

CHANGING THE WORLD FOR CHILDREN

Annual report 2012



Save the Children

2012 IN NUMBERS



REACHING CHILDREN

10 MILLION

children helped directly through our work on the ground

34 MILLION

more children and adults reached



SAVING CHILDREN'S LIVES

4 MILLION

children helped through our health programmes

2.7 MILLION

children helped through our nutrition programmes

1.6 MILLION

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

500,000

children helped to gain access to nutritious food



EMERGENCIES

3.7 MILLION

people helped during emergencies

53

emergency responses in 39 countries



EDUCATION

1.8 MILLION

children reached through our education programme

60,000

more children in school in countries affected by conflict



CHILD PROTECTION

380,000

children helped to stay safe from harm and abuse



ENDING UK POVERTY

12,500

children helped through our award-winning education programme and our work to make sure families get the basics they need



INCOME

£284 MILLION

88p IN EVERY £1

spent on saving children's lives and giving them a better future

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Cover photo: Gul, five, loves coming to our education centre in his village in southern Afghanistan. Last year we gave 60,000 children in countries affected by conflict the chance of a better future by helping them go to school. (Photo: Mats Lignell/Save the Children)

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

A MOMENTOUS YEAR



PHOTO: TERI PENGILLEY/SAVE THE CHILDREN

The Queen's Diamond Jubilee and the Olympic Games made 2012 a momentous year for the United Kingdom.

What characterised these events was the way in which they were embraced by the British public. It was uplifting to see such a pervasive and heartfelt spirit of optimism and volunteering.

As President of Save the Children, I see this same spirit of enthusiasm in the growing numbers of people who support our cause. From the volunteers working in our shops up and down the country to the office workers and school children wearing Christmas jumpers, the British public once again gave their time and money to save children's lives last year.

I would like to thank everyone who has supported Save the Children. It is your help that made it possible for us to reach millions of children in 2012 – keeping them alive, getting them into school, protecting them from harm.

In 2012 I travelled overseas on behalf of The Queen to South Africa, Mozambique and Zambia in celebration of Her Majesty's Diamond Jubilee. During this time I was fortunate enough to visit Save the Children's work and witness how your support directly changes the lives of so many children.

As we strive to accelerate the progress we have made and build a world where no child dies needlessly, we will call on your invaluable support once again. Because, as last year showed, when we come together as a nation we are capable of achieving great things.

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



PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

Six-day-old Popi is brought by her mother Sheuli for her first health check-up at a Save the Children health clinic in Bangladesh.

REAL PROGRESS

Frustration, anger and sadness are common emotions when working for Save the Children. Frustration that we can't do more, faster. Anger that so many children around the world are living in such terrible – and often dangerous – situations. Sadness at seeing them suffer with the bravery that only children have.

Looking around the world, our challenges appear to be huge. We are committed to fighting for newborn and child survival, and we are working tirelessly to get all children into education and to protect the most vulnerable.

In our long-term programmes we're putting enormous effort into achieving better and clearer results that we can use to drive greater change for children all over the world. The signs, as you will read in this report, are very encouraging.

Our second main area of operation is humanitarian and crisis work, where we have had to respond to increasing numbers of emergencies. Many of the largest, such as Syria, Somalia, Niger and Mali, are on our television screens daily, but we have also responded to dozens of emergencies all over the world that never make the national news. Floods, famine and wars occur often without the global media being present, and children are always the most vulnerable.

Although we continue to be best known for our international work, we are also committed to reaching children in the UK who need us most. We have stepped up our UK programmes to meet the needs of more of the poorest and most vulnerable children around the country. We are working with terrific partners and have had huge support from an enormous number of individuals.

While there is not much time for celebration, real progress is being made, and the facts speak for themselves. Last year, we found out that the number of children dying from preventable diseases such as malaria, pneumonia and diarrhoea had fallen by 700,000 in a single year – the greatest fall in history.

Worldwide, more children than ever before are in education. There is no doubt that the greater focus given to some of these issues by governments, major foundations and other NGOs is making a real difference. While the vividness of children's suffering remains clear, now the progress we are making is getting clearer too, and we as an organisation want to be a leading player in delivering sustainable change for children.

We have a great cause, but we also want a great organisation and you will see we have driven hard to lift our performance in many ways. Top of the list has been our commitment to deliver world-class programmes and demonstrate their impact. We have also sought to advocate more effectively for change and driven real efficiencies and effectiveness in organising behind clear, long-term strategic priorities.

We are also working more and more effectively with other Save the Children members around the world. This has been a very intense year, and I believe when we look back we will see it as one of significant progress. More people have joined our cause, both within the organisation and by supporting it.

If you are already with us, thank you for your help and support. If not, then I would encourage you to join us. We have an important and exciting future delivering real change for the children who need it most.



Alan Parker
Chair of Trustees, Save the Children



PHOTO: JONATHAN HYAMS/SAVE THE CHILDREN

Two girls at a refugee camp near the Syrian border. We're providing food, tents and warm clothes for families affected by the conflict. We also set up emergency education centres and safe spaces for children.

MAKING HISTORY

When I first met Nasteha in Somalia's bullet-ridden capital, Mogadishu, she was nearly dead.

Yet, her story – and the story of many other children – proves we can be the generation to end preventable child deaths.

Nasteha had walked for four days, ill with diarrhoea and malnourished, at the height of the food crisis. In front of my eyes, Nasteha, on the verge of collapse, was rescued by our frontline health staff and rushed to our clinic – a tent in a camp. She was pulled back from the brink and then taken to a bigger hospital where, after a month of treatment, she recovered.

A year on, last November, I met Nasteha again. The difference was staggering. Nasteha, now a healthy three-year-old, beamed at me shyly from behind her mother's dress.

Nasteha's recovery is an inspiring story of hope. And it's one of many. The bigger picture here is that the world is making real progress in tackling child mortality.

Last year the number of child deaths fell by 700,000 to 6.9 million – the biggest drop ever in a single year. There are still far too many children dying. But our collective efforts are having a huge impact.

This dramatic progress has brought us to a pivotal moment in human history. We can be the first generation to ensure that no child dies from preventable diseases, that every child gets the chance to fulfil their potential.

Our achievements in 2012 brought us closer to that reality.

On the ground we delivered life-saving support to millions of the world's poorest children through our high-quality programmes – meeting or beating many of the ambitious targets we had set ourselves. We trained frontline health workers, helped the poorest families feed their children, got some of the hardest-to-reach children into school, and protected children living on the streets or growing up in abusive orphanages.

1.6 million children with malaria, pneumonia and diarrhoea treated

500,000 children helped to gain access to nutritious food

60,000 more children in school in countries affected by conflict

380,000 children kept safe from harm and abuse

12,500 children in the UK got the basics to help lift them out of poverty or took part in our award-winning education programme.

In all, a record **10 million** children benefited directly from our work in 2012.

We're making our humanitarian work a top priority – responding to conflicts and disasters more quickly and effectively than ever before. In some of the toughest places in the world – from Syria to Afghanistan, and Somalia to Ivory Coast – we delivered life-saving aid to more than 3 million people in more than 50 emergencies.

Alongside our work on the ground, we launched the next phase of our No Child Born to Die campaign: our biggest-ever push to end global hunger. The hunger summit at Downing Street on the last day of London 2012 Olympics was the culmination of six months of campaigning. It resulted in a pledge from world leaders to stop 25 million children growing up stunted by 2016.

We led the push to give women the power to decide whether and when to have children – aiming to address a global lack of family planning that costs millions of babies their lives. In July the G8 promised funds for family planning that will save the lives of more than 3 million children's lives over the next eight years.

In September, we brought the appalling suffering of Syria's children to the world's attention. Our report *Untold Atrocities* put the spotlight on horrific acts of torture and abuse of children. It was cited by David Cameron at the UN, which passed a resolution to fund more human rights monitors. We keep pressing for a permanent peace.



Save the Children's Chief Executive, Justin Forsyth, meets Nasteha and her mother, Suban, in Mogadishu, Somalia. Nasteha, who had been on the brink of death, is now a healthy three-year-old, after our frontline health workers saved her life.

Extreme hardship overseas doesn't mean we can ignore the devastating impact of deprivation here at home. *It Shouldn't Happen Here*, our largest-ever fundraising campaign on child poverty in the UK, exposed how the recession is tearing families apart – and sparked a national debate.

These inspiring achievements were made possible through the remarkable commitment and generosity of our supporters – who grew in number by more than 100,000 last year.

Together they helped our Build it for Babies appeal raise £1 million, which will lead to the construction of seven life-saving health clinics in Bangladesh. And in schools and offices across the country 290,000 people took part in Christmas Jumper Day, our new mass fundraising event, bringing in £341,000 – more than three times what we'd anticipated.

In all, our income last year was £284 million – £10m over our challenging target and up from £161 million just five years ago. £284 million is a smaller figure than last year, but that is actually down to changes to the way we account for funds in the wider Save the Children movement and fewer large-scale emergencies during this year. Thanks to incredibly generous, unwavering support – even in tough economic times – our underlying income growth and our impact for children has increased. We are particularly pleased that support from the British public is up from 2011.

This support helped us reach more children during this year than at any other time in our history. 10 million children. Our challenge now is to build on our successes and take them to the next level.

In 2013 we'll focus on four top priorities. We'll implement **world-class 'signature programmes'** that can transform millions of children's lives. We'll further enhance the speed and effectiveness of our **humanitarian work**, working in some of the toughest places in the world. We'll **mobilise greater numbers** of supporters behind our cause to campaign and fundraise, and we'll build **powerful and innovative partnerships** with companies, governments and organisations.

Together we can be the generation to end children dying of preventable illnesses and to ensure every child has the chance to fulfil their potential. It's a historic opportunity. There can be no greater – or more inspiring – cause. Thank you for your support.

Justin Forsyth

Justin Forsyth
Chief Executive, Save the Children



THE RACE AGAINST HUNGER

Every hour of every day, 260 children die because they can't get the food they need.

For those who survive, malnutrition can be a life sentence, permanently stunting their development. Their bodies and brains don't grow properly; they don't do as well at school; they're often less able to work as adults.

And when children are consistently getting too little to eat, they're far less able to cope when things reach crisis point, as they did across Africa last year. A food crisis stretching coast-to-coast across the continent – from Senegal in the west to Somalia in the east – threatened the lives of millions of children (see page 13).

The world has made real advances in tackling killer diseases but progress on reducing hunger and malnutrition has been pitifully slow.

THE BIG PUSH

That's why, in 2012, as the next phase of our No Child Born to Die campaign, we launched our push to end global hunger and malnutrition.

On the ground, our frontline health workers worked closely with governments to provide emergency treatment to thousands of the most severely malnourished children. We made sure hundreds of thousands more were better nourished with the vitamins, protein and minerals they need to grow up healthy. And we supported the poorest families with cash or vouchers so they could afford to give their children nutritious food.

144,000 severely malnourished children treated

500,000 children helped to gain access to nutritious food

136,000 families given food vouchers or access to cash transfers



PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

Berhanu's mum pours a glass of nutritious yogurt, made with milk from cows given to their family by our nutrition programme in Ethiopia.

“NUTRITIOUS FOOD BUILDS THE BODY, PROTECTS US FROM DISEASES AND HELPS US TO HAVE A SHARP MIND. I’M DETERMINED THAT OTHER CHILDREN AROUND THE WORLD SHOULDN’T HAVE TO BEAT HUNGER LIKE I DID.”

