"

in support of Merlin. This rise was driven primarily by growth in income from DFID and also the EU.

Merlin joined Save the Children in July and the net assets have been accounted for as a gift of £8.1 million. This includes £7.9 million of restricted income, which primarily relates to grant funds that are not available for general use.

EXPENDITURE

In 2013 we spent £308.9 million to help improve the lives of children across the world.

Of this, £267.2 million was spent directly on charitable activities. This includes all amounts spent in furtherance of our mission, through our full theory of change, including advocacy, direct programme activity, evidence gathering and through our partnerships with other organisations.

On average over the past five years, 88% of our total expenditure has been on charitable activities. For 2013, this was 86% (88% in 2012).

Our commitment – expressed in our No Child Born to Die campaign – to end preventable child deaths, saw us spend £111.8 million (42% of funds available for programme work) on Health, Nutrition and Livelihoods. Our focus on the importance of children's education saw us spend a further £37 million (14%) on this vital area.

We spent £73.1 million in our direct responses to 88 emergencies in 43 countries.

We spent £21.8 million on campaigning and awareness. This supported our No Child Born to Die campaign, which aims to end child mortality from preventable causes.

The cost of raising voluntary income increased from £28.4 million in 2012 to £33.1 million in 2013, as we continued to invest in recruiting new supporters, raising more income from individual giving and expanding our major corporates portfolio.

OTHER INCOME

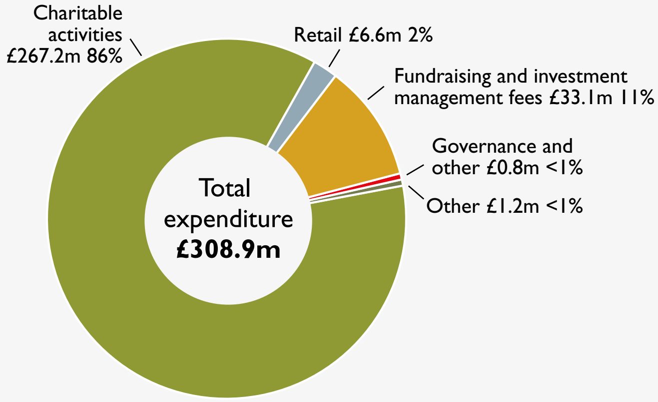
We saw a gain in the value of our investment portfolio of £3.1 million in 2013, compared to a gain of £1.2 million in 2012. While we expect market volatility to continue, our investment strategy is to seek capital growth in the long-term rather than focus on short-term gains and losses.

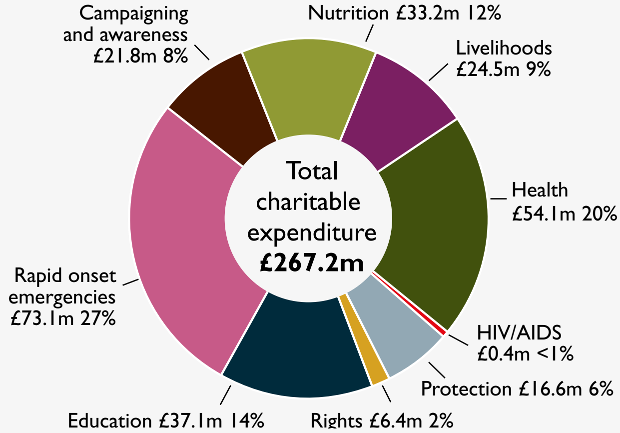
THE FUNDS OF THE CHARITY

The total funds of £93.7 million fall into three categories:

Restricted income funds (£81.2 million) are grants or

HOW WE SPENT IT IN 2013





Percentages do not add up to 100 due to rounding donations received for defined projects that will be spent in future years.

Restricted endowment funds (£2.9 million) are donations given by individuals specifically for us to invest and then use the income derived from these investments to benefit children.

Unrestricted funds (£9.6 million) are principally made up of general funds (£26.7 million), designated funds (£6.7 million), a revaluation reserve (£3.9 million) and the pension reserve (a negative reserve of £27.8 million). The negative pension reserve represents the calculated deficit on the defined benefit pension scheme and is explained further in the pension section below and in note 27 to the financial statements.

RESERVES POLICY

Our general reserves enable us to ensure our long-term financial viability – for example, protecting our work against adverse financial events. A formal review of our reserves takes place every three years, the last being in 2012. In the intervening years we consider the impact of the financial risk associated with our income and expenditure streams and balance sheet items, and assess the appropriateness of the reserve range.

The target range for our general reserves remains at between £24 million and £29 million. Currently our general reserves stand at £26.7 million. Our reserves are backed by our £22.7 million unrestricted investment portfolio, which is held for the long term.

We will continue to spend our general reserves in a manner designed to deliver more for children, consistent with our reserves range.

PENSIONS

Save the Children UK contributes to a defined benefit scheme (which we closed to new entrants in June 2002), to defined contributions schemes and to a long-term savings plan for staff based overseas. In October 2013 the occupational money purchase scheme was closed to further accrual of benefits, and new contributions are made to a group personal pension or a long-term savings plan.

A professional actuary carried out a three-yearly valuation of the defined benefit scheme at 30 September 2011. This showed a deficit of £33.6 million and that the scheme assets were sufficient to cover 71% of the accrued benefits.

The funding deficit does not represent a current cash commitment; rather, it reflects the long-term funding required as pensions are paid out to members of the scheme, many of whom have not yet retired. In accordance with the triennial valuation, we are funding the deficit over a recovery period to September 2021. More details are given in note 27 to the accounts.

The actuary carries out a separate annual valuation in line with Financial Reporting Standard (FRS) 17. This is conducted using different assumptions and results in a different funding deficit. The FRS 17 valuation at 31 December 2013 showed a deficit of £27.8 million or a funding level of 79%, compared with a deficit of £33.7 million and funding level of 74% as at 31 December 2012. The details are shown in full in note 27 to the accounts.

GOING CONCERN

We have set out above a review of financial performance and the charity's 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 the charity's ability to continue in operation. Accordingly, the accounts have been prepared on the basis that the charity is a going concern.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT AND INTERNAL CONTROL

To keep our promises to children, to safeguard our staff, and to meet our obligations to those who give us funding, we must identify and effectively manage risks wherever we work. To enable us to reach more children, faster, we need to take intelligent risks, ensuring the risks we choose to take are understood and the decisions are assessed appropriately, in the context of our wider operations.

We recognise that if Save the Children UK is to achieve its objectives, it is necessary to accept some risks that are outside the charity's control and which cannot be fully mitigated. The executive directors are charged with actively monitoring such risks, but the trustees recognise that risk is a factor of everyday life and can never be completely eliminated.

To manage risk, all Save the Children UK representatives, be they employees, partners or volunteers, must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management are provided to ensure that we manage risk to the best of our ability. Our risk management process, therefore, provides reasonable, but not absolute, assurance that the organisation is protected.

In 2013, we:

- continued to improve our risk management processes and increased our efforts to embed risk identification and mitigation into our day-to-day ways of working, to ensure that all those working with us understand why it is important to manage the many risks that we face to keep children, our staff and our reputation safe;
- continued to use our organisational risk appetite, agreed in 2012, to assess opportunities for the benefit of children against the risks those opportunities posed;
- developed measurable 'triggers' that indicate when a risk may be close to crystallising. The triggers help us to assess those risks and alert us when additional mitigation is required.

We define key strategic and operational risks as those that, without effective/appropriate mitigation, are highly likely to occur and would have a severe impact on our work, our reputation or our ability to achieve our ambitions. These risks are reported to the trustees through the risk management process, allowing them to challenge any assumptions the charity has made about risks, and to understand the context in which decisions are taken. This helps them ensure the most serious risks are being managed effectively. In 2013, the executive directors and trustees identified the charity's most significant risks as follows:

- Child safeguarding: keeping the children we work with safe is our top priority. To support this we have adopted a safeguarding approach aimed at ensuring that a range of proactive and preventative measures and systems are in operation, and that where abuse or exploitation have occurred, clear procedures for the protection of those individual children are enacted. The charity complies with the requirements of Save the Children's child protection protocol, which sets out procedures and standards for ensuring that the children we work with are kept safe. These requirements include disclosure and barring service checks for all staff that have frequent contact with children and young people, and training for all our staff on child safeguarding measures. In 2013, for the first time, we published an Accountability & Transparency Report; the second of these will be published later in 2014.
- Keeping our people safe as we strive to reach more children in the hardest to reach places, from Syria to CAR: working in Syria, a category one emergency conflict zone, has placed our staff in greater peril and we continue to work closely with Save the Children International to ensure that we have the appropriate processes and procedures in place to keep our people safe, wherever they work.

- The need to be accountable and transparent to children, our donors, supporters and the public at large. We are committed to being fully transparent, and in 2013 we published our first Accountability & Transparency Report. The second of these will be published later in 2014 and we will continue to update them annually.
- Managing the risks to our reputation: as we continually change the ways in which we work to help children, we inevitably encounter scrutiny of our decisions. To continue our work, we must manage those risks to our reputation as they arise.
- In July 2013, Save the Children UK joined with Merlin. Before agreeing to this move, we worked closely with Save the Children International to consider the risks involved in both proceeding, and in not proceeding, with the venture. We recognised that to join Merlin's overseas programmes with Save the Children's, so soon after completing the transition of our own programmes to Save the Children International, was a significant risk. We managed this risk by utilising the knowledge gained from our earlier experience and by bringing together a team to closely manage the transition process, which is due to complete in 2014.
- The impact of the ongoing economic crisis on our assets, liabilities and on our ability to raise funds to enable us to continue our work for children remained a concern throughout 2013.

We will continue to manage these risks into 2014. Save the Children UK is working closely with Save the Children International to ensure that those risks to which we are jointly exposed are appropriately identified, and that information is shared between the two organisations to ensure a robust risk management framework is in place to manage the shared risks that we face.

When preparing our risk register, we consider all types of risk relevant to our long-term and annual objectives, including but not limited to: internal risks (eg, financial, operational, reputational, governance, compliance) and external risks (eg, political, environmental, social, technical, legal, economic).

Our risk register is reviewed and updated with input from:

- executive directors and senior staff who identify and manage risks as an integral part of their daily work; and
- a risk assurance network of key staff who identify and manage risks, providing them with a forum to share concerns and find solutions to them.

Each risk is owned by an executive director and assessed for existing mitigation and to confirm if further mitigation is required. Mitigation plans for any risks assessed as critical are presented to the board of trustees.

Our management of risk is supported by a dedicated Risk Manager, who ensures that we have robust methods to identify emerging risks, and that directors and senior managers have appropriate procedures in place to manage these.

Following the transition of delivery of our country programmes to Save the Children International, in 2013 Save the Children UK took the opportunity to review its internal audit arrangements. In consequence, no internal audits were conducted in the last nine months of 2013. Instead, the trustees gained assurance from a number of other processes and procedures in operation throughout the charity, such as the donor compliance function, the donation acceptance board, and the sub-committee of the board formed to oversee the Merlin transition project. In addition:

- to ensure that we maintain effective assurance over our interests in the country programmes that have transitioned to Save the Children International, as well as our donors' money invested in those programmes, the trustees looked to Save the Children International's own global assurance and fraud reporting mechanisms, and through the joint trustee appointments to the Save the Children International board; and
- assurance over Merlin's operations from July 2013 was gained through Merlin's own internal audit and fraud reporting mechanisms, and through joint trustee appointments to Merlin's board.

Outstanding internal audit recommendations continued to be systematically followed up, and reports on implementation were reviewed by the Audit Committee.

We also embarked on a significant project to update the control frameworks in place throughout the organisation, and reviewed the training we provide to staff. This work continues into 2014.

FINANCIAL RISK MANAGEMENT

Goods and services purchased are subject to contracts with suppliers based on market prices. Market risk is dealt with in the investment management policy section on page 51. Amounts due from donors overwhelmingly relate to major institutional and corporate donors, and the associated credit risk is therefore considered to be low. There are no external borrowings, and processes are in place to monitor cash flows in order to minimise liquidity risk, in conjunction with our reserves and investment policies described above.

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

Approved on behalf of the Board of Trustees

Alan Parker

Sir Alan Parker
Chair of Trustees, Save the Children
20 June 2014

HOW WE MANAGE OUR AFFAIRS

BOARD OF TRUSTEES

Save the Children UK is a charitable company limited by guarantee, incorporated under the name of the Save the Children Fund. Its articles of association provide that its trustees shall be the only members of the charity. The business of the charity is governed by the Board of Trustees (whose members during the year are listed on page 52). The trustees are responsible for overseeing the management of all the affairs of Save the Children UK. The trustees are appointed, elected or re-elected for a fixed term, according to procedures set out in our memorandum and articles of association, which are our governing documents. Trustee recruitment is conducted by the Nominations Committee, a committee of the board. We agree and implement an individual induction programme for each new trustee, covering all aspects of the role and the organisation.

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

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

Save the Children UK has a wholly-owned trading subsidiary, Save the Children (Sales) Limited, which is registered in England and Wales. Although the principal activity of the subsidiary is the trading of new goods through our shops, branches and website, income is also generated by commercial promotions run in conjunction with our corporate supporters and in joint ventures with other charities. The subsidiary's taxable profits are donated under deed of covenant to Save the Children UK. The subsidiary performed well in the period, contributing £1,604,000 to the charity's funds, up from £388,000 in 2012.

On the 16th of July 2013, Medical Emergency Relief International (MERLIN) became a wholly owned subsidiary of Save the Children UK. Merlin's results have been included in the group's results.

TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Save the Children for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions; to disclose with reasonable accuracy at any time the financial position of the charitable company and the group; and to enable them to ensure that the financial statements comply with the Companies Act 2006. The trustees are also responsible for safeguarding the assets of the charitable company and the group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

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

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

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

The trustees delegate day-to-day management of Save the Children UK to the chief executive and executive directors.

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

COMMITTEES

The **Donations Decision-Making Panel** is appointed by the board and includes two board members and three executive directors. It considers potential donations to Save the Children UK and makes decisions if there is a need to consider whether it is in the best interests of the charity to accept a donation.

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 skills profile of the current 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 about their remuneration, benefits and terms of employment.

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

The **Finance Committee** is appointed by the board and has three board members, including the Honorary Treasurer. The Finance Committee meets at least three times a year to consider the annual budget, monitor performance against this, evaluate the financial implications of major projects and contracts, and to advise the board on any other relevant finance matters.

The **Investments and Pensions Committee** is an advisory sub-committee of the Finance Committee. It has two board members and five external members with investment, pension and treasury expertise. It meets at least three times a year to review investment, pensions and treasury matters and the performance of Save the Children UK's Investment Manager and Defined Benefit Pension Fund Manager.

The **Merlin Sub-Committee** is appointed by the board and has four board members. The Sub-Committee was set up to provide oversight on behalf of the board on the transition of Merlin's operations to Save the Children UK and Save the Children International.

ORGANISATIONAL STRUCTURE

The trustees delegate the day-to-day running of the organisation to the directors who oversee particular departments as listed on page 52. These executive directors report to the Chief Executive who reports to the Chair of the Board.

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

PAY AT SAVE THE CHILDREN

As an organisation with important responsibilities towards our beneficiaries, donors, supporters, staff and the public, we recognise the importance of raising transparency and accountability in all aspects of our work. That is why, in line with recommendations from the recent inquiry into executive pay by the National Council for Voluntary Organisations, we are detailing our approach to pay, explaining how our pay levels are defined, publishing the ratio of pay dispersion or spread across the organisation, and listing the roles and salaries of our executive team. These points form the basis of this statement, which can also be found in a prominent position on our website at www.savethechildren.org.uk

At Save the Children, each of us is driven by our mission to build a world where all children can survive, thrive and fulfil their potential. This means that we are committed to maximising our impact across all elements of our life-saving work.

To do this successfully means balancing two different needs: the need to ensure value for money in everything we do, including how we pay our staff; and the need to attract and retain people with the right leadership, experience, knowledge and skills required to lead the transformation we are undergoing and oversee the complex, high-risk work happening in some of the world's toughest places.

In the past five years Save the Children has more than doubled its income from £161 million to £343 million. Last year this enabled us to respond to 88 emergencies and reach 15.4 million children when they need us most – more than at any other point in our 95-year history – in more than 50 countries around the world. Having a competitive reward offering is one of the many ways in which we secure the very best people to deliver these unprecedented levels of meaningful change to the lives of children around the world. Aiming to maximise our impact through fair salaries for talented people is what defines our approach to pay.

How pay is governed at Save the Children

The Board of Trustees is responsible for defining Save the Children's pay policy, and deciding on the salaries of the Chief Executive and his leadership team of executive directors. To do this, the Board has appointed a subset of trustees, including the Chair, to form a Performance and Remuneration Committee. This committee oversees proper administration of Save the Children's pay policy, evaluates executive performance, and decides on any changes to executive pay. The committee meets at least twice a year. Meetings are also attended by the Chief Executive, his deputy, the HR Director and the Reward Manager, all in an advisory (non decision-making) capacity.

Our approach to pay

Our principles are to pay our staff a fair salary that is **competitive** with the charity sector, **proportionate** to the complexity of each role, and **responsible** in line with our charitable objectives. From these principles we have defined our pay policy:

1 Pay all staff within the top 25% (known as the upper quartile) of salaries in the UK charity sector, but not to compete on pay with the public or private sectors.

2 Ensure that pay reflects performance by rewarding strong performers the most and weaker performers the least, while supportively managing performance improvement.

3 Meet all national pay standards, and provide all paid staff with a living wage.

4 Communicate the spread of pay through the organisation to our staff and to the public.

Save the Children adopts a number of practices through which this policy is implemented:

1 Monitor charity sector salary trends through two leading salary surveys,[1] annually adjusting our salary ranges to remain within the upper quartile of the charity sector.

[1] **XpertHR Top Charities:** This survey includes 40,000 salaries from 68 charities, including Action for Children, Barnado's, UNICEF and Oxfam GB.
Croner Charity Rewards: This survey includes 37,500 salaries from 262 charities, including Christian Aid, NSPCC and UNICEF UK.

2 Provide larger salary increases for strong performers than for weaker performers. In 2013, actual salary increases varied from 0% to 4%, with an average of 2%.

3 Provide all paid staff with a salary at least in line with guidance from the Campaign for a Living Wage (currently £8.80 per hour in London, £7.65 per hour outside of London).

4 Report the spread of pay in the organisation as a ratio of pay dispersion. The ratio between our highest and median UK-based salaries is 4:1.

More information

Details of salary and pensions costs, including individual salaries of all executive directors, can be found in note 13 in the financial statements.

SETTING OUR BUDGET

We have set our 2014 budget in the context of our Ambition 2015 plan. The financial reporting system compares results with the budget phased on a monthly basis.

PUBLIC BENEFIT

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

GRANT-MAKING POLICY

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

As discussed in note 16 to the financial statements, Save the Children UK transferred the programme activity of a further nine countries to Save the Children International in 2013, in addition to the 23 countries transferred in 2012. Plans are in place to transfer the final countries in 2014.

INVESTMENT POLICY

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

Newton Investment Management Ltd manages our portfolio of equity and fixed-interest investments of £25.6 million, including £2.9 million of endowment funds. The portfolio recorded a gain of £3.1 million, which was above its benchmark for the year. In 2013 we began an investment review looking at both the investment strategy and the investment manager. It is intended that any changes agreed will be implemented in 2014.

ETHICAL INVESTMENT POLICY

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

ADMINISTRATIVE DETAILS

Trustees	Committees*
Sir Alan Parker (Chair)	N, P
Gareth Thomas	P
Mark Esiri (Deputy Chair)	F, N, P
Richard Winter (Hon. Treasurer)	A, F, I, P
Alex Duncan (retired 17/04/2013)	N
Nyaradzayi Gumbonzvanda	
Robert Hingley	A, F, I, M
Tamara Ingram	N
Kevin Watkins	
Sophia McCormick	
Naomi Eisenstadt	
Fiona McBain	N, M
Adèle Anderson	M
Lambertus Becht (appointed 16/09/2013)	M
The Honourable Sebastian James (appointed 28/02/2014)	
Jamie Cooper-Hohn (appointed 28/02/2014)	

Independent members and external advisers	Committees*
Angela Hands	A
David Owen	I
Richard Bernays	I
Partha Dasgupta	I
Peter Moon	I
Nick Mourant	I

*Committee membership as at 31 December 2013

		Chair
(N)	Nominations Committee	Fiona McBain
(P)	Performance and Remuneration Committee	Gareth Thomas
(A)	Audit Committee	Robert Hingley
(F)	Finance Committee	Richard Winter
(I)	Investments and Pensions Committee	David Owen
(M)	Merlin Sub-Committee	Lambertus Becht

Donations Decision-Making Panel

Robert Hingley
Gareth Thomas
Tanya Steele
Sue Allchurch
Brendan Cox

Directors' group as at 31 December 2013

Justin Forsyth	Chief Executive
Anabel Hoult	Chief Operating Officer
Rachel Parr	Chief Financial Officer and Strategic Initiatives
Paul Cutler	Human Resources
Kitty Arie	Policy and Advocacy (interim)
Fergus Drake	Global Programmes
Tanya Steele	Fundraising
Sue Allchurch	Marketing and Communications

Company Secretary

Andrew Willis

PROFESSIONAL ADVISERS

Auditor

Deloitte LLP
2 New Street Square, London EC4A 3BZ

Bankers

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

Investment managers

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

Retirement savings providers

Pension managers
Prudential
MPP Service Centre, Craigforth, Stirling FK9 4UE

Pension providers (from October 2013)
Legal and General
One Coleman Street, London EC2R 5AA

The Pensions Trust
6 Canal Wharf, Leeds LS11 5BQ

AEGON
Edinburgh Park, Edinburgh EH12 9SE

Long-term savings plan (from October 2013)
Zurich International Life
43–51 Athol Street, Douglas, Isle of Man IM99 1EF

Legal advisers

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

FURTHER INFORMATION

Save the Children International

Save the Children UK is a member of the Save the Children Association (SCA), which consists of 30 independent national Save the Children organisations, transforming children's lives in more than 120 countries. SCA also owns 100% of Save the Children International (SCI), a charity incorporated in England and Wales.

In 2011, SCI, Save the Children UK and the other members of SCA entered into a number of agreements establishing SCI as the delivery body for the programming activity of SCA members outside their home territories. This helps to align our activities and reduce duplication of effort in order to increase our collective ability to impact children's lives. Save the Children UK is responsible for designing programmes in conjunction with donors, and maintains oversight of SCI's delivery. As well as our direct programming within the UK, we continue to provide humanitarian surge capacity and technical support to overseas programmes, and provide leadership in certain specific areas for the membership as a whole.

Save the Children UK in Scotland

The Office of the Scottish Charities Regulator requires us to report separately upon the activities we have undertaken in Scotland. Save the Children's activities in Scotland during 2013 addressed issues faced by children in Scotland as well as contributing to the global aims of Save the Children.

Tackling child poverty is our main priority in Scotland. In 2013 we saw significant expansion of our core community-based programmes into new parts of Scotland, reaching more than 4,500 children.

The Families and Schools Together (FAST) programme was further developed in Edinburgh, Fife, Glasgow and West Dunbartonshire, and was introduced to Renfrewshire and East Lothian for the first time. The aim of the FAST programme is to enable parents to better support their children's education, take an active role in their child's school and play a greater role in their local community. In total, we delivered the programme in 22 schools across Scotland, reaching more than 708 children and their families.

Our Eat, Sleep, Learn, Play! programme provides material assistance to low-income families with young children. This programme was delivered in Glasgow, West Dunbartonshire, Edinburgh, Fife, Renfrewshire, Dundee and North Ayrshire. After assessment, families are provided with essential items to help their children eat, sleep, learn and play. During 2013, we delivered 1,772 grants reaching 3,654 children and their families, who benefited from receiving items such as beds, cookers, pushchairs and toys.

Our community assets programme was delivered in four neighbourhoods across Scotland. The programme worked directly with parents, carers and community members to take action to support children living in low-income households. We have supported 51 parents to become more active in their communities and develop projects that make their areas a better place for children. This includes creating the first community play park in Faifley, which was led by a group of mums. Other parent-led groups were established that will improve access to after-school family activities, access to training and play resources, and a programme of activities for parents with young children.

During the year, Save the Children launched a successful campaign to extend high-quality, affordable childcare provision to young children. The campaign attracted 1,100 signatories and was successful in raising the profile of childcare as a barrier to parental employment. We also influenced the Children and Young People's Bill at key stages through parliament, and our GET IN campaign, which was led by young people, was successful in securing additional support for young people to access swimming facilities and lessons.

Playing a more global role, Save the Children in Scotland has assisted in fundraising for emergency appeals throughout the year, including the humanitarian responses in Syria and the Philippines.

We also played an active role in the Enough Food For Everyone Campaign, which called for action to be taken to combat world hunger, and culminated in a demonstration at the G8 summit in Belfast, Northern Ireland. Young people from across Scotland also got involved in Save the Children's World Marathon Challenge to raise awareness of global hunger.

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

Volunteer involvement

Over the past year our 15,323 volunteers have made a huge contribution to realising our ambition for children. By giving their time to run our shops, fundraise, organise events, provide specialist expertise and to campaign, volunteers have raised millions in income and raised awareness of Save the Children across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children, and we are incredibly grateful for the valuable gift of time that they give on a daily basis. Our Volunteer Vision will see this vital contribution growing to involve even more volunteers over the coming years, enabling Save the Children to engage communities across the UK.