Frank Kapeta, Save the Children Young Ambassador for Tanzania

A FLYING START IN THE RACE AGAINST HUNGER

But tackling the global hunger crisis demands action at the highest political level. In 2012, with the spotlight on London for the Olympics, we seized the opportunity to put malnutrition high on the government’s agenda.



From February, tens of thousands of Save the Children supporters urged David Cameron to name a day when he’d host a summit aimed at getting enough of the right food to every child, wherever they live.

He listened. He named a day.

On 12 August – the last day of the Olympic Games – he met world leaders at a summit that saw substantial new commitments to tackle the hunger crisis.

- Leaders agreed measures to reduce the number of children stunted by malnutrition by as much as 25 million by 2016.
- Britain will back research into drought-resistant and vitamin-enriched crops that could help feed 45 million people, and support the development of nutrition-rich seeds to benefit 3 million people.
- David Cameron committed to using his G8 presidency in 2013 to put the hunger crisis at the top of the world’s agenda.

ENOUGH FOOD FOR EVERYONE IF

In 2013 we’re taking our hunger campaign to the next level. We’ve joined forces with some of the world’s leading charities as part of ‘Enough Food For Everyone IF’. Together, we’ll work towards giving every child a life free from hunger.

SUCCESS STORIES

Here are just three of our outstanding nutrition programmes in 2012.

Bangladesh: We’re helping families in Khulna earn the money they need to feed their children and escape extreme poverty. “I’ve seen credible data that 74% of beneficiaries [more than 11,000 families] have managed to lift themselves off the bottom,” said former Secretary of State for International Development Andrew Mitchell after visiting the project.

Ethiopia: Our research with a leading global research institution has shown the importance of milk in preventing child malnutrition, particularly during crisis periods. We helped nomadic communities in Ethiopia make sure their livestock were well fed and vaccinated so that children could get a daily supply of nutritious milk. Children were almost twice as likely to drink milk as those in other areas not receiving this support.

Nigeria: In 2012 the UK government asked Save the Children to work with the Nigerian government to help deliver a new maternity programme for 60,000 mothers. It aims to ensure that babies get all the nutritious food and support they need for their crucial first 1,000 days. The programme is expected to be worth £45m and to last five years.

Read more about our work to prevent food crisis in west Africa on page 13.



BRIDGING THE GAP

In the fight to save children's lives, health workers are on the frontline. We're training local men and women in Kenya's remote border region with Somalia to bring life-saving healthcare to some of the hardest-to-reach children.

Kenya's northeastern province is a vast expanse of parched earth and searing heat. Child mortality rates here are very high.

In this isolated, drought-prone area, there are few roads and most places don't have any power supply. Families have traditionally survived by moving frequently with their livestock in search of pasture and water, and their semi-nomadic way of life has its own rich culture and traditions.

Given this relative isolation, it's unsurprising that communities here have little knowledge of modern healthcare. Government health clinics exist, but many families don't trust them, so children are not immunised against killer diseases like measles and pneumonia. Most women give birth at home without a trained midwife, with many women and babies dying in childbirth. In an area of frequent food shortages, many families have limited knowledge of the causes of child malnutrition or how to treat it.

We're working with the local community in Wajir district to transform this situation and save children's lives by training local men and women in basic healthcare, nutrition and hygiene. Each of these community health workers then looks after around 20 families – treating or referring common illnesses, supporting new mothers with breastfeeding and ensuring children are immunised.

Our community health workers act as a crucial bridge between government health clinics and local families. Rose Adhiambo, manager of the government health clinic in Abakore town, explains: "Local people trust the community health workers because they come from the same culture and they speak the same language. It has brought about a great change."

GIRL POWER SAVES LIVES

At the family planning summit in July we helped secure commitments from world leaders that will save more than 3 million children's lives by 2020.

More than 15,000 people signed our petition to UK Prime Minister David Cameron asking him to make sure the summit, held in London, delivered real progress on giving girls and women everywhere the power to choose when and whether to have babies.

Governments pledged £1.7 billion to increase the supply of contraception and fund more health workers, who provide women with crucial support when making family planning decisions.

Aslefe, 17, is an activist for family planning and HIV prevention in her district in Ethiopia. She attended the summit as one of our youth delegates, making a big impact on the Prime Minister.

In his speech, David Cameron told delegates about Aslefe's work and her ambitions to improve family planning in Ethiopia so that girls her age no longer have to suffer. He announced that, "Today we are investing in that hope for Aslefe and for girls like her all over the world."



One-year-old Abdi is living proof that our health programme in north-east Kenya works. When he grew ill with diarrhoea, Abdi's condition soon became critical. "He was so thin that his skin was just hanging loose on his body like oversized clothes," says Abdi's mother, Sadiya. "He was vomiting and couldn't eat anything."

Sadiya tried to treat Abdi with traditional remedies, but without success. She wasn't keen to take him to the health clinic – like most mothers in her community, she didn't trust it. "I didn't even know what services were available," she says.

Then Sadiya received a visit from Fatuma, one of our community health workers, who diagnosed Abdi. On Fatuma's advice, Sadiya took her son to the clinic for treatment. Within days, he had recovered.

"I was so happy," says Sadiya. "Now I tell all the other mothers to trust the community health workers."



LIVES TORN APART

Saving children's lives and delivering vital care in emergencies is at the heart of what we do. In 2012, our capacity to respond to crises was greater than ever. We delivered vital food, water, shelter, protection, education, healthcare and livelihood support to 3.7 million people facing emergencies in 39 countries – our biggest response yet.

We brought essential items to flooded villages in the Philippines, helped stem a deadly cholera epidemic in Sierra Leone, and provided vital protection to children caught in conflict in South Sudan. In Somalia, we reached nearly half a million people affected by hunger and war.

Highest profile was our Syria campaign, which called on world leaders to take action to stop the atrocities being committed against children in Syria's bloody civil war. At the same time, our swift response to the food crisis in west Africa helped save thousands of lives.

SYRIA: REBUILDING SHATTERED LIVES

When Cat Carter from our Humanitarian Team went to the Syrian border, she expected to interview children about conditions they faced as refugees. Instead, she met queues of families desperate to tell the world about the terror, brutality and torture faced daily by children in Syria. "Every child I spoke to, I told them that we would do everything in our power to get their voices heard," she says. "And we kept our promise."

Our *Untold Atrocities* report made headlines around the world with its powerful first-hand accounts from children who had witnessed and experienced horrific violence in Syria. More than 60,000 people signed our petition calling on the UN to stop the crimes against Syria's children, and Prime Minister David Cameron cited our report in his address to the UN, which agreed to fund more human rights monitors.

"We spoke the truth to power and we didn't flinch," says Cat. "I'm enormously proud of Save the Children for that."

On the ground, our teams delivered urgent assistance to 87,000 refugees in Lebanon, Jordan and Iraq. In cooperation with the World Food Programme, we distributed bread to up to 51,000 people each day in Za'atari camp, Jordan.



"THERE WAS NOTHING THAT THEY DID NOT USE TO HURT US WITH."

Nur, nine years old

Za'atari Refugee Camp, Jordan



PHOTO: JONATHAN HYANS/SAVE THE CHILDREN

3.7
MILLION

people reached
with emergency
assistance

One-year-old Shamsia, from Niger, was severely malnourished, her life in danger. After four weeks at one of our feeding centres she made a full recovery.

Many families had fled with nothing but the clothes on their backs. Our teams gave them blankets, mattresses, stoves and fuel. When winter began to bite, we launched an intensive programme to support children through months of sub-zero temperatures by strengthening shelters and distributing warm clothes and shoes.

We trained teachers, social workers and parents to give protection and emotional support to traumatised children, and provided 49 safe spaces where children could play, talk, learn and begin to recover from what they had experienced.

In 2013, as the conflict enters its third year, we're expanding our operations to deliver vital aid to children inside Syria, and we're pressing for peace to end their appalling suffering.

WEST AFRICA: RESPONDING EARLY

The food shortage which gripped west Africa in 2012 left more than 1 million children hungry. We sounded the alarm early, warning governments they needed to act fast to prevent a disaster on the scale of 2011's east Africa food crisis.

On the ground, our teams delivered vital food aid, nutrition and healthcare to 1.5 million people in Burkina Faso, Mali, Niger and Mauritania. We helped stop the situation reaching crisis point by giving families cash transfers to buy essential supplies, providing safe drinking

water and improving sanitation. We also supported emergency clinics across the region to identify and treat malnutrition, saving thousands of lives.

One-year-old Shamsia was brought to our feeding centre in Niger suffering from severe malnutrition. Our health workers treated Shamsia and she made a full recovery in just 28 days. "People thought we wouldn't bring her back," Shamsia's mum told us. "Now she's feeling well and she eats everything. I never believed it would be possible."

In 2013, we're working to prevent future food crises by strengthening communities' ability to cope with drought and rising food prices. We're teaching families about good nutrition, improving access to clean drinking water, and providing seeds, tools and agricultural training to help boost families' income.

- In **Niger**, we gave cash grants to 17,000 households, benefiting 307,000 people, and we distributed seeds to nearly 100,000 people.
- In **Mali**, we helped treat more than 5,800 malnourished children. We also distributed seeds, helping 162,000 people improve their crop yields and increase local food supplies.
- In **Burkina Faso**, we reached more than 320,000 people, and supported nutrition programmes in 63 health centres and two district hospitals.



Every day, against the odds, our emergency teams around the world deliver vital food, shelter, healthcare, protection and education to thousands of children caught up in the toughest and most dangerous situations. We hear from Save the Children staff who were there on the ground in 2012.

Mohammed Nassirou, one of our life-saving team at a feeding centre in Niger, assesses a child for acute malnutrition. In the food shortage that gripped west Africa last year we helped 1.5 million people with food aid, healthcare, cash transfers and emergency nutrition.



VOICES FROM THE FIELD

SYRIA

Mark Buttle, Water, Sanitation and Hygiene Adviser

“When you see the photos, you realise people in Syria are living in terrible conditions. Our partners in Syria have started to do water, sanitation and hygiene work. They discovered that the water was unsafe to drink, so they’ve been helping to chlorinate water supplies. Children are unable to wash, so we’re trying to start water deliveries to the schools where many families have moved for shelter.

“Levels of typhoid and hepatitis A are rising in the areas where our partners are working. For me, that really emphasises how dire the situation is, and the need for urgent action. There are additional risks from mounting rubbish in cities – natural breeding areas for rats and sandflies, which could cause a host of deadly diseases.

“If we had full access in Syria, Save the Children would focus on the real basics – health programmes, making sure people have enough to eat, and delivering clean water and sanitation.”

THE PHILIPPINES

Jessa Serna, Emergency Response Personnel – Food Security and Livelihoods

“I conducted Save the Children’s assessment on the impact of Typhoon Bopha. In some areas, around 90% of the houses were destroyed, so people are either living with relatives, in shelters, or moving to other places. We provided essentials such as hygiene kits and household utensils.

“We involve children in our assessments, asking them to draw their experiences and talk about how they feel. A lot of children cried when they explained their drawings. Adults told us their children were still terrified – especially when there were strong winds and rains in the weeks after the disaster. That’s why we set up the child-friendly spaces. The whole community helps set up these spaces through our cash-for-work scheme, so they help with child protection, education and livelihoods.

“A lot of debris needs to be cleared – people have not yet started because they’re still in shock.”

DEMOCRATIC REPUBLIC OF CONGO

Rob MacGillivray, Country Director

“This country is extremely volatile, particularly in the east, where there are a number of armed groups operating. Over recent years 2.7 million people have been forcibly displaced from their homes because of continuing conflict. In one week alone in November 2012, 140,000 fled their homes due to fighting.

“Since violence reignited towards the end of 2012, the security situation has become more and more dangerous, making vulnerable children even more vulnerable. It’s not uncommon for families to be displaced three or four times in a matter of months.

“We are responding to the needs of vulnerable families by providing basic household equipment and essential medicines. Where schools have been damaged due to fighting, we have repaired them, and when children have been made vulnerable, we have protected them.”

SOUTH SUDAN

Thomas Whitworth, Emergency Response Personnel – Shelter

“South Sudan is vast. Beyond the capital, many roads are impassable for most of the year, and often insecure. Markets are extremely limited and most man-made construction materials need to be imported.

“Despite the constraints, we’ve built temporary learning spaces to support around 20,000 primary school aged children in the Upper Nile State. Even the simplest elements had to be adapted to make use of what was available locally – for example, there were no nails on sale in the market, so instead the team made rubber ties from old car tyres.

“The temporary classrooms may not look like much, but they provide an essential service in an extremely desperate situation. We are now working with our partners to upgrade to more durable buildings. Even after the refugees have returned home, we hope to leave a legacy of school infrastructure for South Sudan.”



HOW DO YOU CHANGE THE WORLD FOR CHILDREN?

In 2012 we helped more children than ever before – saving lives and giving them the chance to fulfil their potential. But we're determined to accelerate that rate of progress.

Last year we designed five world-class 'signature programmes'. These aim to take our work to a new level, benefiting millions more children.

We know we can't achieve everything we want to on our own. Our signature programmes will build on our powerful partnerships with governments, companies, donors, non-governmental organisations, research institutes, and children and communities.

By gathering sound evidence of the impact of these innovative programmes, we'll convince others to replicate our work, building momentum for even broader change.

In a nutshell, that's our vision to transform children's lives at the scale that's needed: our 'theory of change'.

The following profiles describe three of these signature programmes that we'll be implementing in 2013 and beyond.

BANGLADESH: PUSHING THE BOUNDARIES

Over 40% of children under five in Bangladesh are chronically malnourished. Our new signature programme is challenging child malnutrition head on.

"In Bangladesh we're pushing the boundaries of what we do – and at a huge scale," says Alex Rees, Head of Hunger Reduction and Livelihoods. We're aiming to prevent hundreds of thousands of children from growing up stunted and to lift up to 1.8 million people in Khulna division out of poverty over five years.

Our programme aims to be a catalyst for change. We'll bring together different sectors in government to tackle child malnutrition in a coordinated way.

We'll help poor families increase their incomes and food supplies. And we'll support community health workers to raise families' knowledge of practices to prevent malnutrition and empower mothers to act.

In partnership with universities and research institutes in Bangladesh and the UK, we'll follow the progress of young children over three years. This evidence will bolster our call on the government to take concerted action to tackle malnutrition.

RWANDA: CHILDREN'S RIGHT TO READ

It's one of the great development success stories of the last decade: between 1999 and 2010 the number of children missing out on school fell by 39 million. Just 10% of primary-age children are now out of school.

But a huge challenge remains. Many children in school fail to learn. It's estimated that around one child in three in school in developing countries struggles to read basic words.

Rwanda is no exception. 93% of children here are enrolled in primary school. But by their fourth year, 13% of them can't read a single word of a simple text. And many more fail to understand much of what they read.

Our new signature programme aims to begin to reverse this crisis. Working across an entire district, we'll help 140,000 children develop reading skills over five years, and grow or build a popular culture of literacy.

We'll start early. As every mum and dad knows, much of a child's learning happens at home. Our new approach to family learning, First Read, will provide pre-school children with their own set of books, and our volunteer educators will help parents gain the knowledge and confidence necessary to stimulate their children's emergent maths and literacy skills.

We'll ensure teachers have the knowledge and skills to teach reading effectively, and provide high-quality, local-language children's books to help stimulate a love for reading. Our partnership with local publishers will support them to produce better books for our



PHOTO: PATRICIA KAPOYO/SAVE THE CHILDREN

Naima's parents were struggling to make ends meet and to feed their children a healthy diet. Our project in Bangladesh gave them a grant to set up their own business and to grow their own food. "Now we all eat three meals a day," says Naima's mum, Jasmin. "I can feed the children healthy food all the time."

programme and beyond, ensuring there's a ready supply of great books for Rwanda's schools and communities.

A rigorous research project will track the impact of the programme. Building on this evidence base, we'll form partnerships with government, local organisations and publishers to push for this approach, if successful, to be applied more widely within Rwanda, and internationally.

INDONESIA: PUTTING FAMILIES FIRST

How do you start to transform the national child welfare system in the world's fourth-biggest nation?

Half a million children are in care homes in Indonesia – one of the highest proportions in the world. Institutional care is sometimes seen by parents here as the best way of getting a child an education and other essential services. Yet growing up in poor-quality care homes can have a devastating impact. Our project in Indonesia has been tackling this challenge for a number of years (see page 22).

Now we're planning to build on that progress with our new signature programme, Families First. In West Java, our programme hopes to help develop a comprehensive system of care, reaching an estimated 195,000 children living with their families and 8,400 children in care institutions.

We'll put in place a network of community social workers to help poor families access the basic services they need to bring up their children – education, parenting support, welfare benefits. For the most vulnerable children – who have been abused, neglected or exploited, or who are disabled – we'll train social workers to provide expert one-to-one support. We'll gather sound evidence of our impact, and use this to push for further changes.



IT SHOULDN'T HAPPEN HERE



PHOTO: ABBIE TRAYLER-SMITH/SAVE THE CHILDREN

Joe, six, from Ebbw Vale, Wales. Like many families here, his parents are struggling to get by. They often have to skip meals. Joe suffers from asthma, made worse by their damp home, which they can't afford to heat properly in winter.

In 2012 we exposed in stark detail the reality of living in poverty for children and families across the UK.

Our report, *Child Poverty – It Shouldn't Happen Here*, showed how some of the poorest parents are skipping meals so their children have enough to eat. It revealed how children are all too aware of the stress money worries are putting on their mums and dads.

That's why, in September, we launched a major campaign to raise money and speak out for the 1.6 million children who are growing up in severe poverty in the UK.

Children like three-year-old Amy.

Night after night, Amy and her sister struggled to sleep on dirty, cheap foam mattresses that were impossible to get clean. Amy started to develop skin complaints and her mum worried that Amy's respiratory problems would get worse. The bedframes were broken and rotten, but she couldn't afford new beds for the girls.

"I've tried putting money aside but ended up spending it on basics like food and new shoes," she says. "I don't like not being able to do things for my kids... I was going to bed worrying."

GETTING THE BASICS

Through our Eat, Sleep, Learn, Play! programme, we were able to give Amy and her sister a new bed each – and finally the chance of a good, healthy night's sleep.

Last year, as part of Eat, Sleep, Learn, Play!, we made sure almost 7,400 children like Amy got the basics – a hot evening meal, blankets, a warm bed, and educational books and toys.

Feedback was very positive. Satisfaction rates among people receiving grants were 98%, and 91% among referral partners.

In 2013 we'll keep expanding our vital work in the UK to ensure that more than 12,000 children get the essentials no child should be without.

FAST ACTION

Education can be a ticket out of poverty. Our partnership with Families and Schools Together (FAST) bolsters children's chances of succeeding at school.

We're helping create a supportive home environment that builds children's confidence. Working in schools in disadvantaged areas, our programme runs sessions for parents on listening to, understanding and communicating with their child.

In 2012 our eight-week course made a real difference to more than 5,100 children in some of the UK's most deprived areas:

- 5% improvement in children's academic competence – including reading, writing and maths
- 24% reduction in children's behaviour problems at school
- 53% average increase in parents' involvement in school
- 15% reduction in behaviour difficulties at home

Teachers have been quick to endorse FAST's methods. "Parents need more from us than how to teach their children multiplication," the head of a primary school in Peckham, south London, told us. "I was surprised to see how soon FAST impacted on the children. My ideal would be for all children to be able to have FAST when they start in reception."

Our FAST partnership has also won the backing of two of the country's biggest brands – Morrisons and

Lloyds Banking Group – who have raised £4m and £3.6m respectively for our life-changing education work. "Working with Save the Children helped us give children the opportunity to fulfil their potential and make a profound and lasting difference within our communities," said Paul Turner, Group Community & Sustainable Business Director at Lloyds Banking Group.

In 2013 we will grow our impact even further, reaching more than 8,000 children.

EARNING A LIVING WORTH HAVING

A job should be a route out of poverty, but 60% of children in poverty are from families where at least one parent has a job. So last year we campaigned for a 'Living Wage' – a wage that would mean parents could give their children a real chance in life.

Save the Children's Young Ambassadors took the campaign to employers and saw a range of local authorities sign up to pay the Living Wage.

CHILDCARE TRAP

Low wages aren't the only problem for UK parents. Far too many are priced out of work by high childcare costs. In 2013 we'll keep pressing the government to make work pay, through better wages and more childcare support.

Child poverty. It shouldn't happen here. It's wrong and we're determined to end it, once and for all.



PHOTO: MARK ELLIS/SAVE THE CHILDREN

Jacqueline, with her daughters Olivia and Brooke, received a pushchair and highchair through our Eat, Sleep, Learn, Play! programme.



PHOTO: ELIZABETH DALZIEL/SAVE THE CHILDREN

Maria, with her son Taiu, relies on supplies from food banks. She often misses meals and fears she'll be evicted as she's fallen behind on her rent.



BUILDING BRIGHTER FUTURES

“We request only education. One day, we want to participate in our government and make them push education.” This is what 14-year-old Nuur tells us, when asked what children want from aid agencies in the sprawling refugee camps of Dollo Ado, Ethiopia.

For children facing poverty, displacement and instability, schools can offer safety, escape and the promise of a brighter future. In 2012 we brought education to 1.8 million children, many of them living in some of the toughest environments imaginable. From conflict-hit villages to windswept refugee camps and remote desert communities, our programmes provided vital opportunities for children to learn, develop and grow.

MAKING A BREAKTHROUGH

In an emergency, children's lives are turned upside down. Getting children back to education can help them regain some sense of stability and begin to recover from what they've experienced. In 2012, our Education in Emergencies breakthrough programme brought education to the forefront of Save the Children's disaster relief work, ensuring that children's learning was a component of all our major crisis responses.

Through the Breakthrough Fund, we leveraged £5.6 million of institutional funding to support education in crisis situations, enabling us to reach 330,000 children in 11 countries. Significantly, our advocacy work helped secure the first Nobel Peace Prize grant for education in emergencies, and €1.5 million from the European Community Humanitarian Office.

SCALING UP IN KENYA

In Kenya, we built a small-scale emergency education programme into a major national strategy, securing more than £10 million for education projects. We raised Save the Children's profile in the country and improved our

links with the Ministry of Education. This included helping to develop and implement national guidelines to support nomadic children's learning.

Save the Children in Kenya also won the EU's Support to Education for Refugees in Dadaab award, for leading a consortium working with refugees and host communities to increase equal access to education and training for 22,600 refugees and community members.


REACHING REMOTE COMMUNITIES

In Ethiopia, we developed a major programme to improve education in the country's Somali region, which will reach 38,000 children. This joint project will support schools and alternative education centres to create better access to flexible and relevant education for primary-aged children. By encouraging communities and local government to work together to develop education services, the project will strengthen local relationships and promote peace-building.