Employee involvement

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

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

Equal opportunities

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

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

The environment

We are working to reduce our carbon footprint to help mitigate climate change and its adverse impact on children, beginning with our UK operations.

- Our Environmental Policy contains clear guidelines on how we should travel in the UK, and use electricity, paper, and waste.
- We mapped Save the Children UK's carbon footprint for the first time in 2011, and have now mapped our 2012 footprint. This covers the impact from our UK headquarters, regional offices and shops.
- All electricity used by the Farringdon office is now derived from renewable sources, and many of our other UK offices are using **environmentally-friendly ways of working**.
- Changes in how we use printers have already made substantial reductions in our paper use.
- Our newly launched Cycle to Work scheme will encourage our people to get on their bikes.

In addition, we published a new Accountability and Transparency Report in 2013, addressing the environmental impact of our work and making measurable commitments for improvement by 2015. These actions respond to the feedback of our people, as well as donor and peer expectations. With children on the frontline of climate change, every penny saved and action taken will help make us an outstanding organisation and achieve our ambitious goals for children.

Approved on behalf of the Board of Trustees.

Sir Alan Parker
Chair of Trustees, Save the Childrenn
20 June 2014

FINANCIAL STATEMENTS

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

We have audited the financial statements of Save the Children Fund for the year ended 31 December 2013 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 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (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 2013 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

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.

Sarah Shillingford

Sarah Shillingford FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

20 June 2014

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 2013

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/13 £000**	Total Year to 31/12/12 £000
Incoming resources					
Incoming resources from generated funds:					
Voluntary income:					
Donations and gifts	3a	53,458	56,254	**109,712**	90,616
Donation of net assets from Merlin	28	219	7,896	**8,115**	–
Legacies	3b	17,716	564	**18,280**	13,088
Retail income	4a	8,730	–	**8,730**	8,496
Investment income	5	837	–	**837**	830
Incoming resources from charitable activities:					
Institutional grants	6, 7	10,900	176,029	**186,929**	150,663
Gifts in kind	8	–	7,851	**7,851**	17,664
Overseas programme income		6	239	**245**	456
Other income	9	1,733	162	**1,895**	1,935
Total incoming resources		93,599	248,995	**342,594**	283,748
Represented by:					
Total incoming resources from continuing operations		*90,358*	*220,866*	***311,224***	*283,748*
Total incoming resources from acquired operations	*28*	*3,241*	*28,129*	***31,370***	*–*
		93,599	*248,995*	***342,594***	*283,748*
Cost of generating funds					
Costs of raising voluntary income	10d	32,309	747	**33,056**	28,426
Retail costs	4a, 10a	6,601	–	**6,601**	6,758
Investment management fees	10a	114	–	**114**	119
Total cost of generating funds		39,024	747	**39,771**	35,303
Net incoming resources available for charitable applications		*54,575*	*248,248*	*302,823*	*248,445*
Charitable activities					
Nutrition	10a	4,414	28,803	**33,217**	24,186
Livelihoods	10a	3,946	20,541	**24,487**	28,666
Health	10a	5,870	48,234	**54,104**	41,775
HIV/AIDS	10a	52	345	**397**	2,549
Protection	10a	2,745	13,831	**16,576**	23,736
Rights	10a	1,451	4,925	**6,376**	8,455
Education	10a	6,401	30,746	**37,147**	40,594
Rapid-onset emergencies	10a	8,347	64,755	**73,102**	86,628
Campaigning and awareness	10a	17,675	4,091	**21,766**	18,250
Total charitable activities		50,901	216,271	**267,172**	274,839
Governance costs	10g	795	–	**795**	743
Other resources expended	10a	1,174	–	**1,174**	6,148
		52,870	216,271	**269,141**	281,730
Total resources expended	10–13	91,894	217,018	**308,912**	317,033
Net incoming/(outgoing) resources		1,705	31,977	**33,682**	(33,285)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2013

continued

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/13 £000**	Total Year to 31/12/12 £000
Net incoming/(outgoing) resources		1,705	31,977	**33,682**	(33,285)
Represented by:					
Total net incoming/(outgoing) resources from continuing operations		*1,184*	*26,450*	***27,634***	*(33,285)*
Total net incoming resources from acquired operations	28	*521*	*5,527*	***6,048***	–
		1,705	*31,977*	***33,682***	*(33,285)*
Gains on investments	15	2,961	134	**3,095**	1,210
Movement on share of associates' surplus	16a	36	–	**36**	383
Actuarial gain/(losses) on defined benefit pension scheme	27e	2,092	–	**2,092**	(4,881)
Net movement in funds		6,794	32,111	**38,905**	(36,573)
Fund balances brought forward		2,784	52,059	**54,843**	91,416
Fund balances carried forward	23a	9,578	84,170	**93,748**	54,843

All gains and losses recognised in the period are included above.
The surplus for the period for Companies Act purposes, comprising the net incoming resources for the year plus realised gains on investments, was £34,760,000 (2012: deficit of £33,014,000).
The restricted fund balances carried forward include £2,923,000 (2012: £2,789,000) which relate to the endowment funds.
There were no new endowments in this period and there were gains in the funds in the current period of £134,000 (2012: £157,000).
The accompanying notes are an integral part of this consolidated statement of financial activities.

CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	Group 31/12/13 £000	Group 31/12/12 £000	Charity 31/12/13 £000	Charity 31/12/12 £000
Fixed assets					
Tangible assets	14a	**5,309**	4,305	**5,309**	4,305
Investments	15	**25,601**	22,501	**25,851**	22,751
Associates	16a	**1,374**	1,154	**–**	–
		32,284	27,960	**31,160**	27,056
Current assets					
Stocks		**159**	262	**100**	205
Grant debtors	17a	**40,129**	33,972	**30,241**	33,972
Other debtors	17b	**20,455**	20,774	**19,258**	20,578
Short-term deposits		**53,541**	18,706	**53,541**	18,706
Cash at bank and in hand	18	**23,527**	27,731	**19,744**	27,706
		137,811	101,445	**122,884**	101,167
Creditors: amounts falling due within one year	19a	**(28,223)**	(20,769)	**(23,893)**	(20,741)
Net current assets		**109,588**	80,676	**98,991**	80,426
Total assets less current liabilities		**141,872**	108,636	**130,151**	107,482
Creditors: amounts falling due after more than one year	19b	**(2,459)**	(2,642)	**(2,459)**	(2,642)
Provisions for liabilities and charges	20	**(17,912)**	(17,501)	**(13,293)**	(17,501)
Net assets excluding pension liability		**121,501**	88,493	**114,399**	87,339
Pension liability	27	**(27,753)**	(33,650)	**(27,753)**	(33,650)
Total net assets		**93,748**	54,843	**86,646**	53,689
Unrestricted funds					
General funds	23	**26,743**	29,116	**24,842**	29,116
Revaluation reserve	23	**3,904**	1,887	**3,904**	1,887
Designated fund – tangible fixed asset reserve	23	**4,535**	3,477	**4,535**	3,477
Designated fund – associate	23	**1,374**	1,154	–	–
Designated fund – St John's Lane reserve fund	23	**775**	800	**775**	800
Unrestricted funds excluding pension reserve		**37,331**	36,434	**34,056**	35,280
Pension reserve	27	**(27,753)**	(33,650)	**(27,753)**	(33,650)
Total unrestricted funds		**9,578**	2,784	**6,303**	1,630
Restricted funds					
Restricted income funds	24	**81,247**	49,270	**77,420**	49,270
Endowment funds	25	**2,923**	2,789	**2,923**	2,789
Total restricted funds		**84,170**	52,059	**80,343**	52,059
Total funds		**93,748**	54,843	**86,646**	53,689

The accompanying notes are an integral part of this consolidated and charity balance sheet.

Approval of the financial statements on pages 57 to 95 was delegated by the Board of Trustees to the Chair and Honorary Treasurer on 19 June 2014 and signed on their behalf on 20 June 2014 by:

Alan Parker Richard Winter

Sir Alan Parker – Chair **Richard Winter** – Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year to 31/12/13 £000	Year to 31/12/12 £000
Net cash inflow/(outflow) from operations	(a)	**36,460**	(25,418)
Returns on investment			
Bank interest received		**175**	384
Dividends received		**756**	678
		931	1,062
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	14	**(2,237)**	(1,791)
Purchase of investments	15	**(6,196)**	(11,790)
Proceeds from sales of investments	15	**5,436**	8,199
Net cash movement in investments	15	**755**	4,062
Investment in associate	16a	**(184)**	–
Payments to defined benefit pension scheme	27	**(4,334)**	(3,843)
		(6,760)	(5,163)
Cash inflow/(outflow) before decrease in liquid resources	(b)	**30,631**	(29,519)
Management of liquid resources			
(Increase)/decrease in short-term deposits	(c)	**(34,835)**	16,649
(Decrease) in cash in the year	(b)	**(4,204)**	(12,870)

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

NOTES TO THE CASH FLOW STATEMENT

	Year to 31/12/13 £000	Year to 31/12/12 £000
(a) Reconciliation of net incoming resources to net inflow/(outflow) from operations		
Net incoming/(outgoing) resources	**33,682**	(33,285)
Investment income (excluding finance income on pension scheme)	**(932)**	(1,180)
FRS 17 – effect on net incoming resources	**529**	768
Loss on disposal of fixed assets	**59**	94
Depreciation charge	**909**	518
Impairment charge	**265**	–
Decrease/(increase) in stocks	**104**	(14)
(Increase) in debtors	**(5,838)**	(4,822)
Increase in creditors falling due within one year	**7,454**	9,279
(Decrease) in creditors falling due in more than one year	**(183)**	(179)
Increase in provisions	**411**	3,403
Net cash inflow/(outflow) from operations	**36,460**	(25,418)
(b) Reconciliation of net cash flow to movement in net funds		
(Decrease) in cash in the period	**(4,204)**	(12,870)
Increase/(decrease) in short-term deposits	**34,835**	(16,649)
Movement in cash and deposits	**30,631**	(29,519)
Net cash and deposits at 1 January 2013	**46,437**	75,956
Net cash and deposits at 31 December 2013	**77,068**	46,437

(c) Analysis of net funds	At 01/01/13 £000	Cash flow £000	At 31/12/13 £000
Cash at bank and in hand	27,731	**(4,204)**	23,527
Short-term deposits	18,706	**34,835**	53,541
	46,437	**30,631**	77,068

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' published in March 2005, and applicable United Kingdom law and accounting standards. The financial statements have been prepared on the going concern basis as discussed in the trustees' report on page 44.

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

On 16 July 2013, Medical Emergency Relief International (Merlin) became a wholly owned subsidiary undertaking. Identifiable assets and liabilities were measured at fair value after being aligned to Save the Children UK's accounting policies as at 16 July. The gain has been accounted for as a gift and treated as a donation on the face of the SOFA. The consolidated financial statements include the results of the subsidiary from the date that control passed. The results of this subsidiary are consolidated on a line-by-line basis. See note 28 for further details.

Save the Children UK has treated Save the Children International (SCI) as an associate owing to the significant influence exerted over its financial and operating policies. In the group financial statements, the investment in SCI is accounted for on a net equity basis. This is calculated based on Save the Children UK's long-term funding contributions to SCI.

Save the Children UK has also 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 associate's surplus.

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

Total incoming resources for the charity are £311,225,000 (2012: £282,868,000) and the net result for the charity is a surplus of £27,770,000 (2012: deficit of £33,285,000) in accordance with paragraph 397 of SORP.

(b) Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 52. 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 23.

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

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. Costs are charged against the specific fund in line with donor rules. 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) Incoming resources

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

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

Donations and gifts

Donations and gifts consist of the total donations from individuals, trusts and corporates, along with income from fundraising events.

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. An allowance is made against the amounts receivable to reflect the uncertainty inherent in the administration of estates and the potential impact of adverse movements in property and investment markets on the value of unrealised assets.

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

Retail income

Retail income comprises income from the sale of new and donated goods through shops, branches and online. Where applicable, income is recognised net of value added tax.

Institutional grants

Institutional grant income is recognised as the greater of funding received, and approved grant expenditure incurred within the period, where the charity can demonstrate entitlement to the income. Grant income is credited to restricted income within the SOFA, with unspent balances being carried forward to subsequent years within the relevant fund.

Project costs are frequently incurred in advance of receipt of the relevant restricted 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-financing projects.

Gifts in kind

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

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

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

(e) Resources expended

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

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

Charitable expenditure includes grants payable and costs incurred directly by Save the Children UK in the furtherance of its charitable objectives, along with associated support costs.

Governance costs relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with internal audit and risk, as well as external audit costs, as opposed to day-to-day management of the charity's activities.