Ethiopia is also home to 370,000 refugees, with nearly half of them crowded into the five vast camps that make up the Dollo Ado complex. Of the 116,000 children living in the camps, 95% have never attended any kind of formal education, so our programme set out to change this. We set up early childhood learning and development programmes, reaching up to 10,000 children each week. We also developed alternative and vocational education syllabuses for older children.

GIVING GIRLS A CHANCE

We secured £14.7 million for girls' education programmes in Ethiopia and Mozambique through the UK government's Girls' Education Challenge fund. Due for launch in early 2013, these projects will reach 75,000 girls, providing education kits to give primary-aged students the tools they need to learn, and funding bursaries to enable girls in poor communities to progress to secondary school. We'll further support girls' education through catch-up classes, homework clubs and teacher training. We're also supporting joint projects to support girls' education in the Democratic Republic of Congo and Afghanistan.



“WE REQUEST ONLY
EDUCATION. ONE DAY, WE
WANT TO PARTICIPATE IN OUR
GOVERNMENT AND MAKE
THEM PUSH EDUCATION.”

Nuur, 14

A pre-school centre in a refugee camp in Dollo Ado, Ethiopia



A CARING HOME

380,000

children helped to stay safe

PHOTO: SEBASTIAN RICH/SAVE THE CHILDREN



Joti, eight, sleeps on a street in Dhaka, Bangladesh.

Surviving on the streets, in bleak institutions or on the move, millions of children are growing up without the care and protection they need and deserve.

Ensuring that children can grow up in a safe, supportive family environment was a key focus of our child protection work in 2012. We worked in countries like Liberia and Indonesia to protect children who live alone, in institutions, or on the streets, and helped reunite them with their families, or find new homes and new futures.

We also enabled children to escape dangerous or exploitative work by helping families find new ways to earn a living, and we supported children who migrate to new countries.

PUTTING FAMILIES FIRST

Half a million children in Indonesia are living in orphanages and childcare institutions – one of the highest rates of institutionalisation in the world. Yet 90% of them have at least one parent alive, and 50% have both parents living.

We know about the devastating damage that poor-quality institutional care can cause to children's development, and that a caring family is the best, most protective environment for children. But in a culture of institutionalisation, children are being removed from their families and communities to grow up in unregulated, impersonal, sometimes brutal environments.

"We recently helped parents whose baby was put into an institution when they couldn't afford the hospital's delivery fees," says Bill Bell, our Head of Child Protection. "The institution demanded more than £650 in expenses to release the child, so all the parents could afford to do was visit. Our team helped reunite the family, but without

“YOU HAVE TO TAKE ME TO MY MOTHER. GO AND LOOK FOR HER, SO THAT SHE DOESN’T GET LOST. TELL HER THAT HER SON IS LOOKING FOR HER. I WANT TO GO HOME AND PLAY.”

In Sudan, our family reunification team helped trace three-year-old Abel’s mother after they were separated during an attack on their village.

our intervention that child’s future – and the future of the family – would have been very different.”

In 2012, we worked with Indonesia’s Ministry of Social Affairs to strengthen the country’s child protection system and promote family-based care. We developed new care standards for institutions and drafted new child protection regulations, while piloting an innovative child and family support centre programme to provide professional social work support to communities.

We also helped create a new certification system for the social workers who will deliver this new programme, adding 20 courses to the university syllabus. The first 50 professionally certified Indonesian social workers graduated in 2012.

Our tracing and reunification pilot programme helped 30 children return to their families last year. We’re also tackling dangerous and exploitative child labour – our staff helped withdraw nearly 3,000 children from inappropriate work in 2012.

A DANGEROUS PLACE TO GROW UP

Liberia remains one of the toughest places in the world to be a child. In the aftermath of a brutal civil war, nearly half of the population lives in severe poverty, and children face a high risk of abuse.

In 2012, we worked with Liberia’s Department of Social Welfare to build robust child protection systems and promote safe, family-based care for all children. We established databases of separated children in six counties and we’re setting up placement committees to ensure that children are given appropriate alternative care.

Our tracing systems helped reunite 220 children living in orphanages, or on the streets, with their families, and provided clothing and toiletries to help them readjust to family life. Follow-up visits showed that 90% of children were adjusting well at home and attending school.

WHEN CRISIS HITS

Conflict and natural disasters create huge risks for children. In 2012 our emergency child protection teams helped keep children safe in refugee camps and crisis zones around the world.

- In Lebanon, Jordan and Iraq, we set up 49 safe spaces for Syrian children living in refugee camps and host communities to play, learn and come to terms with their experiences.
- In China, we helped more than 2,300 children in the aftermath of a double earthquake by training teachers to respond to signs of trauma and deliver ‘psychological first aid’.
- In conflict-hit South Sudan, we reunited 84 separated and unaccompanied children with their parents and placed more than 300 in family-based alternative care.

CHILDREN ON THE MOVE

Children can be forced to leave their home country by war, food shortages, or in search of work. Hidden in food shipments, crammed into trucks or even swimming across rivers in search of a better life, they face grave dangers, including abuse, exploitation and imprisonment.

In 2012 we worked with the UN to ensure that the views and experiences of children who migrate are listened to. In South Africa, Mozambique and Zimbabwe, we brought together border agencies to ensure that children can move safely between countries, and to help those who are returned home to reintegrate. In Egypt, our EU-funded project helped create job opportunities for young people so that they were not forced to migrate to Europe in search of work.



CHILDREN TAKE THE LEAD

We asked children we work with for some straight-talking feedback. They didn't disappoint.

Using posters, websites, films, stories and workshops, we explained what we're trying to achieve and how, so children can hold us to account.

In 111 projects in 15 countries we made it easier for children and communities to tell us what they think about our programmes – through suggestion boxes, helpdesks, and meetings. The response? Nearly 6,000 comments, suggestions and complaints.

- **In Ethiopia** our livelihoods project had feedback that some of the most vulnerable households were missing out on support. As a result we improved our targeting.
- **In Sierra Leone** we carried out community consultations with more than 100 men, women and children before setting up a feedback mechanism on our work in three slum communities in Freetown.

Last year, children also played a big part in shaping our work and furthering our aims. For example:

- **In Myanmar (Burma)** we set up more than 30 groups for children to take part in our programmes. We created a national forum for the most vulnerable children – such as those forced to work – so that they can look at common threats, problems and solutions.
- At the Olympic hunger summit in London (see page 9), Frank, one of our youth ambassadors, from Tanzania, urged world leaders to act to tackle malnutrition. “There are a lot of talented people in Tanzania and in the whole of Africa,” he said, “but it's hard to develop those talents if you don't get enough food.”
- In July we launched our Young Leaders programme in the UK, which aims to place children's and young people's voices at the heart of our UK programme work. We recruited and trained 47 young people, with specialist support in media, campaigning, advocacy and recruitment.



PHOTO: ZAK WATERS/SAVE THE CHILDREN

Frank (third from right) delivered our Race Against Hunger petition to Prime Minister David Cameron, accompanied by other Save the Children young ambassadors and Olympic champion Mo Farah.



STRONGER TOGETHER

We're determined to accelerate our progress in saving lives and giving every child the chance to fulfil their potential. But we know we can't do it alone.

That's why we're working in partnership with a huge range of people and organisations – from big-name global brands to the dedicated volunteers in our high street shops.

BUSINESS BENEFITS

"Our partnership with Save the Children fits in very closely with Reckitt Benckiser's vision of a world where people live healthier and better lives – we want to make a difference by providing innovative solutions."

Rakesh Kapoor, Chief Executive, Reckitt Benckiser

In 2012 we deepened our relationships with companies such as Reckitt Benckiser, Lloyds Banking Group, Morrisons and Arsenal Football Club – far exceeding our fundraising targets. We also signed a hugely significant three-year partnership with Unilever (see page 27).

Morrisons is now the biggest supporter of our UK work. "The fabulous thing about supporting the Families and Schools Together programme is that we are able to see the difference we are making in the communities we operate in first hand," said Martyn Jones, Group Corporate Services Director.

Our corporate relationships help us raise vital funds and reach new supporters. Increasingly we'll look to work with companies in innovative ways to save children's lives and help them fulfil their potential. This will be a key focus for us in 2013.

VOLUNTEER FORCE

"I love meeting people and the challenge of making money," says Georgie Johnston, leader of our Belfast shop. "We have a lot of very good, committed volunteers."

Volunteers are the heartbeat of Save the Children. All of our 126 community shops are 100% volunteer-run. Without our volunteers our events couldn't take place and much of our fundraising and campaigning would be impossible. We want to build on the strength of this 9,000 strong volunteer force, both expanding their numbers and the diverse range of activities they can undertake to support our collective work for children.

UNITED WE'RE STRONGER

We're working in more than 120 countries as part of the Save the Children movement. Following excellent progress in 2012, we have now brought the majority of Save the Children members' programmes under a single delivery structure. We still design and own these programmes, but we deliver them through a unified structure in countries where we work. As a more unified organisation we can increase our impact, begin to implement our ambitious 'signature programmes' (see page 16), and reduce costs.

By working together across the Save the Children movement, from India to the USA, we have also dramatically increased our campaigning impact. Our focus this year on tackling child hunger and malnutrition has helped build global support for concrete action. Also, by campaigning together on Syria and the post-2015 global development framework, we have raised more money, increased our advocacy impact and helped change children's lives.

"OUR PARTNERSHIP WITH SAVE THE CHILDREN WILL HELP US REACH EVEN MORE YOUNG PEOPLE GLOBALLY AND GIVE THEM A CHANCE TO REALISE THEIR POTENTIAL – A PHILOSOPHY WE ARE COMMITTED TO ON AND OFF THE PITCH."

Ivan Gazidis, Arsenal Chief Executive



UNSWERVING SUPPORT

We raised an incredible £284 million for children in 2012. The British public were unstinting in their generosity despite the double-dip recession, donating £65m for our life-saving work.

Behind this magnificent total were the fundraising heroics of thousands of individual supporters, moved by the plight of children across the world.

Katie Ogley survived on £1 a day to raise money for us. "Although it was tough, the buzz of raising money kept me going. Yes I was hungry, yes I was tired, but I'm lucky because I can go back to 'normal' and, at the end of it, I'd raised a lot of money to help those who don't have that choice."

Last year we launched three exciting new fundraising initiatives – Build it for Babies, Christmas Jumper Day and the Night of Blues – that each proved a fantastic success.

BUILD IT FOR BABIES

In April we launched Build it for Babies, an appeal to the UK public to help us staff and equip seven clinics in two of the poorest districts in Bangladesh. Thousands of volunteers all over the country rose to the challenge with fundraising events, from a curry night in Balsall Common to an evening's musical medley in Wareham. And our corporate partner Reckitt Benckiser added generous support, buying an entire clinic. It was our most successful appeal of its kind ever, raising more than £1 million.

NIGHT OF BLUES

Around 500 friends and celebrity ambassadors descended on the Roundhouse in London for our inaugural Night of Blues, sponsored by Reckitt Benckiser.

Stellar performances from Grammy-award winning Dr John, Rolling Stones guitarist Ronnie Wood, renowned saxophonist Maceo Parker, Chicago blues legend James Cotton and soul singer Jocelyn Brown helped make it a night to remember and raise £1.1m.



PHOTO: JEFF SPICER / ALPHA

Rolling Stones guitarist Ronnie Wood was part of a star-studded line-up for our Night of Blues at London's Roundhouse.

“I JUST MADE A DONATION AFTER SEEING THE EXCELLENT REPORT FROM MYLEENE KLASS ON ITV NEWS.”

Save the Children supporter

CHRISTMAS JUMPER DAY

In schools and offices across the country 290,000 people took part in Christmas Jumper Day, our new mass fundraising and awareness event, bringing in more than £341,000 – more than three times our target. The appeal caught the imagination of the public and celebrities alike, with Myleene Klass and Jon Snow donning their festive woollies to show their support. This year we aim to make it even bigger and better.



PHOTO: TESSA HALLMANN/SAVE THE CHILDREN

CORPORATE SUPPORT

Lloyds Banking Group donated £2.3m during 2012, funding 33 FAST programmes to help give children in the UK the best possible start at school. Thirty-five employees took their support to new heights when they trekked to Everest Base Camp back in June, raising over £230,000. This outstanding achievement will change the lives of hundreds of the poorest children and their families across the UK.

Our partnership with Reckitt Benckiser goes from strength to strength, raising £3.5m in 2012 – more than ever before. Reckitt Benckiser employees raised half of these funds – in imaginative and creative ways. The funds will support our health, hygiene and protection programmes in ten countries.

And we're grateful to Unilever for their ground-breaking €15m three-year commitment to support Save the Children's biggest-ever global campaign, EVERY ONE. Their support will help us reach more than 2 million children and their mothers.

INSTITUTIONAL INCOME

Our income included £136m in grants from national and local government institutions. Our two largest institutional donors were the UK government, which gave us £33m, and the Humanitarian Aid and Civil Protection department of the European Commission (ECHO), which gave us £37m.

New programmes in 2012 include a single five-year grant of £34m from the Department of International Development for a water, sanitation and education programme in Ethiopia. This project will deliver a better education to 57,000 primary school children, give more than 340,000 people access to improved water sources, and improve health services for 75,000 people.

CORE GROWTH

Overall, our total income hit £284m, exceeding our target for 2012 by £10m. In a tough economic climate, that's an exceptional achievement.

More than 100,000 people supported us for the first time, and unrestricted income from individual giving grew by £7m, while corporate donations increased by £2m.

Our total income figure is a smaller figure than for the previous year, but that is due to two significant factors. Changes in the way we account for our income across the Save the Children movement and fewer large-scale emergencies in 2012 mean that the total income is a smaller figure than for the previous year, but the underlying growth is encouraging, particularly in terms of support from the British public.

We are proud that, over a five-year average, 88 pence in every £1 we spent went to help children.



PHOTO: ALEX GRACE/SAVE THE CHILDREN



2013: GOING FURTHER, FASTER

Last year saw the biggest-ever annual fall in child mortality – a drop of 700,000. This wasn't a one-off. The number of children dying every year from preventable causes has come down from 12 million in 1990 to less than 7 million in 2011.

We're determined to help accelerate progress. We've set ourselves ambitious targets to dramatically increase our life-saving impact and to reach each of our breakthrough aims for children.

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

- 1.4 million under-fives treated for pneumonia, diarrhoea or malaria
- 137,000 under-fives treated for severe and acute malnutrition
- 130,000 families given cash or food packs so they can get a more nutritious diet
- 5.9 million children reached through our health and nutrition work

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

- 60,000 more children in school in countries affected by conflict
- 1.9 million children reached through our education work

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

- 20,000 UK children will benefit from our award-winning education programme and our work to make sure families get the basics they need

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

- 600,000 children kept safe from abuse and violence

- 55% of the children we target through our programmes given access to child protection services

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

- 600,000 emergency-affected children and two-thirds of children in our priority-country programmes will have the opportunity to hold us accountable for our work

HOW WE'LL DO IT

To achieve these tough targets, we'll focus on four key priorities. In our **humanitarian work** we'll respond more quickly and effectively to every emergency. Whenever, wherever disaster strikes, we'll be there, saving children's lives.

Our **world-class signature programmes** are designed to accelerate our progress. Embodying our 'theory of change' (see page 16), these innovative programmes will deliver results at scale on the ground; build a rigorous evidence-base that proves their impact; and provide replicable approaches to achieve wider change. Five signature programmes will become operational in 2013 – in Bangladesh, Rwanda, the Democratic Republic of Congo, Indonesia and the UK – and we'll develop five more.

Alongside our work on the ground, we'll scale up and deepen the **support for our cause**. And we'll take our campaigning to another level through No Child Born to Die. We'll mobilise millions of people in 2013 around key global moments, including the G8, focusing on hunger – the Achilles' heel of global progress.

We won't be able to meet our targets without others. **Partnerships** are critical to achieving change. We'll develop closer relationships with corporations that include not only money but also their ability to deliver change through their core business.

And working with more than 100 organisations we'll build a huge campaign to tackle global hunger – Enough Food For Everyone IF. Together we'll work towards giving every child a life free from hunger.



Rogina, Sunita and Sanu live in a village in a mountainous region of Nepal.

FINANCIAL PERFORMANCE

INCOME

Our income in 2012 was £283.7 million, a real achievement in tough economic times. This is thanks to the generosity of the public and our corporate supporters, foundations and key donors such as DFID and the EU. Changes in the way we account for our income across the Save the Children movement and fewer large-scale emergencies in 2012 mean that the total income is a smaller figure than for the previous year; but the underlying growth is strong. We are particularly pleased that support from the British public is up from 2011. The headlines below outline our strong performance across fundraising:

- In what continues to be a tough economic environment, income from individuals and communities grew £2.5m to £46.0m, with an increase in individual giving from £38.5m to £41.6m. When the impact of the significant one-off £5.2m legacy donation received in 2011 is taken into account, legacies have remained stable at £13.1m.
- Company, major donor and trust income of £28.8m in 2012 was broadly comparable with 2011 (£30.7m), with a £1.6m increase in corporate fundraising reflecting our strategic focus on building strong partnerships.
- Institutional income from national and local governments, as well as multilateral institutions

including the European Union and the United Nations, was £27.0m less at £136.3m. This is due to changes in the way we account for funds in the wider Save the Children movement. Funds that would have been passed to Save the Children UK – from overseas donors and other Save the Children members – now pass directly to other parts of the Save the Children movement. Also, funding for major crises was unusually high in 2011, with £25.3m of funding received in response to the floods in Pakistan and drought in east Africa. Thankfully, there were fewer major crises during this year. Disregarding these two factors, the underlying growth is very encouraging, particularly in terms of support from the British public.

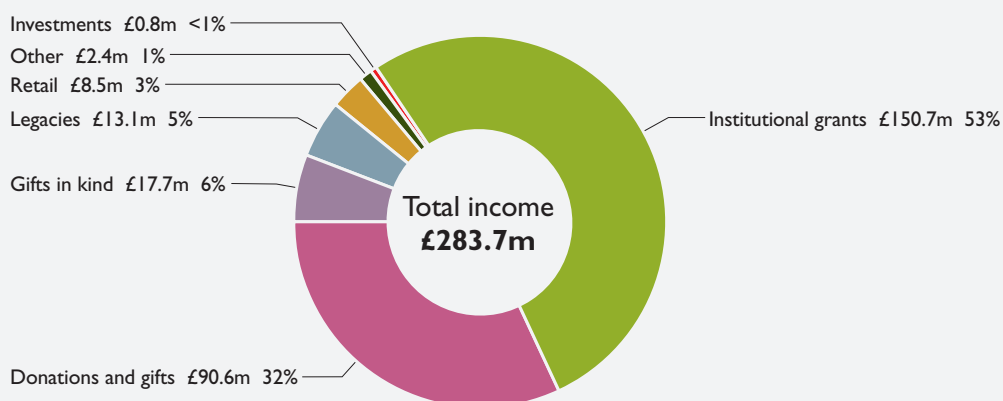
- Gifts in kind were £17.7m and mainly represented food aid in Ethiopia, Kenya, Somalia and Niger. We were also successful in securing significant legal and consultancy support, helping us to minimise our unrestricted funds outlay and overheads.

EXPENDITURE

In 2012 we spent £317.0m to help improve the lives of children across the world.

- Of this, £274.8m was spent directly on charitable activities. This includes all amounts spent in furtherance

WHERE OUR INCOME CAME FROM IN 2012



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

of our mission, which covers our full theory of change, including advocacy, programme activity carried out directly and through our partnerships with other organisations, and evidence-gathering and programme quality work.

- On average over the past five years, 88% of our total expenditure* has been on charitable activities. For 2012, this was 88% (89% in 2011).
- Our commitment, expressed in our No Child Born to Die campaign, to end preventable child deaths saw us spend £94.6m (34% 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 £40.6m (15%) on this vital area.
- We spent £86.6m in our direct response to 50 emergencies in 39 countries, and a total of £165.0m when our work in fragile states is included. This includes measures designed to save lives, to prevent and alleviate the suffering of vulnerable children and families, and to maintain and protect the dignity of affected children and families. It thus combines our response in the immediate aftermath of a new emergency and our work in countries recovering from recent emergencies, as well as in countries with long-standing chronic emergencies or where we

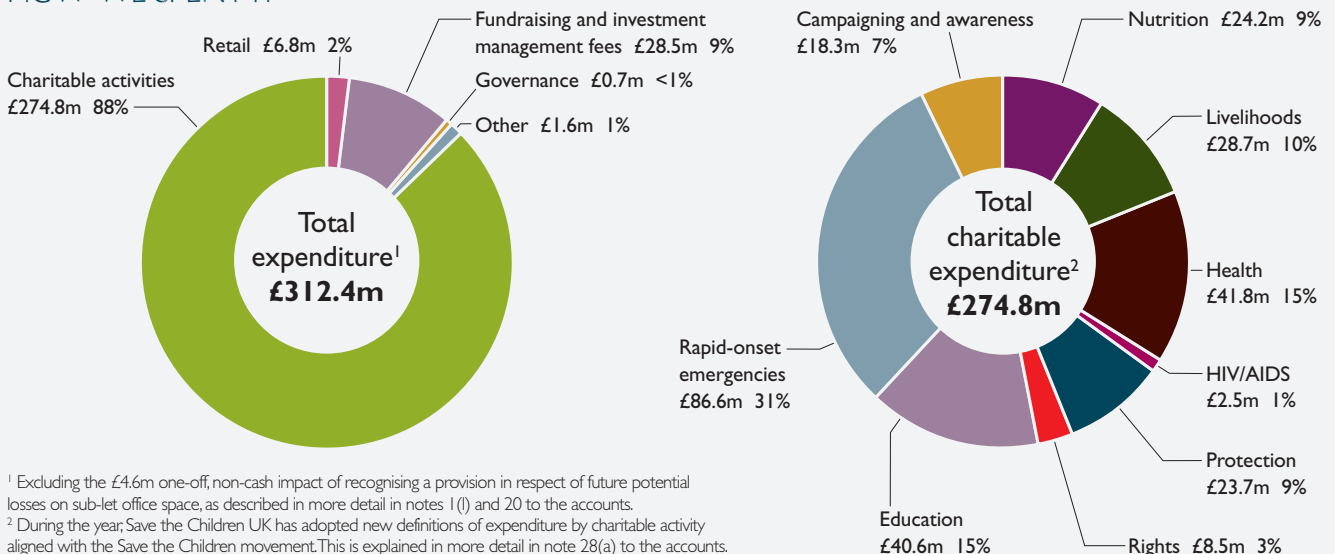
have disaster risk reduction programmes. We can now respond more quickly than ever. We can predict and plan for many emergencies, and save lives by preventing the worst effects of disasters.