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

(f) Tangible fixed assets and depreciation

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

However, if complements of equipment (eg, office equipment and computers) are acquired with individual

1. ACCOUNTING POLICIES (CONTINUED)

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 and software	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) Investments

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

(h) Stocks

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

(i) Pension costs

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

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

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

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

The charity contributed to a defined contribution pension plan operated by Prudential. From October 2013 new contributions have been made to Legal and General. The assets of the schemes are held separately from those of the charity. The contribution payments are charged to the SOFA.

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

(j) Finance and operating leases

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

(k) Foreign currencies

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

1. ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Taxation

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

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

2. SEGMENT INFORMATION – GEOGRAPHICAL SEGMENTS

	Income by origin of donor		Income by destination of spend		Net assets by location	
	Year to 31/12/13 £000	Year to 31/12/12 £000	**Year to 31/12/13 £000**	Year to 31/12/12 £000	**Year to 31/12/13 £000**	Year to 31/12/12 £000
United Kingdom	**213,569**	139,224	**21,756**	12,423	**85,070**	48,278
East Africa	**6**	260	**51,844**	88,315	**3,056**	3,036
West and Central Africa	**5**	15	**42,818**	33,040	**1,600**	1,473
Asia	**730**	1,535	**68,528**	50,786	**3,641**	1,724
Latin America, Caribbean, Southern Africa, Middle East and South-East Europe	**85**	865	**43,395**	17,370	**370**	312
North America	**41,354**	51,892	**–**	–	**–**	–
European Union (excluding United Kingdom)	**62,617**	72,600	**894**	351	**11**	20
Non-geographically specific[1]	**24,228**	17,357	**113,359**	81,463	**–**	–
Total	**342,594**	283,748	**342,594**	283,748	**93,748**	54,843

[1] For Income by origin of donor, refers to funding from regions other than those listed above and pooled funding from multiple donors. For Income by destination of spend, refers to income received with no restriction on location of spend.

3. VOLUNTARY INCOME

	Unrestricted funds £000	Restricted funds £000	**Year to 31/12/13 £000**	Year to 31/12/12 £000
(a) Donations and gifts				
Individual giving	43,461	6,738	**50,199**	41,614
Trusts and major donors	2,190	10,449	**12,639**	9,188
Community fundraising	4,671	50	**4,721**	4,413
Corporate fundraising	3,123	23,159	**26,282**	19,620
Save the Children global member development	5	12,181	**12,186**	10,064
Disasters Emergency Committee	8	3,677	**3,685**	5,717
	53,458	56,254	**109,712**	90,616
(b) Legacies				
Legacies	17,716	564	**18,280**	13,088

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 £4.8 million (2012: £5.4 million).

4. RETAIL INCOME AND COSTS

(a) Retail income and costs

	Charity £000	Save the Children (Sales) Ltd See note 4(b) £000	**Total Year to 31/12/13 £000**	Total Year to 31/12/12 £000
Retail income	8,205	525	**8,730**	8,496
Cost of sales	(38)	(200)	**(238)**	(531)
Direct expenses	(6,231)	(132)	**(6,363)**	(6,227)
Total expenses	(6,269)	(332)	**(6,601)**	(6,758)
Surplus	1,936	193	**2,129**	1,738

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £650,000 (2012: £625,000) of donations raised in shops, and £76,000 (2012: £60,000) of sub-let property income, totalling £726,000 (2012: £685,000).

(b) Save the Children (Sales) Limited

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

	Promotions Year to 31/12/13 £000	Promotions Year to 31/12/12 £000	**Retail Year to 31/12/13 £000**	Retail Year to 31/12/12 £000	**Total Year to 31/12/13 £000**	Total Year to 31/12/12 £000
Turnover	**1,569**	531	**525**	736	**2,094**	1,267
Cost of sales	–	–	**(200)**	(524)	**(200)**	(524)
Gross profit	**1,569**	531	**325**	212	**1,894**	743
Total expenses	**(158)**	(220)	**(135)**	(138)	**(293)**	(358)
Intercompany interest	**–**	–	**3**	3	**3**	3
Profit for the year	**1,411**	311	**193**	77	**1,604**	388
Donation to parent charity					**(1,604)**	(388)
Retained profit for the year					**–**	–

Retained profit is stated after charging allocated costs of £238,000 (2012: £247,000).

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

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

The aggregate of the assets, liabilities and funds was:

	Save the Children (Sales) Ltd 31/12/13 £000	31/12/12 £000
Assets	**542**	385
Liabilities	**(292)**	(135)
Funds	**250**	250

5. INVESTMENT INCOME

	Notes	Unrestricted funds £000	Restricted funds £000	Total Year to 31/12/13 £000	Total Year to 31/12/12 £000
Expected return on pension scheme assets	27	5,566	–	**5,566**	5,205
Interest on pension scheme liabilities	27	(5,661)	–	**(5,661)**	(5,555)
Finance income on pension scheme		(95)	–	**(95)**	(350)
Dividends on investments listed on a recognised stock exchange		756	–	**756**	678
Interest on bank deposits and other investments		176	–	**176**	502
		837	–	**837**	830

6. GRANT INCOME

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

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/13 £000	Year to 31/12/12 £000
UK central government (see note 7)	9,469	70,886	**80,355**	32,516
European Commission including European Commission Humanitarian Organisation funds of £34,345,000 (2012: £37,124,000)	589	56,447	**57,036**	51,347
United States government	243	8,188	**8,431**	13,145
United Nations	349	22,853	**23,202**	22,829
Danish government	4	384	**388**	2,297
Norwegian government	–	337	**337**	3,066
Swedish government	66	1,145	**1,211**	3,428
Australian government	–	18	**18**	1,797
Netherlands government	–	394	**394**	1,278
Japanese government	–	6	**6**	711
Canadian government	–	444	**444**	1,327
Irish government (see note 7)	–	2,066	**2,066**	237
UK local and regional government	–	691	**691**	1,000
Other national governments	13	1,005	**1,018**	1,321
Total government grants	10,733	164,864	**175,597**	136,299
Grants from other Save the Children members (see also note 6(b))	–	1,835	**1,835**	6,073
Comic Relief	–	931	**931**	1,614
Bill & Melinda Gates Foundation	–	3,331	**3,331**	1,480
RAISE	–	(29)	**(29)**	831
Global Fund to fight AIDS, tuberculosis and malaria	31	1,126	**1,157**	698
Big Lottery Fund	–	196	**196**	252
Other	136	3,775	**3,911**	3,416
	10,900	176,029	**186,929**	150,663

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

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/13 £000	Year to 31/12/12 £000
Grants made directly to Save the Children UK	10,322	156,404	**166,726**	112,375
Grants from other Save the Children members	–	1,835	**1,835**	6,073
Donor grants sub-granted by other Save the Children members	31	2,400	**2,431**	21,916
Donor grants sub-granted by non-Save the Children intermediaries	547	15,390	**15,937**	10,299
	10,900	176,029	**186,929**	150,663

For more details on transactions with Save the Children International and other Save the Children members, see note 11.
Negative figures relate to fund income received in previous periods which is now being returned to donors where Save the Children UK has not been able to spend funds received in accordance with donor wishes.

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2013

UKaid from the Department for International Development

Grants from the Department for International Development

		£000
Afghanistan	Girls' Education Challenge	701
Bangladesh	Children focused reduction of urban poverty	167
Bangladesh	Household economic and food security of extreme poor in Khulna and Bagerhat Districts, Shiree Phase II	2,195
Central African Republic	Maternal and child health	197
Central African Republic	Emergency assistance to displaced populations	316
DRC	Emergency child protection and education response in Kitchanga and environs	500
DRC	Girls' education challenge	766
DRC	Provision of free healthcare in DRC	6
Egypt	Emergency winter assistance for families affected by the Syria crisis in Egypt	400
Ethiopia	Africa Climate Change Resilience Alliance (ACCRA)	12
Ethiopia	Supporting peace and development in the Somali region of Ethiopia (PDP)	3,735
Ethiopia	Education support project for girls from pastorialist families in Afar	1,183
Ethiopia	Support for special needs education conference	29
India	Improved status of the most socially excluded children in India	470
India	Relief for Cyclone Phailin and flood affected in Odisha, India	933
Iraq	Winter relief for Syrian refugee children In Iraq	238
Kenya	Hunger Safety Nets Programme (HSNP)	(2)
Kenya	Emergency health and nutrition for northern Kenya	(4)
Kenya	Emergency drought response in northern Kenya	(18)
Kenya	Hunger Safety Nets Programme Phase II	2,611
Kenya	Generating evidence on cash transfers for education in Garissa, Kenya	1,249
Kenya	Improving high impact nutrition interventions in north-eastern Kenya	637
Kenya	Building resilient households in the arid lands of Kenya	226
Kenya	Delivering increased family planning across rural Kenya	25
Lebanon	Humanitarian Relief for Children and their families affected by the Syrian crisis	768
Lebanon	Emergency Assistance for crisis affected families in north and east Lebanon	3,742
Malawi	Humanitarian assistance and resilience building	1,464
Mozambique	Influencing strategy for Africa Climate Change Resilience Alliance (ACCRA)	173
Mozambique	COSACA Emergency Rapid Response and Contingency Project	1,614
Mozambique	Promoting Advancement for Girls' Education in Mozambique	1,011
Mozambique	COSACA Emergency Rapid Response and Disaster Resilience	2,870
Myanmar	Early learning and transition to primary school (New Generation)	571
Myanmar	Empowerment and provision of financial services to poor women in YGN peri-urban	670
Myanmar	Lifesaving humanitarian assistance to children and their families, Rakhine	3,178
Myanmar	Process-led support through CBOs to remote communities in conflict and displacement areas in the eastern half of Myanmar	507
Nepal	Early recovery and disaster risk reduction interventions	320
Nepal	Low birth weight in south Asia: a study into cost-effective interventions	24
Niger	Nutrition, health and wash Niger 2012	(45)
Nigeria	Partnership for reviving routine immunisation in northern Nigeria	698
Nigeria	Northern states maternal newborn and child health initiative Nigeria	1,009
Nigeria	Education sector support Nigeria	145
Nigeria	Improving maternal newborn and child nutrition in northern Nigeria programme	3,934
Nigeria	Child development grant programme	1,083
Nigeria	Women for health initiative	38
Pakistan	Emergency health assistance for children and families affected by Monsoon	(107)
Pakistan	Emergency WASH and shelter Punjab province	1
Pakistan	Integrated early recovery programme for revitalisation	56
Pakistan	Scaling up provision of nutrition for mother and the child	151
Philippines	Education programme for the typhoon Haiyan response	500
Philippines	Emergency response to cyclone Haiyan	319

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Grants from the Department for International Development (continued)

		£000
Philippines	Essential life-saving aid to Typhoon affected populations in Philippines	1,226
Philippines	Typhoon Haiyan surgical team deployment	111
Rwanda	Emergent literacy and numeracy initiative	217
Rwanda	Rwandan children's book initiative	219
Sierra Leone	INGO Urban WASH consortium-child survival EPP	21
Sierra Leone	Education consortium for Sierra Leone	261
Sierra Leone	Expanding urban access to water and sanitation in Freetown	361
Somalia	Implementation of the essential package of health services in Puntland	1,491
Somalia	Emergency drought assistance for vulnerable households in Somalia	(48)
Somalia	Emergency and recovery assistance for drought affected vulnerable households	682
Somalia	Strengthening nutrition security in South Central Somalia	825
Somalia	Building resilient communities in Somalia	59
South Africa	Reducing maternal and child mortality in South Africa	292
South Sudan	Alternative education systems in Southern Sudan	3,966
South Sudan	Primary health care support	(4)
South Sudan	Primary health care support, Wulu County	371
South Sudan	Primary health care support, Kapoeta North County	218
South Sudan	Health pooled fund, Kapoeta North	190
South Sudan	Community case management and nutrition	551
Syria	Humanitarian relief for children and families affected by Syria conflict	3,127
Tajikistan	Women's wealth and influence in Tajikistan	438
Yemen	Integrated emergency response programme for Yemen, Phase III	393
Yemen	Yemen emergency food security programme Lahj and Taiz	2,385
Yemen	Emergency food security in Hajjah Governorate of Yemen	1,154
Yemen	Improved food security and resilience of communities in Lahj and Taiz	1,239
Zambia	Civil society SUN/1000 Days campaign in Zambia	123
Zimbabwe	Voice and accountability	595
Emergencies HQ	Strengthening Innovations in International Humanitarian Action	1,358
Emergencies HQ	Humanitarian Leadership Academy Business Model Development	272
Emergencies HQ	The Research for Health in Humanitarian Crises (R2HC)	176
Emergencies HQ	Surgical Platform Project	1,450
Global	Emergency relief and recovery assistance to vulnerable communities affected by the food and nutrition crisis in Burkina Faso	1,444
Global	Born to Shine	374
Global	Programme Partnership Arrangement (PPA)	9,409
Global	Tackling the neglected crisis of undernutrition	64
Global	State building peace and services FCAS	19
Global	Child protection	9
Global	Strategic humanitarian partnerships	4,000
		80,304

Grants from the Foreign and Commonwealth Office

Yemen	The Broader Middle East and North Africa Initiative	51
		51

Total UK central government grants	**80,355**

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Grants received from the Irish government

		£000
Sierra Leone	Fambull welbodi programme	389
Tanzania	Harnessing Agriculture for Nutrition Outcomes (HANO)	590
Tanzania	Working together for better nutrition in Tanzania	588
Emergencies HQ	START fund contribution	499
Total Irish government grants		**2,066**

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

8. GIFTS IN KIND

	Year to 31/12/13 £000	Year to 31/12/12 £000
(a) Gifts in kind by destination		
Ethiopia	**936**	4,388
Kenya	**89**	3,967
Myanmar	**79**	542
Niger	**1,143**	2,695
Somalia	**206**	3,342
South Sudan	**88**	502
Other country programmes	**3,776**	716
Headquarters professional services	**762**	1,018
Total gifts in kind for charitable purposes	**7,079**	17,170
Gifts in kind for fundraising purposes	**772**	494
	7,851	17,664
(b) Gifts in kind by type		
Food aid	**4,818**	14,717
Advertising materials	**163**	–
Other gifts in kind for charitable purposes	**1,336**	1,435
Headquarters professional services	**762**	1,018
Fundraising	**772**	494
	7,851	17,664

(c) At the year end, there are approximately £388,000 of undistributed gifts in kind which have not been recognised as income, mainly consisting of food aid (2012: £2,088,000).