- We spent £18.3m on campaigning and awareness. This supported our No Child Born to Die campaign, which aims to end child mortality from preventable causes and help save the lives of 6.9 million children under the age of five who die every year.
- The cost of raising voluntary income increased from £26.8m in 2011 to £28.4m in 2012, as we continued to invest in recruiting new supporters, raising more income from individual giving and expanding our major corporates portfolio in order to increase our impact for children.

OTHER INCOME

We saw a gain in the value of our investment portfolio of £1.2m in 2012, compared to a loss of £1.4m in 2011. We expect market volatility to continue, given challenges such as continued economic difficulties especially in the Eurozone. However, our investment strategy is to seek capital growth in the long-term rather than focus on short-term gains and losses.

HOW WE SPENT IT



¹ Excluding the £4.6m one-off, non-cash impact of recognising a provision in respect of future potential losses on sub-let office space, as described in more detail in notes 1(i) and 20 to the accounts.
² During the year, Save the Children UK has adopted new definitions of expenditure by charitable activity aligned with the Save the Children movement. This is explained in more detail in note 28(a) to the accounts.

THE FUNDS OF THE CHARITY

Our total funds of £54.8m fall into three categories:

Restricted income funds (£49.3m) are grants or donations received for defined projects that will be spent in future years.

Restricted endowment funds (£2.8m) are donations given by individuals specifically for us to invest and then use the income derived from these investments to benefit children. In order to manage its funds as efficiently as possible, Save the Children UK applied to the Charity Commission in 2012 to transfer £0.5m of endowment funds to general funds.

Unrestricted funds (£2.8m) are principally made up of **general funds** (£29.1m), **designated funds** (£5.4m), a **revaluation reserve** (£1.9m) and the **pension reserve** (a negative reserve of £33.7m). 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. This year, as part of our normal three-year review cycle, we have reviewed our reserves level, taking into account the impact of the financial risks associated with our income and expenditure streams and balance sheet items.

Following this review, the target range for our general reserves remains at between £24.0m and £29.0m. Currently our general reserves stand at £29.1m.

Our reserves are backed by our £19.7m unrestricted investment portfolio, which is held for the long term.

In 2012 we continued our investments begun in 2011, designed to deliver much greater impact for children. This contributed to the utilisation of £11.9m of general reserves in the year, bringing us to the top of our target reserves range.

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

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 our 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, our accounts have been prepared on the basis that the charity is a going concern.

Grant-making policy

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

As discussed in note 16 to the financial statements, Save the Children UK transferred the programme activity of a further 20 countries to Save the Children International in 2012, in addition to the three countries transferred in 2011. Plans are in place to transfer the majority of our remaining country programmes outside of the UK to Save the Children International in 2013.

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 £22.5m, including £2.8m of endowment funds. Despite recording a gain of £1.2m, the portfolio performed slightly below its benchmark for the year. In 2012, we consolidated £2.0m of funds previously held by Epworth Investment Management Ltd into our main investment portfolio with Newton.

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 with our own objectives. Investments should not alienate either beneficiaries or supporters.

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.

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 40). 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 the laws of all the countries we work in 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 executive 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 satisfactorily in the period, contributing £388,000 to the charity's funds, down from £831,000 in 2011.

Trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year. 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 and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

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

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

The trustees have the authority conferred by the memorandum and articles of association to invest as they think fit any of Save the Children 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 two 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 skill 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 executive directors and key senior staff, and makes recommendations to the board on 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 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.

Organisational structure

The trustees delegate the day-to-day running of the organisation to the executive directors who oversee particular departments as listed on page 40. 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 our strategy.

Risk management and internal control

Our willingness to pursue opportunities for children is underpinned by a commitment to ensuring appropriate decision-making and approval processes are in place to support our people in the actions that we take. 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 active monitoring of 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 is 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 2012, we revised our internal accountability framework for managing risk to embed our risk identification and mitigation better into our day-to-day ways of working. This will help ensure:

- We understand our organisational risk appetite, against which opportunities and critical decisions can be weighed and assessed. In 2012, we confirmed the charity's appetite for risk-taking where it benefits children:
 - we stand by our core values and charitable objectives and are willing to turn down or lose income or opportunities where to accept them would be in contravention of those values;
 - we demand zero tolerance on harm to children or beneficiaries caused by a Save the Children UK representative. We will not knowingly take decisions that put children or beneficiaries at risk of harm;
 - we often work in challenging environments, but we take our commitments for the duty of care towards our staff and representatives, wherever they work, extremely seriously;

- we have clear policies and procedures that govern the way in which we operate, including delegated management decision-making frameworks and trustee-reporting systems and procedures.
- 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 management have made about risks and understand the context in which decisions are taken. This helps them ensure the most serious risks are being managed effectively. In 2012, the executive directors and trustees identified their most significant risks as follows:
 - child safeguarding. Keeping the children with whom we work safe is our top priority. 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 has occurred, clear procedures for the protection of those individual children are enacted;
 - those that impacted the smooth transition of overseas programmes to Save the Children International. To mitigate these risks, which varied by country, a team was brought together to closely manage the transition process;
 - the safety and security of our staff, particularly those operating in unstable environments. In 2012, we worked 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 impact of the ongoing economic crisis on our assets, liabilities and our ability to raise funds to enable us to continue our work for children;
 - 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 will publish our first accountability and transparency report, which explains our current and future plans.

These risks are likely to remain equally relevant throughout 2013. 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 information shared between the two organisations to ensure continuous mitigation.

- 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).

The operational risk register is reviewed and updated with input from:

- senior staff who identify and manage risks as an integral part of their daily work;
- our managed country programmes who report their risks through to the London office for consideration in the charity's wider risk assessment;
- a risk assurance network of key staff who identify and manage risks. We provide them with a forum to share concerns and find solutions to them.

Each strategic risk is owned by an executive director, who assesses it for existing mitigation and confirms if further mitigation is required.

Our management of risk is supported by the 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.

In 2012, we started to develop measurable triggers that would indicate when a risk may be close to crystallising. However, we recognised that to do this requires improved data systems, which are to be implemented in 2013.

Save the Children UK's Audit and Risk department carries out regular audits of our head office and managed country programmes. The reviews are prioritised using a risk-based approach and each audit expresses a view on the controls in place and their

operation in practice and this in turn feeds back into the risk assessment process. Audit recommendations are systematically followed up and reports on implementation are received. The Head of Audit and Risk submits regular reports to the Audit Committee.

Our Audit and Risk department also works closely with Save the Children International's global assurance department to ensure that we maintain effective assurance over our interests in the country programmes that are now delivered by Save the Children International.

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 32. 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.

Pensions

Save the Children UK contributes to a defined benefit scheme, which we closed to new entrants in June 2002, and to an occupational money purchase scheme.

A professional actuary carried out a three-yearly valuation of the defined benefit scheme at 30 September 2011. This showed a deficit of £33.6m 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 2012 showed a deficit of £33.7m or a funding level of 74% compared with a deficit of £31.8m and funding level of 73% as at 31 December 2011. The details are shown in full in note 27 to the accounts.

Setting our budget

We have set our 2013 budget in the context of our Ambition 2015 plan. The financial reporting system compares results with the budget phased on a monthly basis.

Public benefit

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

Save the Children UK in Scotland

The Office of the Scottish Charities Regulator requires us to report separately upon the activities we have undertaken in Scotland. Save the Children UK's activities in Scotland during 2012 addressed issues faced by children in Scotland as well as contributing to the aims of Save the Children UK.

Tackling child poverty is our main priority in Scotland. In 2012 we saw significant expansion of our core community-based programmes into new parts of Scotland, reaching more than 2,000 children.

The Families and Schools Together (FAST) programme was introduced to Edinburgh, East Dunbartonshire, Fife and Renfrewshire for the first time and we continued to work with schools in Glasgow and West Dunbartonshire. The aim of the FAST project is to enable parents to better support their children's education, take an active role in their child's school and play a greater role in their local community. In total, we delivered the programme in 15 schools across Scotland and also trained 11 trainers who are now able to deliver the FAST programme in their local communities.

Our Eat, Sleep, Learn, Play! programme provides material assistance to low-income families with young children. This programme was delivered in Glasgow, West Dunbartonshire and Edinburgh. After assessment, families are provided with essential items to help their children eat, sleep, learn or play. During 2012, almost 800 families benefited from receiving items such as beds, cookers, pushchairs and toys.

The In My Back Yard programme completed a further five local projects in Glasgow and West Dunbartonshire. Children took action on a range of issues including creating safe play spaces, involving parents in education, piloting a community swap shop and developing community safety. Children and young people were also involved in our Young Ambassadors programme and led the Get IN campaign to increase access to sport and leisure opportunities for young people from low-income backgrounds.

During the year, Save the Children UK produced national research reports on universal credit, child development at school entry, and local action to tackle child poverty. Parents from across Scotland also got involved in a series of 'childcare conversations', which provided an opportunity to identify some of the barriers that parents face in accessing childcare. Many of those parents came to the Scottish Parliament in December to talk directly with MSPs about their experiences.

Playing a more global role, Save the Children UK in Scotland has assisted in fundraising for emergency appeals throughout the year, including the situations in Syria and Gaza. 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 9,000 volunteers have made a huge contribution to realising our ambition for children. By giving their time to run our shops, fundraise, organise events, provide specialist expertise and campaign, volunteers have raised millions in income and raised awareness of Save the Children across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children UK and incredibly grateful for the valuable gift of time that they give on a daily basis. Our Volunteer Vision will see this vital contribution growing to involve even more volunteers over the coming years, enabling Save the Children UK 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 safeguarding, 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. Over the past year, we have:

- issued a new Environmental Policy containing clear guidelines on how we should travel in the UK, use electricity and paper, and reduce waste
- mapped Save the Children UK's carbon footprint for 2011, with a follow-up exercise planned for 2012
- committed to deriving all energy used in our London headquarters in 2013 from renewable sources
- launched a new Cycle to Work scheme to encourage our people to get on their bikes.

In addition, we will publish 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.