9. OTHER INCOME

	Year to 31/12/13 £000	Year to 31/12/12 £000
Rental income	**1,543**	1,657
Loss on disposal of fixed assets	**(59)**	–
Other income	**411**	278
	1,895	1,935

10. RESOURCES EXPENDED

(a)

	Grants payable £000	Staff costs (note 13) £000	Other direct costs £000	Depreciation and impairment £000	Gifts in kind £000	Allocation of support costs £000	**Year to 31/12/13 £000**	Year to 31/12/12 £000
Cost of generating funds								
Cost of raising voluntary income	–	7,226	22,064	–	518	3,248	**33,056**	28,426
Retail costs	–	1,176	4,305	654	–	466	**6,601**	6,758
Investment management fees	–	–	109	–	–	5	**114**	119
	–	8,402	26,478	654	518	3,719	**39,771**	35,303
Charitable activities								
Nutrition	20,990	1,848	4,575	3	3,771	2,030	**33,217**	24,186
Livelihoods	18,053	882	3,712	3	157	1,680	**24,487**	28,666
Health	29,782	7,036	13,368	5	390	3,523	**54,104**	41,775
HIV/AIDS	69	144	153	–	–	31	**397**	2,549
Protection	12,272	554	2,482	2	129	1,137	**16,576**	23,736
Rights	3,551	961	1,295	1	131	437	**6,376**	8,455
Education	24,530	2,045	7,820	5	199	2,548	**37,147**	40,594
Rapid-onset emergencies	47,486	6,771	11,982	17	1,795	5,051	**73,102**	86,628
Campaigning and awareness	1,749	7,792	8,914	3	–	3,308	**21,766**	18,250
Support costs	533	15,223	8,036	481	761	(25,034)	**–**	–
	159,015	43,256	62,337	520	7,333	(5,289)	**267,172**	274,839
Governance	–	195	204	–	–	396	**795**	743
Other resources expended[1]	–	–	–	–	–	1,174	**1,174**	6,148
Total resources expended	159,015	51,853	89,019	1,174	7,851	–	**308,912**	317,033
Prior year	102,407	79,828	116,616	518	17,664	–	317,033	

[1] Costs relating to the sub-let of certain floors of the headquarters building at 1 St John's Lane have been identified as a separate activity of the group. The amount for 2012 includes a charge in connection with onerous lease costs of £4,570,000 – see note 20 – of which £334,000 has been released in 2013.

(b) Grants payable

During the year ended 31 December 2013, Save the Children UK made grants to partner organisations carrying out work to help children. This includes payments to Save the Children International and other Save the Children members, as described in note 11. A list of grants is made available at **www.savethechildren.org.uk/resources/online-library/annual-report-2013**

Grants payable to partner organisations are considered to be part of the costs of activities in furtherance of the objects of the charity. This is because much of the charity's programme activity is carried out through grants to local organisations that support long-term sustainable benefits for 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.

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

These have several key objectives including:

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

The trustees see these initiatives as key activities that further our charitable purposes and enable us to deliver change through mobilising millions of people around the world to show they care, and demand others fulfil their responsibilities.

10. RESOURCES EXPENDED (CONTINUED)

(d) Costs of generating funds

	Year to 31/12/13 £000	Year to 31/12/12 £000
Individual giving	**20,497**	19,494
Trusts and major donors	**2,275**	1,600
Community fundraising	**3,591**	2,512
Corporate fundraising	**2,736**	2,693
Save the Children global member organisation growth	**2,798**	1,245
Legacies	**1,159**	882
	33,056	28,426

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

	Basis of apportionment	Year to 31/12/13 £000	Year to 31/12/12 £000
Management and administration costs			
General management	Pro-rata by expenditure	**2,090**	730
Financial management	Pro-rata by expenditure	**2,950**	2,614
Human resources	Pro-rata by salary costs	**1,997**	2,133
Information technology	Pro-rata by expenditure	**3,048**	2,039
Premises and facilities	Pro-rata by building usage	**2,494**	987
Programme support	Pro-rata by expenditure	**10,653**	11,577
		23,232	20,080
Other support costs			
Gifts in kind (pro-bono professional services)	Estimated usage	**761**	814
(Gains)/losses on foreign exchange	Pro-rata by expenditure	**(133)**	969
Rent and service charge costs on sublet office space	Estimated floor space	**1,174**	6,148
Total support costs		**25,034**	28,011

Support costs are shown net of £11,105,000 (2012: £9,798,000) indirect cost recovery contributions received from donors during the year.

(f) Total resources expended include the following amounts:

	Group Year to 31/12/13 £000	Group Year to 31/12/12 £000	Charity Year to 31/12/13 £000	Charity Year to 31/12/12 £000
Auditor's remuneration:				
Audit	**112**	96	**104**	90
Tax	**–**	5	**–**	5
Work relating to grant applications	**19**	6	**19**	6
Other statutory requirements	**4**	5	**4**	5
	135	112	**127**	106

In addition to the amounts included above, a total of £84,000 was charged for audit and other related services by firms other than Deloitte LLP.

10. RESOURCES EXPENDED (CONTINUED)

(f) continued

Lease rentals: land and buildings

	Year to 31/12/13 £000	Year to 31/12/12 £000
Retail	**2,274**	2,036
Programme offices	**1,075**	4,576
Headquarters	**3,515**	3,346
	6,864	9,958

Ex-gratia payments

In 2012, the trustees felt under a moral obligation to make ex-gratia payments of £4,000 to relatives of testators who had willed part of their estate to Save the Children UK. There were no such payments in 2013.

(g) Governance costs

	Year to 31/12/13 £000	Year to 31/12/12 £000
Internal audit and global risk	**217**	338
Audit fees in relation to group auditors	**112**	104
Audit fees in relation to acquired operations	**70**	–
	399	442
Allocation of support costs	**396**	301
	795	743

11. RELATED PARTY TRANSACTIONS

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

The charity was invoiced £443,693 (2012: £584,394) for advertising and creative services provided by the Adam and Eve Group during the year, one of whose directors is the brother of the charity's Chief Executive. The relationship pre-dates the Chief Executive's employment by the charity. Of the total amount invoiced, £133,735 was outstanding as at 31 December 2013 (2012: £60,732). In the trustees' opinion, the contract has been entered into on an arm's length basis.

The Group is a member of the Disasters Emergency Committee (DEC) and in the year paid a subscription of £125,998 (2012: £112,166). In addition, Save the Children's Chief Executive is a trustee of the DEC. The group's income in the year included £3,685,000 (2012: £5,717,000) receivable from DEC appeals.

During the year, the charity was invoiced £1,000 (2012: £1,000) by Kevin Watkins, one of the charity's Trustees, for consultancy services.

Transactions with the William Belmer Rush Foundation and Save the Children International (SCI) are disclosed in note 16.

11. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year to 31/12/13 £000	Year to 31/12/12 £000
Amounts sub-granted to other members in countries where Save the Children UK does not have a presence or is not the lead member	**18,151**	40,298
Gifts in kind sub-granted to other members in countries where Save the Children UK does not have a presence or is not the lead member	**16**	37
Other amounts paid to other members	**3,191**	3,120
	21,358	43,455
Total grants receivable directly from other Save the Children members or channelled through them	**16,393**	41,903
Total gifts in kind directly from other Save the Children members or channelled through them	**484**	82
Total unspent grant funds returned to other Save the Children members in the year following transition of their programming to SCI	**(131)**	(3,850)
Other income received from other members	**1,655**	11,778
Net income from other Save the Children members recognised during the year	**18,401**	49,913

At 31 December 2013, £3,363,000 (2012: £5,023,000) was payable to other Save the Children members and £1,153,000 (2012: £1,344,000) was due from other Save the Children members.

12. TRUSTEES' REMUNERATION

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

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

	Year to 31/12/13 Number of trustees paid	Year to 31/12/12 Number of trustees paid	Year to 31/12/13 £000	Year to 31/12/12 £000
Expenses including travel and subsistence	**6**	6	**3**	4

In addition to the above remuneration, the charity paid one of the trustees for consultancy services provided. Please see note 11 for further details.

Save the Children UK has purchased indemnity insurance at a cost of £8,348 (2013: £12,500) that provides cover:
(i) to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents
(ii) to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

13. STAFF COSTS

Staff costs and the average number of employees was lower in 2013 as a result of the transition of country programme staff to SCI.

(a)	Year to 31/12/13 £000	Year to 31/12/12 £000
Wages and salaries	**44,803**	70,554
National Insurance	**3,579**	3,200
Pension costs	**1,543**	2,108
Other staff costs	**1,928**	3,966
	51,853	79,828

Staff costs are shown inclusive of all amounts directly funded by donors through programme awards.

13. STAFF COSTS (CONTINUED)

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

	Year to 31/12/13 Number	Year to 31/12/12 Number
Charitable activities	**3,283**	3,790
Cost of generating funds	**258**	226
Governance of the charity	**10**	9
	3,551	4,025

(c) At 31 December 2013 the number of staff was as follows:

	Headcount[1] Number	Headcount equivalent[2] Number
UK HQ	876	843
UK non-HQ	228	214
International	3,567	3,567
	4,671	4,624

[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.

The number of staff as at 31 December 2013 has increased since the previous year as a result of Merlin staff joining Save the Children.

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

Emoluments include salaries, fees and bonuses, amounts in lieu of notice, compensation or redundancy payments, sums paid by way of expenses allowance (so far as they are chargeable to UK income tax) and the estimated money value of any other benefits received otherwise than in cash, and exclude employer pension costs.

	Year to 31/12/13 Number	Year to 31/12/12 Number
£60,001–£70,000	**18**	16
£70,001–£80,000	**8**	8
£80,001–£90,000	**1**	5
£90,001–£100,000	**1**	1
£100,001–£110,000	**3**	2
£110,001–£120,000	**–**	5
£120,001–£130,000	**–**	–
£130,001–£140,000	**2**	–
£140,001–£150,000	**–**	–
£150,001–£160,000	**–**	–
£160,001–£170,000	**–**	2
	33	39

Amounts of individual emoluments over £60,000 for 2013, of which there were 33 (2012: 39), are relatively lower than in 2012 as a result of a reduction in the number of international staff for the year, with the continuation of countries transitioning to Save the Children International.

Contributions of £221,016 (2012: £275,105) have been paid into pension schemes on behalf of the above employees.

13. STAFF COSTS (CONTINUED)

(e) 2013 Executive Director remuneration

Emoluments for all permanent Executive Directors employed at Save the Children UK for the year ending 31 December 2013 are detailed below.

Position	Name	Full Time Annual Salary	Actual Gross Salary & Emoluments*
CEO	Justin Forsyth	£139,950	£138,512
COO	Anabel Hoult	£139,950	£72,338
COO / CFO & Strategic Initiatives	Rachel Parr	£131,970	£131,597
Global Programmes Director	Fergus Drake	£113,300	£109,820
Fundraising Director	Tanya Steele	£112,200	£107,987
Marketing & Comms Director	Sue Allchurch	£111,920	£64,976
Policy & Advocacy Director	Brendan Cox	£106,029	£103,698
CFO	Peter Banks	£102,000	£52,462
HR Director	Paul Cutler	£100,980	£98,623

* Differences between full-time annual salaries and actual gross salary and emoluments may result from part-time hours, periods of sick or maternity leave, joining or leaving Save the Children during the reporting year, and accrual of individual or state benefits that are excluded from general emoluments. Emoluments exclude employer pension contributions. Interim appointments are also excluded.

Rachel Parr initially provided maternity leave cover for the COO, Anabel Hoult, during part of 2013, and then replaced the outgoing CFO, Peter Banks, as Chief Finance and Strategic Initiatives Officer.

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

	Year to 31/12/13 £000	Year to 31/12/12 £000	**Year to 31/12/13 Number**	Year to 31/12/12 Number
	186	218	**27**	30

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

			2	6

14. TANGIBLE FIXED ASSETS

(a) Group and charity

	Freehold property £000	Leasehold property improvements £000	Computer equipment and software £000	Assets under construction £000	Total £000
Cost at 1 January 2013	1,343	4,127	3,926	1,092	**10,488**
Additions	–	516	–	1,721	**2,237**
Transfers of assets brought into use	–	–	490	(490)	**–**
Disposals	–	(114)	–	–	**(114)**
Cost at 31 December 2013	1,343	4,529	4,416	2,323	**12,611**
Accumulated depreciation at 1 January 2013	474	1,911	3,798	–	**6,183**
Charge for period	28	768	113	–	**909**
Disposals	–	(55)	–	–	**(55)**
Impairment	–	–	–	265	**265**
Accumulated depreciation at 31 December 2013	502	2,624	3,911	265	**7,302**
Net book value at 31 December 2013	**841**	**1,905**	**505**	**2,058**	5,309
Net book value at 31 December 2012	869	2,216	128	1,092	4,305

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

(b) The net book value at 31 December 2013 represents tangible fixed assets, used for:

	£000	£000	£000	£000	Total £000
Direct charitable purposes (UK only – see note 1(e))	139	127	–	–	**266**
Other purposes:					
Fundraising and charity shops	702	787	–	–	**1,489**
Headquarters	–	991	505	2,058	**3,554**
	841	1,905	505	2,058	**5,309**

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

15. FIXED ASSET INVESTMENTS

(a)	Unrestricted funds £000	Restricted funds £000	**Total 31/12/13 £000**	Total 31/12/12 £000
Market value at start of period	19,713	2,788	**22,501**	21,762
Acquisitions	5,430	766	**6,196**	11,790
Sales proceeds	(4,761)	(675)	**(5,436)**	(8,199)
Net movement in cash balances	2,034	(2,789)	**(755)**	(4,062)
Net realised investment gains	944	134	**1,078**	271
Net unrealised investment gains	2,017	–	**2,017**	939
Market value at end of period	25,377	224	**25,601**	22,501
Historical cost at end of period	18,684	2,750	**21,434**	20,401
Unrealised investment gains at end of period	3,902	266	**4,168**	2,100
Realised investment gains calculated on historic cost basis	944	134	**1,078**	271

(b) The market value is represented by:

	31/12/13 £000	31/12/12 £000
Equities	**20,346**	16,659
Bonds	**4,787**	4,893
Cash	**468**	949
	25,601	22,501

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

(d) Investment assets outside the UK amounted to £9,326,000 (31/12/12: £8,331,000).

(e) Investments held by the charity (and included in the charity balance sheet) also include an additional £250,000 investment in the subsidiary company at cost – see note 4(b).

16. INVESTMENTS IN ASSOCIATES

(a) Associates

	Group £000
At 1 January 2013	1,154
Additions	184
Share of retained profit for the year	36
At 31 December 2013	1,374

	Country of incorporation or principal business address	Principal activity	Accounting year end
Save the Children International	UK	International development and humanitarian response charity	31 Dec
William Belmer Rush Foundation	UK	Grant-making charity	31 Mar

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Save the Children International

(i) Introduction

Save the Children UK is a member of the Save the Children Association (SCA), which consists of 30 independent national Save the Children organisations, transforming children's lives in more than 120 countries. SCA also owns 100% of Save the Children International (SCI), a charity incorporated in England and Wales. Save the Children UK has treated SCI as an associate owing to the significant influence exerted over its financial and operating policies.

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

International programming activity historically undertaken by Save the Children UK is delivered on its behalf by SCI. Assets, employees and operations of Save the Children UK and other members located abroad are in the process of being transitioned to SCI control on a phased country-by-country basis. This transition is expected to be completed during 2014.

(ii) Income and expenditure items

Under the IP contracts, the members of SCA make payments to SCI in respect of membership and other contributions. In 2013, Save the Children UK made the following payments:

	Year to 31/12/13 £000	Year to 31/12/12 £000
Funds transferred for programme delivery	**130,237**	31,509
Membership and other contributions	**8,545**	6,208
	138,782	37,717

Payment of these amounts was satisfied in the following way:

Transfer of funds	**137,676**	37,238
Provision of resources for no consideration	**1,106**	479
	138,782	37,717

By 31 December 2013, Save the Children UK's programme activity in a total of 32 countries had been transferred to SCI, with a further two countries transferred in 2014 to date. The remaining two countries where Save the Children UK provides funding ouside SCI are expected to transfer later in 2014. As a result of transitions, payments to SCI for charitable activities are anticipated to continue to increase significantly in the future.

Merlin's programme activity in 4 countries had been transferred to SCI in 2013, with a further 9 transferred in 2014 to date. The remaining countries are planned to transfer in 2014.

(iii) Balance sheet items

	Group 31/12/13 £000	Group 31/12/12 £000	**Charity 31/12/13 £000**	Charity 31/12/12 £000
SCI debtor at year end	**928**	5,252	**2,266**	5,252
Cost of services incurred by Save the Children UK to be donated to SCI in the future	**1,106**	790	**1,106**	790
Investment in associate	**955**	771	**–**	–

(iv) Indemnities

The IP contracts provide for those members of SCA for whom SCI delivers international programmes to provide a share of an indemnity capped at USD $20 million in the event that the members choose to cease SCI's programming activity. At 31 December 2013, Save the Children UK's share of this was approximately USD $6.2 million (2012: $6.4 million). Save the Children UK is confident that SCI will continue to provide programming services into the future and that the possibility of it ceasing to operate is so remote that it is not disclosed as a contingent liability.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

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.

The Save the Children Members have also provided SCI with a standby letter of credit to the value of USD $10 million of which Save the Children UK's share is USD $3.1 million. As at 31 December 2013 no amounts had been drawn down on this facility.

(c) William Belmer Rush Foundation

(i) Introduction

The William Belmer Rush Foundation was established on 5 June 1964 under a Declaration of Trust by Miss W. V. Rush to promote the advancement of education. The Foundation is an endowed charity which empowers the Trustees to distribute the investment income but not the capital. Save the Children UK can appoint one of the four Trustees of the Foundation, who meet annually to review the way in which the capital is invested to maximise the income potential from capital growth whilst continuing to ensure capital security and conform to the investment wishes of the founder. The income from the Foundation is split between three charities, with Save the Children UK receiving 50% of the total. In addition, Save the Children UK act as administrators for the Foundation, and receive an administration fee to cover the costs of this.

(ii) Income and expenditure items

Save the Children UK received the following from the William Belmer Rush Foundation:

	Year to 31/12/13 £000	Year to 31/12/12 £000
Grant funding	**36**	37
Administration fee	**1**	1
	37	38

(iii) As at 31 December 2013, there were no balances outstanding with the William Belmer Rush Foundation (2012: £nil).

17. DEBTORS

(a) Grant debtors

	Group 31/12/13 £000	Group 31/12/12 £000	**Charity 31/12/13 £000**	Charity 31/12/12 £000
European Commission	**11,861**	9,258	**8,619**	9,258
Other Save the Children members	**1,638**	8,002	**1,622**	8,002
United Nations	**12,542**	7,299	**9,556**	7,299
United States government	**3,183**	2,749	**1,091**	2,749
UK government	**2,490**	1,207	**2,340**	1,207
HORN Relief	**–**	895	**–**	895
Mercy Corps	**31**	708	**31**	708
Corporate donors	**610**	367	**610**	367
Care International	**106**	97	**101**	97
Other national governments	**552**	299	**202**	299
UK local and regional government	**39**	500	**39**	500
Other	**7,077**	2,591	**6,030**	2,591
	40,129	33,972	**30,241**	33,972

17. DEBTORS (CONTINUED)

(b) Other debtors

	Group 31/12/13 £000	Group 31/12/12 £000	Charity 31/12/13 £000	Charity 31/12/12 £000
Trade debtors	**2,199**	1,333	**2,198**	1,332
Legacy debtors	**9,392**	7,558	**9,172**	7,558
Amount owed by subsidiary undertaking	**–**	–	**43**	–
Taxes recoverable	**217**	162	**182**	162
Prepayments and accrued income	**1,948**	1,992	**1,356**	1,932
Save the Children International	**2,034**	6,042	**2,266**	6,042
Other debtors	**4,665**	3,687	**4,041**	3,552
	20,455	20,774	**19,258**	20,578

18. CASH AT BANK AND IN HAND

	Group 31/12/13 £000	Group 31/12/12 £000	Charity 31/12/13 £000	Charity 31/12/12 £000
Headquarters	**18,720**	21,351	**17,432**	21,326
UK branches and shops	**264**	508	**264**	508
Projects in UK and overseas	**4,543**	5,872	**2,048**	5,872
	23,527	27,731	**19,744**	27,706

19. CREDITORS

(a) Amounts falling due within one year

	Group 31/12/13 £000	Group 31/12/12 £000	Charity 31/12/13 £000	Charity 31/12/12 £000
Trade creditors	**10,479**	5,291	**9,170**	5,282
Taxes and social security costs	**1,402**	1,051	**960**	925
Amount owed to subsidiary undertaking	**–**	–	**5**	107
Accruals	**7,753**	6,927	**6,503**	6,927
Deferred income[1]	**3,915**	483	**3,915**	483
Operating lease incentives[2]	**182**	182	**182**	182
Grant obligations	**614**	3,346	**–**	3,346
Other creditors	**3,878**	3,489	**3,158**	3,489
	28,223	20,769	**23,893**	20,741

(b) Amounts falling due in more than one year

Operating lease incentives[2]	**2,459**	2,642	**2,459**	2,642
	2,459	2,642	**2,459**	2,642

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

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

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	At 01/01/13 £000	Provision created/ (released) £000	Provision utilised £000	**At 31/12/13 £000**
Terminal grants and severance	4,472	823	(136)	**5,159**
Dilapidations	1,201	103	–	**1,304**
Grants	3,109	3,197	(1,153)	**5,153**
Tax	2,926	(1,711)	–	**1,215**
Funds to be returned to other members on transition	1,058	(1,058)	–	**–**
Onerous lease	4,553	(334)	–	**4,219**
Other	182	782	(102)	**862**
	17,501	1,802	(1,391)	**17,912**

Charity

	At 01/01/13 £000	Provision created/ (released) £000	Provision utilised £000	**At 31/12/13 £000**
Terminal grants	4,472	(54)	–	**4,418**
Dilapidations	1,201	103	–	**1,304**
Grants	3,109	(549)	(500)	**2,060**
Tax	2,926	(2,051)	–	**875**
Funds to be returned to other members on transition	1,058	(1,058)	–	**–**
Onerous lease	4,553	(334)	–	**4,219**
Other	182	235	–	**417**
	17,501	(3,708)	(500)	**13,293**

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

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

Grant provisions represents estimated funds returnable to donors where Save the Children UK has not been able to spend funds received in accordance with donor wishes.

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

Funds to be returned to other members on transition represent the estimated funds to be returned to other Save the Children members on the transition of country programmes in 2013.

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.

21. OBLIGATIONS UNDER OPERATING LEASES

Group

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

	Property 31/12/13 £000	Other 31/12/13 £000	**Total 31/12/13 £000**	Property 31/12/12 £000	Other 31/12/12 £000	Total 31/12/12 £000
Within one year	620	6	**626**	493	66	559
In years two to five	430	2	**432**	1,524	199	1,723
After five years	4,518	7	**4,525**	3,436	–	3,436
	5,568	15	**5,583**	5,453	265	5,718

21. OBLIGATIONS UNDER OPERATING LEASES (CONTINUED)

Charity

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

	Property 31/12/13 £000	Other 31/12/13 £000	**Total 31/12/13 £000**	Property 31/12/12 £000	Other 31/12/12 £000	Total 31/12/12 £000
Within one year	620	–	**620**	493	66	559
In years two to five	305	2	**307**	1,524	199	1,723
After five years	4,518	–	**4,518**	3,436	–	3,436
	5,443	2	**5,445**	5,453	265	5,718

22. FINANCIAL COMMITMENTS

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

A significant proportion of the funds needed for these programmes has already been received and is disclosed within the restricted income funds (see note 24). For the remaining programmes, there are legal agreements with donors to ensure that Save the Children UK will be reimbursed for completion of those projects.