ADMINISTRATIVE DETAILS

TRUSTEES

Alan Parker (Chair)	Committees*
Mark Esiri (Deputy Chair)	N, P
Gareth Thomas (Deputy Chair, appointed 17/04/2013)	F, N, P
Richard Winter (Treasurer)	P
Alex Duncan	A, F, I, P
Nyaradzayi Gumbonzvanda	N
Robert Hingley	A, F, I
Tamara Ingram	N
Joanna Shields (retired 11/12/2012)	
Kevin Watkins	
Sophia McCormick (appointed 27/03/2012)	
Naomi Eisenstadt (appointed 25/06/2012)	
Fiona McBain (appointed 20/09/2012)	
Adele Anderson (appointed 11/12/2012)	

INDEPENDENT MEMBERS

AND EXTERNAL ADVISORS	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 2012

(N) Nominations Committee	Chair
(P) Performance and Remuneration Committee	Alex Duncan
(A) Audit Committee	Gareth Thomas
(F) Finance Committee	Robert Hingley
(I) Investments and Pensions Committee	Richard Winter
	David Owen

DONATIONS DECISION-MAKING PANEL

Robert Hingley
Alex Duncan
Tanya Steele
Ishbel Matheson
Brendan Cox

EXECUTIVE DIRECTORS as at 31 December 2012

Justin Forsyth	Chief Executive
Rachel Parr	Chief Operating Officer (interim)
Peter Banks	Chief Financial Officer
Paul Cutler	Human Resources
Brendan Cox	Policy and Advocacy
Fergus Drake	Global Programmes
Tanya Steele	Fundraising
(Vacant)	Marketing and Communications

COMPANY SECRETARY

Polly Salter (retired 13/02/2012)
Peter Banks (appointed 13/02/2012, retired 25/06/2012)
Andrew Willis (appointed 25/06/2012)

PROFESSIONAL ADVISERS

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers

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

Investment managers

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

Pensions managers

Prudential
MPP Service Centre
Craigforth
Stirling FK9 4UE

The Pensions Trust

6 Canal Wharf
Leeds LS1 1 5BQ

Legal advisors

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



Alan Parker

Chair, Save the Children UK
29 April 2013

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the Save the Children Fund for the year ended 31 December 2012 which comprise the Group Statement of Financial Activities (the Group Summary Income and Expenditure Account), the Group and Parent Charitable Company Balance Sheet, 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 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 company and the charitable company's members 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 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 charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- 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).
- 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Sarah Shillingford

Sarah Shillingford FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
29 April 2013

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Unrestricted funds £000	Restricted funds £000	Total Year to 31/12/12 £000	Total Year to 31/12/11 Restated* £000
Incoming resources					
Incoming resources from generated funds:					
Voluntary income:					
Donations and gifts	3a	46,717	43,899	90,616	93,700
Legacies	3b	12,933	155	13,088	18,332
Retail income	4	8,496	–	8,496	8,070
Investment income	5	775	55	830	1,417
Incoming resources from charitable activities:					
Institutional grants	6, 7	7,168	143,495	150,663	178,204
Gifts in kind	8	–	17,664	17,664	30,145
Overseas programme income		238	218	456	767
Other income	9	1,709	226	1,935	1,559
Total incoming resources		78,036	205,712	283,748	332,194
Cost of generating funds					
Costs of raising voluntary income	10	27,716	710	28,426	26,767
Retail costs	4, 10	6,758	–	6,758	6,365
Investment management fees	10	119	–	119	105
Total cost of generating funds		34,593	710	35,303	33,237
<i>Net incoming resources available for charitable applications</i>		<i>43,443</i>	<i>205,002</i>	<i>248,445</i>	<i>298,957</i>
Charitable activities					
Nutrition	10	3,487	20,699	24,186	29,533
Livelihoods	10	3,706	24,960	28,666	46,387
Health	10	4,759	37,016	41,775	38,689
HIV/AIDS	10	285	2,264	2,549	5,663
Protection	10	3,770	19,966	23,736	25,853
Rights	10	1,251	7,204	8,455	10,042
Education	10	5,382	35,212	40,594	40,102
Rapid-onset emergencies	10	9,799	76,829	86,628	74,857
Campaigning and awareness	10	16,023	2,227	18,250	16,039
Total charitable activities		48,462	226,377	274,839	287,165
Governance costs	10	743	–	743	734
Other resources expended	10	6,148	–	6,148	1,443
		55,353	226,377	281,730	289,342
Total resources expended	10–13	89,946	227,087	317,033	322,579
Net (outgoing)/incoming resources		(11,910)	(21,375)	(33,285)	9,615

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2012

continued

	Notes	Unrestricted funds £000	Restricted funds £000	Total Year to 31/12/12 £000	Total Year to 31/12/11 Restated* £000
Net (outgoing)/incoming resources		(11,910)	(21,375)	(33,285)	9,615
Gains/(losses) on investments	15	1,053	157	1,210	(1,432)
Movement on share of associates' surplus	16	383	–	383	771
Actuarial losses on defined benefit pension scheme	27	(4,881)	–	(4,881)	(6,463)
Net movement in funds		(15,355)	(21,218)	(36,573)	2,491
Fund balances brought forward as previously reported		11,307	73,776	85,083	81,905
Prior year adjustment	28b	6,333	–	6,333	7,020
Funds brought forward as restated		17,640	73,776	91,416	88,925
Fund balances carried forward	23	2,285	52,558	54,843	91,416

All of the above results are derived from continuing activities. All gains and losses recognised in the period are included above.

The deficit for the period for Companies Act purposes, comprising the net outgoing resources for the period plus realised gains on investments, was £33,014,000 (2011: surplus of £10,212,000).

The restricted fund balances carried forward include £2,789,000 (2011: £3,131,000), 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 £157,000 (2011: £85,000).

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

* Prior year comparatives, including in related notes, have been restated due to a change in accounting policies. Please see notes 1 and 28 for more information.

CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	Group 31/12/12 £000	Group 31/12/11 Restated £000	Charity 31/12/12 £000	Charity 31/12/11 Restated* £000
Fixed assets					
Tangible assets	14	4,305	3,126	4,305	3,126
Investments	15	22,501	21,762	22,751	22,012
Associate	16	1,154	771	–	–
		27,960	25,659	27,056	25,138
Current assets					
Stocks		262	248	205	135
Grant debtors	17a	33,972	29,446	33,972	29,446
Other debtors	17b	20,774	20,360	20,578	20,356
Short-term deposits		18,706	35,355	18,706	35,355
Cash at bank and in hand	18	27,731	40,601	27,706	40,576
		101,445	126,010	101,167	125,868
Creditors: amounts falling due within one year	19a	(20,769)	(11,490)	(20,741)	(11,598)
Net current assets		80,676	114,520	80,426	114,270
Total assets less current liabilities		108,636	140,179	107,482	139,408
Creditors: amounts falling due after more than one year	19b	(2,642)	(2,821)	(2,642)	(2,821)
Provisions for liabilities and charges	20	(17,501)	(14,098)	(17,501)	(14,098)
Net assets excluding pension liability		88,493	123,260	87,339	122,489
Pension liability	27	(33,650)	(31,844)	(33,650)	(31,844)
Total net assets		54,843	91,416	53,689	90,645
Unrestricted funds					
General funds	23	29,116	44,690	29,116	44,690
Revaluation reserve	23	1,887	1,076	1,887	1,076
Designated fund – tangible fixed asset reserve	23	3,477	2,247	3,477	2,247
Designated fund – associates	23	1,154	771	–	–
Designated fund – St John's Lane reserve fund	23	800	700	800	700
Unrestricted funds excluding pension reserve		36,434	49,484	35,280	48,713
Pension reserve	27	(33,650)	(31,844)	(33,650)	(31,844)
Total unrestricted funds		2,784	17,640	1,630	16,869
Restricted funds					
Restricted income funds	24	49,270	70,645	49,270	70,645
Endowment funds	25	2,789	3,131	2,789	3,131
Total restricted funds		52,059	73,776	52,059	73,776
Total funds		54,843	91,416	53,689	90,645


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

* Prior year comparatives, including in related notes, have been restated due to a change in accounting policies. Please see notes 1 and 28 for more information.

Approval of the financial statements on pages 42 to 76 was delegated by the Board of Trustees to the Chair and Honorary Treasurer on 17 April 2013, who have signed on their behalf on 29 April 2013.



Alan Parker – Chair



Richard Winter – Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year to 31/12/12 £000	Year to 31/12/11 £000
Net cash (outflow)/inflow from operations	(a)	(25,418)	775
Returns on investment			
Bank interest received		384	367
Dividends received		678	697
		1,062	1,064
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	14	(1,791)	(200)
Purchase of investments	15	(11,790)	(10,515)
Proceeds from sales of investments	15	8,199	11,550
Net cash movement in investments	15	4,062	3,456
Payments to defined benefit pension scheme	27	(3,843)	(2,145)
		(5,163)	2,146
Cash (outflow)/inflow before decrease in liquid resources	(b)	(29,519)	3,985
Management of liquid resources			
Decrease/(increase) in short-term deposits	(c)	16,649	(10,423)
(Decrease) in cash in the year	(b)	(12,870)	(6,438)

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

NOTES TO THE CASH FLOW STATEMENT

		Year to 31/12/12 £000	Year to 31/12/11 Restated* £000
(a) Reconciliation of net incoming resources to net outflow/inflow from operations			
Net (outgoing)/incoming resources		(33,285)	9,615
Investment income (excluding finance income on pension scheme)		(1,180)	(1,221)
FRS 17 – effect on net incoming resources		768	496
Loss on disposal of fixed assets		94	–
Depreciation charge		518	550
(Increase)/decrease in stocks		(14)	193
(Increase) in debtors		(4,822)	(6,995)
Increase/(decrease) in creditors falling due within one year		9,279	(2,384)
(Decrease) in creditors falling due in more than one year		(179)	(179)
Increase in provisions		3,403	700
Net cash (outflow)/inflow from operations		(25,418)	775
(b) Reconciliation of net cash flow to movement in net funds			
(Decrease) in cash in the period		(12,870)	(6,438)
(Decrease)/increase in short-term deposits		(16,649)	10,423
Movement in cash and deposits		(29,519)	3,985
Net cash and deposits at 1 January		75,956	71,971
Net cash and deposits at 31 December		46,437	75,956
(c) Analysis of net funds			
	At 01/01/12	Cash flow	At 31/12/12
	£000	£000	£000
Cash at bank and in hand	40,601	(12,870)	27,731
Short-term deposits	35,355	(16,649)	18,706
	75,956	(29,519)	46,437

* Prior year comparatives, including in related notes, have been restated due to a change in accounting policies. Please see notes 1 and 28 for more information.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

I. ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' published in March 2005, and applicable United Kingdom law and accounting standards. The financial statements have been prepared on a going concern basis as discussed in the trustees' report on page 32.

There has been a change in accounting for legacy income in 2012, as explained in note 28b. This change in accounting policy has been accounted for as a prior year adjustment and comparative amounts in respect of the year ended 31 December 2011 have been restated where applicable.

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

Save the Children UK has treated Save the Children International (SCI) as an associate 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 £282,868,000 (2011: £331,656,000) and the net result for the charity is a deficit of £33,285,000 (2011: surplus of £9,615,000) in accordance with paragraph 397 of the SORP.

(b) Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 40. 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 includes 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.

(d) Incoming resources

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

I. ACCOUNTING POLICIES (CONTINUED)

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 consists 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 notification is received 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 costs where Save the Children UK is required to pre-finance 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 by officers of Save the Children UK 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.

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

I. ACCOUNTING POLICIES (CONTINUED)

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 contributes to a defined contribution pension plan operated by Prudential. The assets of the scheme are held separately from those of the charity. 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 any assets under finance leases.

(k) Foreign currencies

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

(l) 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.

I. ACCOUNTING POLICIES (CONTINUED)

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 when placing cash on deposit.

(n) Taxation

Save the Children UK is a registered charity and is thus exempt from tax on income and gains falling within chapter 3 of part II of the Corporation Tax Act 2010

or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity. There was no UK corporation tax payable by Save the Children (Sales) Limited.