	Group 31/12/13 £000	Group 31/12/12 £000	**Charity 31/12/13 £000**	Charity 31/12/12 £000
Within one year	**169,517**	96,568	**141,203**	96,568
Between two and five years	**167,950**	94,116	**146,590**	94,116
After five years	**–**	184	**–**	184
	337,467	190,868	**287,793**	190,868

Of this amount, the restricted funds balance of £81,247,000 has already been recognised within income.

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

Donors have already been found for many of these grants but at year end there were still several grants in progress for which no donor had been found. A provision of £0.8m has been recognised as at 31 December 2013 in respect of grants where Save the Children UK 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 (see note 16 for details).

23. STATEMENT OF FUNDS

(a) Group

	At 01/01/13 £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/13 £000
Unrestricted funds						
General reserve	29,116	93,694	(91,435)	944	(5,576)	**26,743**
Revaluation reserve	1,887	–	–	2,017	–	**3,904**
Designated funds:						
Tangible fixed assets reserve	3,477	–	–	–	1,058	**4,535**
Associates (note 16)	1,154	–	–	36	184	**1,374**
St John's Lane reserve fund	800	–	(25)	–	–	**775**
Total unrestricted funds excluding pension reserve	36,434	93,694	(91,460)	2,997	(4,334)	**37,331**
Pension reserve (note 27)	(33,650)	(95)	(434)	2,092	4,334	**(27,753)**
Total unrestricted funds	2,784	93,599	(91,894)	5,089	–	**9,578**
Restricted funds						
Restricted income funds (note 24)	49,270	248,995	(217,018)	–	–	**81,247**
Endowment funds (note 25)	2,789	–	–	134	–	**2,923**
Total restricted funds	52,059	248,995	(217,018)	134	–	**84,170**
Total funds	54,843	342,594	(308,912)	5,223	–	**93,748**

(b) Charity

	At 01/01/13 £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/13 £000
Unrestricted funds						
General reserve	29,116	89,963	(89,789)	944	(5,392)	**24,842**
Revaluation reserve	1,887	–	–	2,017	–	**3,904**
Designated funds:						
Tangible fixed assets reserve	3,477	–	–	–	1,058	**4,535**
St John's Lane reserve fund	800	–	(25)	–	–	**775**
Total unrestricted funds excluding pension reserve	35,280	89,963	(89,814)	2,961	(4,334)	**34,056**
Pension reserve (note 27)	(33,650)	(95)	(434)	2,092	4,334	**(27,753)**
Total unrestricted funds	1,630	89,868	(90,248)	5,053	–	**6,303**
Restricted funds						
Restricted income funds (note 24)	49,270	220,866	(192,716)	–	–	**77,420**
Endowment funds (note 25)	2,789	–	–	134	–	**2,923**
Total restricted funds	52,059	220,866	(192,716)	134	–	**80,343**
Total funds	53,689	310,734	(282,964)	5,187	–	**86,646**

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

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

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

The **associates reserve** represents the value of Save the Children UK's investment in SCI and the William Belmer Rush Foundation (see note 16 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 Assurance Ltd. In addition, Save the Children UK has responsibilities towards its sub-tenants who occupy part of the headquarters building.

The **pension reserve** represents the reported liability on the defined benefit pension scheme under FRS 17 (see note 27 for details).

The **restricted income funds** represents unexpended balances on donations and grants given for specific purposes (see note 24 for details).

The **endowment funds** represents assets received that may not be exhausted (see note 25 for details).

24. RESTRICTED FUNDS

Group

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

	Balance 01/01/13 £000	Income £000	Expenditure £000	**Balance 31/12/13 £000**
East Africa				
Ethiopia	1,458	15,523	12,708	**4,273**
Kenya	1,536	9,039	9,089	**1,486**
Rwanda	1,031	949	1,550	**430**
Somalia	2,107	12,284	12,502	**1,889**
South Sudan	1,604	11,756	10,647	**2,713**
Tanzania	697	2,189	1,848	**1,038**
Uganda	309	227	434	**102**
Other	558	146	598	**106**
Southern Africa				
Mozambique	150	7,617	4,879	**2,888**
South Africa	421	666	589	**498**
Zimbabwe	390	717	737	**370**
Other	234	1,727	1,269	**692**
West and Central Africa				
Burkina Faso	220	2,773	2,393	**600**
Central African Republic	–	2,660	2,290	**370**
Chad	–	3,822	3,127	**695**
Democratic Republic of Congo	883	6,588	6,278	**1,193**
Ivory Coast	1,044	3,720	3,539	**1,225**
Liberia	305	3,435	3,297	**443**
Niger	525	6,403	6,723	**205**
Nigeria	1,041	11,410	10,222	**2,229**
Sahel region	128	528	428	**228**
Senegal	469	788	666	**591**
Sierra Leone	694	3,215	1,972	**1,937**
Other	100	428	293	**235**
Asia				
Afghanistan	544	6,989	6,872	**661**
Bangladesh	2,407	7,472	7,801	**2,078**
China	599	4,389	3,628	**1,360**
India	1,401	5,682	5,297	**1,786**
Indonesia	214	723	643	**294**
Myanmar	2,662	12,210	12,624	**2,248**
Nepal	–	890	484	**406**
North Korea	464	1,406	1,262	**608**
Pakistan	1,460	20,395	17,847	**4,008**
Philippines	35	6,346	3,184	**3,197**
Sri Lanka	412	691	1,013	**90**
Tajikistan	–	554	508	**46**
Thailand	174	1,153	1,242	**85**
Vietnam	651	1,082	1,308	**425**
Other	41	632	481	**192**

(continued opposite)

24. RESTRICTED FUNDS (CONTINUED)

Group continued

(a) continued

	Balance 01/01/13 £000	Income £000	Expenditure £000	**Balance 31/12/13 £000**
Latin America and Caribbean				
Brazil	236	1,482	1,677	**41**
Colombia	225	811	607	**429**
Ecuador	114	118	215	**17**
Haiti	539	2,277	2,231	**585**
Peru	26	343	265	**104**
Other	24	365	187	**202**
Middle East and south-east Europe				
Iraq	2,798	563	3,305	**56**
Libya	5	–	5	**–**
Middle East/North Africa	150	770	383	**537**
Occupied Palestinian Territory	109	1,243	1,153	**199**
Syria	870	12,329	7,565	**5,634**
Yemen	1,647	7,655	7,932	**1,370**
South-east Europe	5	–	4	**1**
Other	54	5,607	2,573	**3,088**
United Kingdom				
England	757	3,440	3,126	**1,071**
Northern Ireland	47	771	813	**5**
Scotland	153	1,551	1,199	**505**
Wales	65	1,228	1,227	**66**
UK-wide initiatives	5,975	–	1,484	**4,491**
Other funds				
Headquarters grants	3,389	6,424	6,416	**3,397**
Gifts in kind for fundraising and support purposes	–	1,534	1,534	**–**
Headquarters emergency programmes	2,911	7,474	5,939	**4,446**
Consortium of British Humanitarian Agencies funding	66	15	–	**81**
Unallocated Children's Emergency Fund[1]	518	–	132	**386**
Unrealised exchange gains/losses on restricted funds[2]	320	–	(21)	**341**
Unallocated Wish List funds[3]	–	2	–	**2**
Unallocated restricted funds[4]	1,299	6,768	1,716	**6,351**
Thematic funds[5]	–	2,001	1,926	**75**
Strategic humanitarian partnerships	–	5,000	1,153	**3,847**
	49,270	248,995	217,018	**81,247**

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

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

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

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

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

24. RESTRICTED FUNDS (CONTINUED)

Charity

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

	Balance 01/01/13 £000	Income £000	Expenditure £000	**Balance 31/12/13 £000**
East Africa				
Ethiopia	1,458	12,819	10,545	**3,732**
Kenya	1,536	7,960	8,244	**1,252**
Rwanda	1,031	949	1,550	**430**
Somalia	2,107	10,980	11,466	**1,621**
South Sudan	1,604	9,618	8,898	**2,324**
Tanzania	697	2,189	1,848	**1,038**
Uganda	309	227	434	**102**
Other	558	146	598	**106**
Southern Africa				
Mozambique	150	7,617	4,879	**2,888**
South Africa	421	666	589	**498**
Zimbabwe	390	717	737	**370**
Other	234	1,727	1,269	**692**
West and Central Africa				
Burkina Faso	220	1,600	1,417	**403**
Central African Republic	–	1,772	1,408	**364**
Democratic Republic of Congo	883	6,588	6,278	**1,193**
Ivory Coast	1,044	2,149	2,292	**901**
Liberia	305	2,895	2,757	**443**
Niger	525	6,403	6,723	**205**
Nigeria	1,041	11,410	10,222	**2,229**
Sahel region	128	528	428	**228**
Senegal	469	210	191	**488**
Sierra Leone	694	3,215	1,972	**1,937**
Other	100	428	293	**235**
Asia				
Afghanistan	544	3,059	3,496	**107**
Bangladesh	2,407	7,472	7,801	**2,078**
China	599	4,389	3,628	**1,360**
India	1,401	5,682	5,297	**1,786**
Indonesia	214	723	643	**294**
Myanmar	2,662	10,528	11,158	**2,032**
Nepal	–	813	453	**360**
North Korea	464	1,406	1,262	**608**
Pakistan	1,460	17,152	15,052	**3,560**
Philippines	35	5,334	2,557	**2,812**
Sri Lanka	412	691	1,013	**90**
Tajikistan	–	554	508	**46**
Thailand	174	1,153	1,242	**85**
Vietnam	651	1,082	1,308	**425**
Other	41	632	481	**192**

(continued opposite)

24. RESTRICTED FUNDS (CONTINUED)

Charity continued

(a) continued

	Balance 01/01/13 £000	Income £000	Expenditure £000	**Balance 31/12/13 £000**
Latin America and Caribbean				
Brazil	236	1,482	1,677	**41**
Colombia	225	811	607	**429**
Ecuador	114	118	215	**17**
Haiti	539	2,150	2,105	**584**
Peru	26	343	265	**104**
Other	24	365	187	**202**
Middle East and south-east Europe				
Iraq	2,798	563	3,305	**56**
Libya	5	–	5	**–**
Middle East/North Africa	150	770	383	**537**
Occupied Palestinian Territory	109	1,243	1,153	**199**
Syria	870	11,736	7,257	**5,349**
Yemen	1,647	6,501	6,779	**1,369**
South-east Europe	5	–	4	**1**
Other	54	5,607	2,573	**3,088**
United Kingdom				
England	757	3,440	3,126	**1,071**
Northern Ireland	47	771	813	**5**
Scotland	153	1,551	1,199	**505**
Wales	65	1,228	1,227	**66**
UK-wide initiatives	5,975	–	1,484	**4,491**
Other funds				
Headquarters grants	3,389	4,435	5,245	**2,579**
Gifts in kind for fundraising and support purposes	–	1,468	1,468	**–**
Headquarters emergency programmes	2,911	12,474	7,092	**8,293**
Consortium of British Humanitarian Agencies funding	66	15	–	**81**
Unallocated Children's Emergency Fund[1]	518	–	132	**386**
Unrealised exchange gains/losses on restricted funds[2]	320	–	(21)	**341**
Unallocated Wish List funds[3]	–	2	–	**2**
Unallocated restricted funds[4]	1,299	3,309	420	**4,188**
Thematic funds[5]	–	2,001	1,926	**75**
Strategic humanitarian partnerships	–	5,000	1,153	**3,847**
	49,270	220,866	192,716	**77,420**

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

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

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

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

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

24. RESTRICTED FUNDS (CONTINUED)

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

LOTTERY FUNDED	Balance 01/01/13 £000	Income £000	Expenditure £000	**Balance 31/12/13 £000**
Big Lottery Fund				
Our Shout Bradford	23	–	23	**–**
Health and Nutrition in Kani	86	126	167	**45**
Development Grant: Colombia	–	4	3	**1**
Third Sector Early Intervention Fund	–	96	34	**62**
Eat, Sleep, Learn, Play!	–	110	–	**110**
	109	336	227	**218**

£196,000 (31/12/12: £252,000) of the above income is recognised in grant income and £125,088 (31/12/12: £6,000) is recognised as gifts in kind.

25. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year:

	Balance 01/01/13 £000	Income £000	Gains £000	Transfers £000	**Balance 31/12/13 £000**
The Oliver Children's Fund	2,789	–	134	–	**2,923**
	2,789	–	134	–	**2,923**

26. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

	Note	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	**Total 31/12/13 £000**
Fund balances at 31 December 2013 are represented by:								
Tangible fixed assets	14	774	–	4,535	–	–	–	**5,309**
Fixed asset investments		18,774	3,904	1,374	–	–	2,923	**26,975**
Current assets		55,175	–	775	–	81,861	–	**137,811**
Current liabilities	19a	(27,609)	–	–	–	(614)	–	**(28,223)**
Non-current liabilities	19b	(2,459)	–	–	–	–	–	**(2,459)**
Provisions for liabilities and charges	20	(17,912)	–	–	–	–	–	**(17,912)**
Pension liability	27	–	–	–	(27,753)	–	–	**(27,753)**
		26,743	3,904	6,684	(27,753)	81,247	2,923	**93,748**

26. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

(b) Charity

	Note	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	**Total 31/12/13 £000**
Fund balances at 31 December 2013 are represented by:								
Tangible fixed assets	14	774	–	4,535	–	–	–	**5,309**
Fixed asset investments		19,024	3,904	–	–	–	2,923	**25,851**
Current assets		44,689	–	775	–	77,420	–	**122,884**
Current liabilities	19a	(23,893)	–	–	–	–	–	**(23,893)**
Non-current liabilities	19b	(2,459)	–	–	–	–	–	**(2,459)**
Provisions for liabilities and charges	20	(13,293)	–	–	–	–	–	**(13,293)**
Pension liability	27	–	–	–	(27,753)	–	–	**(27,753)**
		24,842	3,904	5,310	(27,753)	77,420	2,923	**86,646**

27. PENSION COSTS

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

(b) – (c) Triennial valuation (defined benefit scheme).

(d) – (l) Accounting valuation under FRS 17 (defined benefit scheme).

(m) Defined contribution scheme (open to staff with UK contracts over six months 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 is open for all Merlin's UK based staff to join.

(n) The Pensions Trust Growth Plan (multi-employer scheme).

(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 2011 by a professionally-qualified actuary. This reported the scheme assets as £83.9m and the scheme liabilities as £117.5m. This corresponds to a scheme deficit of £33.6m and a funding level of 71%.

The triennial valuation also reported that there were 41 active members at 30 September 2011 and 1,914 deferred/pensioner members, a total of 1,955 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	6.4% (average rate)
Employer (to 30 September 2012)	14.2%
Employer (from 1 October 2012 to 30 September 2021)	10.4%
Employer (to 29 February 2012)	£1,906,000 per annum in monthly instalments
Employer (from 1 March 2012 to 30 September 2021)	£4,000,000 per annum in monthly instalments

27. PENSION COSTS (CONTINUED)

(c) Triennial valuation: assumptions

The triennial actuarial valuation carried out at 30 September 2011 used the following principal assumptions:

Average rate of return on investments pre retirement	7.0% per annum
Average rate of return on investments post retirement	4.2% per annum
Average rate of salary increases for active members	4.4% per annum
RPI assumption	2.9% per annum
CPI assumption	2.4% per annum

(d) FRS 17 valuation of the defined benefit scheme as at 31 December 2013

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

The present value of the liability to meet future pension obligations of members is arrived at by applying a discount rate equivalent to the return expected to be derived from a Class AA corporate bond as at the balance sheet date. In the 2011 triennial actuarial valuation referred to above, the discount rate used was that as at 30 September 2011 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 deficits valued under either the triennial or FRS 17 methods. Furthermore:

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

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

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

(e) Net movement in pension liability

	Notes	**Year to 31/12/13 £000**	Year to 31/12/12 £000
Net pension liability at start of period		**33,650**	31,844
Current service cost[1]		**434**	418
Interest on obligation	5	**5,661**	5,555
Expected return on scheme assets	5	**(5,566)**	(5,205)
Contributions by employer		**(4,334)**	(3,843)
Net actuarial (gains)/losses in the year		**(2,092)**	4,881
Net pension liability at 31 December		**27,753**	33,650

[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).

27. PENSION COSTS (CONTINUED)

(f) Amounts recognised in the balance sheet

	Notes	Year to 31/12/13 £000	Year to 31/12/12 £000
Present value of funded obligations	27h	**135,525**	130,179
Fair value of scheme assets	27i	**(107,772)**	(96,529)
Net pension liability		**27,753**	33,650

(g) Amounts recognised in the statement of financial activities

	Notes	Year to 31/12/13 £000	Year to 31/12/12 £000
Expected return on scheme assets	5	**5,566**	5,205
Interest on obligation	5	**(5,661)**	(5,555)
Net finance expense	5	**(95)**	(350)
Current service cost		**(434)**	(418)
Total decrease in net incoming resources		**(529)**	(768)
Net actuarial gains/(losses) in the year[2]		**2,092**	(4,881)
Total (decrease) in net funds		**1,563**	(5,649)

[2] Total cumulative actuarial losses since adoption of FRS 17 is £42,757,000.

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

	Year to 31/12/13 £000	Year to 31/12/12 £000
Opening defined benefit obligation	**130,179**	119,517
Service cost	**434**	418
Interest cost	**5,661**	5,555
Contributions by employees	**66**	94
Actuarial losses	**2,735**	7,772
Net benefits paid (including expenses)	**(3,550)**	(3,177)
Closing defined benefit obligation	**135,525**	130,179

(i) Change in the fair value of scheme assets

	Year to 31/12/13 £000	Year to 31/12/12 £000
Opening fair value of the scheme assets	**96,529**	87,673
Expected return	**5,566**	5,205
Actuarial gains	**4,827**	2,891
Contributions by employer	**4,334**	3,843
Contributions by employees	**66**	94
Net benefits paid (including expenses)	**(3,550)**	(3,177)
Closing fair value of the scheme assets	**107,772**	96,529

The scheme assets are valued at bid or offer prices.

Actual return on scheme assets	**10,393**	8,096

27. PENSION COSTS (CONTINUED)

(j) The assets at 31 December 2013 are represented by:

	At 31/12/13 Fair value £000	At 31/12/12 Fair value £000	At 31/12/11 Fair value £000	At 31/12/10 Fair value £000	At 31/12/09 Fair value £000
Equities and property	**72,491**	64,492	58,748	60,215	54,372
Government bonds	**33,922**	30,993	28,528	26,953	24,490
Other	**1,359**	1,044	397	487	298
Scheme assets	**107,772**	96,529	87,673	87,655	79,160

Expected rate of return (% per annum)	Year to 31/12/13	Year to 31/12/12	Year to 31/12/11	Year to 31/12/10	Year to 31/12/09
Equities and property	**7.50**	6.90	6.89	7.90	8.40
Government bonds	**3.83**	3.51	3.97	4.77	5.00
Other	**0.50**	0.50	0.50	0.50	0.50
Scheme assets	**6.31**	5.74	5.91	6.90	7.32

(k) Historic experience of gains and losses

	At 31/12/13 £000	At 31/12/12 £000	At 31/12/11 £000	At 31/12/10 £000	At 31/12/09 £000
Defined benefit obligation	**(135,525)**	(130,179)	(119,517)	(114,685)	(108,721)
Fair value of scheme assets	**107,772**	96,529	87,673	87,655	79,160
Deficit	**(27,753)**	(33,650)	(31,844)	(27,030)	(29,561)
Experience of gains/(loss) on scheme liabilities:					
Amount (£000)	**–**	5,306	–	–	–
% of the present value of scheme liabilities	**0.0%**	4.1%	0.0%	0.0%	0.0%
Actual return less expected return on scheme assets					
Amount (£000)	**4,827**	2,891	(4,925)	3,635	12,270
% of the present value of scheme assets	**4.5%**	3.0%	-5.6%	4.1%	15.5%

(l) Actuarial assumptions

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

Financial assumptions	Year to 31/12/13 %pa	Year to 31/12/12 %pa
Discount rate	**4.60**	4.40
Rate of revaluations for career averaged earnings (RPI-related)	**3.50**	3.00
Rate of increase of pensions (CPI-related):		
Limited Price Indexation 5%	**2.60**	2.20
Limited Price Indexation 2.5%	**2.10**	1.90
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI-related)	**3.50**	3.00
Inflation assumption		
Retail Price Index	**3.50**	3.00
Consumer Price Index	**2.60**	2.20
Expected return on the scheme assets	**6.31**	5.91

27. PENSION COSTS (CONTINUED)

(l) Actuarial assumptions continued

Demographic assumptions

Mortality

Year to 31/12/13:	47% before retirement, 93% after retirement SAPS All Pensioners; year of birth; CMI 2013 projections long-term improvement rates 1.5% p.a. males and 1.25% p.a. females
Year to 31/12/12:	43% before retirement, 93% after retirement SAPS All Pensioners; year of birth; CMI 2013 projections long-term improvement rates 1.5% p.a. males and 1.25% p.a. females

(m) Defined contribution scheme

Save the Children UK also contributes to a defined contribution scheme. Employer's contributions are charged to the consolidated statement of financial activities as follows:

	Year to 31/12/13 £000	Year to 31/12/12 £000
Pension contributions	**2,644**	1,528

	31/12/13 £000	31/12/12 £000
Outstanding pension contributions	**573**	158

These are included within creditors in note 19a.

(n) The Pensions Trust Growth Plan

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

There is a potential liability for the employer that could be levied by the plan's trustee in the event of the employer ceasing to participate in the plan or the plan winding up.

The last formal triennial valuation of the plan was performed at 30 September 2011 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 77%.

The triennial valuation at 30 September 2011 showed that Save the Children UK had an estimated debt (and thus contingent liability) on withdrawal from the plan of £1.6m.

A change to the definition of money purchase in the the Pensions Act 2011 has resulted in a possible change to the calculation basis of the deficit. The current deficit ranges from £1.8m to £2.6m depending on Save the Children's share of any 'orphan' liabilities in respect of previously participating employers.

The potential debt has led to a requirement for Save the Children UK to make new additional contributions, starting in April 2013. In 2013 Save the Children UK paid £97,160 and will pay £146,000 per annum until March 2023. It is estimated that this should reduce the potential debt to zero over a period of 10 years, i.e. by April 2023. Save the Children UK has no current intention to leave the plan and trigger the contingent liability.

28. DONATION OF NET ASSETS FROM MERLIN

Medical Emergency Relief International (MERLIN)

On 16 July 2013, Merlin became a wholly owned subsidiary of Save the Children UK. This was achieved by Save the Children UK becoming the sole member of Merlin, together with its Trustee Board being appointed by Save the Children UK.

The table below shows the net book value of the assets and liabilities as shown in Merlin's records as at 16 July 2013 adjusted for Save the Children UK's accounting policies together with the fair values of each on their transfer to Save the Children UK.

	Book value at 16 July £000	Adjustments: Accounting policy alignment £000	Adjustments: Revaluation £000	**Fair value at 16 July 2013 £000**
Fixed assets				
Tangible fixed assets	72	(72)	–	**–**
Current assets				
Stock	89	(44)	–	**45**
Debtors	14,370	(204)	–	**14,166**
Cash at bank and in hand	3,244	–	–	**3,244**
Total assets	17,775	(320)	–	**17,455**
Creditors: amounts due within one year	(10,585)	7,040	–	**(3,545)**
Provisions for liabilities and charges	(3,182)	–	(2,613)	**(5,795)**
Total liabilities	(13,767)	7,040	(2,613)	**(9,340)**
Net assets	4,008	6,720	(2,613)	**8,115**
Consideration				**–**
Restricted income				**7,896**
Unrestricted income				**219**
Donation of net assets from Merlin				**8,115**

Merlin's assets and liabilities have been restated to be in accordance with Save the Children UK's accounting policies resulting in an increase of £6,720,000 in net assets value.

(a) Tangible fixed assets held on in-country balance sheets for £72,000 have been expensed on transfer.

(b) Head office and marketing stocks of £44,000 have been written off.

(c) Prepayments of £204,000 relating to grant payments made to partner organisations held on the balance sheet have been expensed.

(d) Deferred income of £7,040,000 for donor pre-financing has been released to the SOFA in order to treat the grants received by Merlin on a consistent basis with those received by Save the Children UK.

In addition, provisions of £2,613,000 relating to co-financing and the revaluation of national staff severance provisions have been created.

The resulting surplus of assets over liabilities was £8,115,000 and has been accounted for as a gift and included in the SOFA as a "donation of net assets from Merlin". This is represented by a surplus of restricted income of £7,896,000, which is not available for general use and unrestricted income of £219,000.

28. DONATION OF NET ASSETS FROM MERLIN (CONTINUED)

The results for Merlin were as follows:

	16 July to 31 December 2013 £000	Year to 31/12/13 £000	Year to 31/12/12 £000
Income	23,255	62,304	60,858
Expenditure	(25,322)	(62,608)	(64,246)
Net outgoing resources	(2,067)	(304)	(3,388)

The results from 16 July and the donation of net assets have been shown on the SOFA as resources from acquired operations, being total incoming resources of £31,370,000 and total net incoming resources of £6,048,000.

The balance as at 31 December 2013 due from Merlin to Save the Children UK was £43,000. Interest of 2% above base rate was charged on any outstanding loan balances, resulting in a total interest charge for the year of £2,517.

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Justin Forsyth, Chief Executive, Save the Children

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