Irrecoverable VAT is not separately analysed and is charged to the SOFA when the expenditure to which it relates is incurred or invoiced, 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 31/12/12 £000	Year to 31/12/11 £000	Year to 31/12/12 £000	Year to 31/12/11 £000	Year to 31/12/12 £000	Year to 31/12/11 £000
United Kingdom	139,224	174,856	12,423	11,188	48,278	57,483
East Africa	260	95	88,315	96,544	3,036	11,172
West and Central Africa	15	23	33,040	36,208	1,473	6,640
Asia	1,535	2,358	50,786	75,585	1,724	6,895
Latin America, Caribbean, Southern Africa, Middle East and South-East Europe	865	1,169	17,370	24,910	312	9,141
North America	51,892	74,044	–	–	–	–
European Union (excluding United Kingdom)	72,600	67,757	351	315	20	85
Non-geographically specific/other ¹	17,357	11,892	81,463	87,444	–	–
Total	283,748	332,194	283,748	332,194	54,843	91,416

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

3. VOLUNTARY INCOME

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/12 £000	Year to 31/12/11 £000
(a) Donations and gifts				
Individual giving	37,814	3,800	41,614	38,535
Trusts and major donors	1,560	7,628	9,188	12,722
Community fundraising	4,318	95	4,413	4,970
Corporate fundraising	2,982	16,638	19,620	17,991
Save the Children member development	43	10,021	10,064	11,717
Disasters Emergency Committee	–	5,717	5,717	7,765
	46,717	43,899	90,616	93,700
(b) Legacies				Restated
Legacies	12,933	155	13,088	18,332

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 £5.4 million (2011: £4.3 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 31/12/12 £000	Total Year to 31/12/11 £000
Retail income	7,760	736	8,496	8,070
Cost of sales	(7)	(524)	(531)	(305)
Direct expenses	(6,092)	(135)	(6,227)	(6,060)
Total expenses	(6,099)	(659)	(6,758)	(6,365)
Surplus	1,661	77	1,738	1,705

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £625,000 of donations raised in shops, and £60,000 of sub-let property income, totalling £685,000 (2011: £525,000).

(b) Save the Children (Sales) Limited

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

	Promotions Year to 31/12/12 £000	Promotions Year to 31/12/11 £000	Retail Year to 31/12/12 £000	Retail Year to 31/12/11 £000	Total Year to 31/12/12 £000	Total Year to 31/12/11 £000
Turnover	531	672	736	697	1,267	1,369
Cost of sales	–	–	(524)	(296)	(524)	(296)
Gross profit	531	672	212	401	743	1,073
Total expenses	(220)	(111)	(138)	(134)	(358)	(245)
Intercompany interest	–	–	3	3	3	3
Profit for the year	311	561	77	270	388	831
Donation to parent charity					(388)	(831)
Retained profit for the year					–	–

Retained profit is stated after charging allocated costs of £247,000 (2011: £185,000).

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

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

The aggregate of the assets, liabilities and funds was:

	Save the Children (Sales) Ltd 31/12/12 £000	31/12/11 £000
Assets	385	374
Liabilities	(135)	(124)
Funds	250	250

5. INVESTMENT INCOME

	Notes	Unrestricted funds £000	Restricted funds £000	Total Year to 31/12/12 £000	Total Year to 31/12/11 £000
Expected return on pension scheme assets	27	5,205	–	5,205	6,011
Interest on pension scheme liabilities	27	(5,555)	–	(5,555)	(6,118)
Finance income on pension scheme		(350)	–	(350)	(107)
Dividends on investments listed on a recognised stock exchange		678	–	678	697
Interest on bank deposits and other investments		447	55	502	524
Interest on VAT refunds from HMRC		–	–	–	303
		775	55	830	1,417

6. INSTITUTIONAL GRANT INCOME

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

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/12 £000	Year to 31/12/11 £000
European Commission including European Commission Humanitarian Organisation funds of £37,124,000 (2011: £29,901,000)	–	51,347	51,347	45,458
UK central government (see note 7)	7,057	25,459	32,516	54,255
United Nations	–	22,829	22,829	20,060
United States government	–	13,145	13,145	21,221
Swedish government	–	3,428	3,428	3,615
Norwegian government	–	3,066	3,066	–
Danish government	–	2,297	2,297	5,490
Australian government	–	1,797	1,797	2,887
Canadian government	–	1,327	1,327	1,573
Netherlands government	–	1,278	1,278	2,043
Japanese government	–	711	711	1,612
Irish government (see note 7)	–	237	237	139
UK local and regional government	–	1,000	1,000	809
Other national governments	–	1,321	1,321	4,178
Total government grants	7,057	129,242	136,299	163,340
Grants from other Save the Children members (see also 6(b))	–	6,073	6,073	6,204
Comic Relief	–	1,614	1,614	1,159
Bill & Melinda Gates Foundation	–	1,480	1,480	411
RAISE	–	831	831	205
Global Fund to fight AIDS, tuberculosis and malaria	–	698	698	862
Academy for Education Development	–	–	–	1,026
Big Lottery Fund	–	252	252	210
Other	111	3,305	3,416	4,787
	7,168	143,495	150,663	178,204

6. INSTITUTIONAL GRANT INCOME (CONTINUED)

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

	Unrestricted funds £000	Restricted funds £000	Total Year to 31/12/12 £000	Total Year to 31/12/11 £000
Grants made directly to Save the Children UK	7,168	105,207	112,375	126,733
Grants from other Save the Children members	–	6,073	6,073	6,204
Donor grants sub-granted by other Save the Children members	–	21,916	21,916	32,883
Donor grants sub-granted by non-Save the Children intermediaries	–	10,299	10,299	12,384
	7,168	143,495	150,663	178,204

For more details on transactions with Save the Children International and other Save the Children members, see note 11.

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2012



Grants from the Department for International Development

	£000
Advocacy Livelihoods, social protection in fragile & conflict-affected situations	1
Afghanistan Emergency provision of shelter to 1,400 earthquake families – Samangan	(5)
Bangladesh Household and economic food security for the extreme poor in disaster-prone coastal areas	249
Bangladesh Children-focused reduction of urban poverty	72
Bangladesh Shiree phase II	715
Ethiopia Piloting quality education service in developing regional states of Ethiopia	1,400
Ethiopia Africa Climate Change Resilience Alliance (ACCRA)	5
Ethiopia Support to the delivery of basic services in the Somali region of Ethiopia	17
India Improved status of the most socially-excluded children in India	752
Kenya Hunger Safety Nets Programme (HSNP)	27
Kenya HSNP registration phase II NE Kenya	1,126
Kenya Emergency drought response in northern Kenya	1,875
Kenya Emergency health and nutrition for northern Kenya	4
Liberia Emergency child protection and education in Nimba & Grand Gedeh	208
Mozambique Floodplain management in the Zambezi Valley: enhancing sustainable livelihood	200
Myanmar Early learning and transition to primary school: new generation	1,332
Myanmar Assistance to conflict affected people, eastern Myanmar	473
Myanmar Support to remote communities in conflict & displacement areas in eastern Myanmar	126
Myanmar Empowerment & provision of financial services to poor women	231
Myanmar Lifesaving humanitarian assistance to children & their families – Rakhine	1,084
Nepal Low birth weight in south Asia: a study into cost-effective interventions	5
Nepal Early recovery & disaster risk-reduction interventions – regular education environment	665
Niger Nutrition, health and water, sanitation & hygiene Niger 2012	1,042
Nigeria Improving maternal newborn & child nutrition in northern Nigeria	561
Nigeria Northern states maternal newborn and child health initiative	1,006
Nigeria Partnership for reviving routine immunisation in northern Nigeria	411
Nigeria Education sector support in Nigeria	276
Pakistan Integrated early recovery programme for revitalisation	(58)
Pakistan Emergency water, sanitation and hygiene, and shelter, Punjab Province	(118)
Pakistan Emergency health assistance for children and families affected by monsoon	(13)
Pakistan Early recovery assistance to flood affected communities	(59)
South Africa Reducing maternal and child mortality in South Africa	101

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Grants from the Department for International Development (continued)

		£000
Sierra Leone	Urban Water, Sanitation & Hygiene Consortium for child survival	117
Sierra Leone	Emergency response to cholera outbreak in Sierra Leone	350
Somalia	Emergency and recovery assistance for drought-affected vulnerable households	1,883
Somalia	Emergency drought assistance for vulnerable households in Somalia	1,010
Somalia	Implementation of the essential package of health services in Puntland	1,155
Somalia	Sustainable Employment and Economic Development (SEED) project concept note	77
Somalia	Skills Training for Employment Prospects in Somalia (STEPS)	16
South Sudan	Primary health care support	674
South Sudan	Alternative education systems in Southern Sudan	2,928
Tajikistan	Women's wealth and influence in Tajikistan	274
Tanzania	Support to blast-affected children in Dar es Salaam	1
Yemen	Emergency food security in Hajjah Governorate of Yemen	1
Yemen	Yemen emergency food security programme Lahj and Taiz	1,493
Yemen	Integrated emergency response programme for Yemen phase III	561
Zambia	Civil society Scaling-Up Nutrition/1,000 Days campaign in Zambia	43
Global	Programme partnership arrangement (PPA)	7,057
Global	Tackling the neglected crisis of undernutrition	54
Global	Operational research impact evaluation 2	5
Global	State building, peace building and service delivery in fragile states	61
Global	The practice of conflict sensitivity	4
Global	Influencing strategy for Africa Climate Change Resilience Alliance (ACCRA)	180
Global	Consortium of British Humanitarian Agencies	(1)
Global	Child protection trainee scheme	11
Global	Strengthening innovations in international humanitarian action	711
Global	Born to Shine	139
		32,515

Grants from the Foreign and Commonwealth Office

Pakistan	Build the capacity of education service providers to improve governance	(4)
Global	Strengthening child rights mechanisms and instruments at the African Union level	(28)
		(32)

Other UK central government funds

North Korea	Support for greenhouse production	4
Thailand	Post-flood emergency food security and livelihoods	5
Global	All science-humanitarian and development dialogue	24
		33
Total UK central government grants		32,516

Grants received from the Irish government

Tanzania	Harnessing Agriculture for Nutrition Outcomes (HANO)	4
Vietnam	Nutrition Vietnam	80
Zambia	Civil society Scaling-Up Nutrition/1,000 Days campaign in Zambia	101
Global	Supporting the transition to a global humanitarian fund for NGOs	52
Total Irish government grants		237

Negative figures relate to funds 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 31/12/12 £000	Year to 31/12/11 £000
(a) Gifts in kind by destination		
Ethiopia	4,388	14,374
Kenya	3,967	7,270
Myanmar	542	434
Niger	2,695	2,504
Somalia	3,342	1,817
South Sudan	502	660
Other country programmes	716	1,113
Headquarters professional services	1,018	1,543
Total gifts in kind for charitable purposes	17,170	29,715
Gifts in kind for fundraising purposes	494	430
	17,664	30,145
(b) Gifts in kind by type		
Food aid	14,717	26,242
Advertising materials	–	268
Other gifts in kind for charitable purposes	1,435	1,662
Headquarters professional services	1,018	1,543
Fundraising	494	430
	17,664	30,145

(c) At the year end, there were approximately £2,088,000 of undistributed gifts in kind which had not been recognised as income, mainly consisting of food aid (2011: £1,100,000).

9. OTHER INCOME

	Year to 31/12/12 £000	Year to 31/12/11 £000
Rental income	1,657	1,480
Other income	278	79
	1,935	1,559

10. RESOURCES EXPENDED

(a)	Grants payable £000	Staff costs (note 13) £000	Other direct costs £000	Depreciation £000	Gifts in kind £000	Allocation of support costs £000	Year to 31/12/12 £000	Year to 31/12/11 Restated ¹ £000
Cost of generating funds								
Cost of raising voluntary income	–	6,722	18,520	2	268	2,914	28,426	26,767
Retail costs	–	1,398	4,629	272	–	459	6,758	6,365
Investment management fees	–	–	115	–	–	4	119	105
	–	8,120	23,264	274	268	3,377	35,303	33,237
Charitable activities								
Nutrition	7,435	5,385	7,261	2	2,623	1,480	24,186	29,533
Livelihoods	18,288	3,491	4,847	3	282	1,755	28,666	46,387
Health	11,572	9,972	14,622	5	3,047	2,557	41,775	38,689
HIV/AIDS	461	1,218	713	–	1	156	2,549	5,663
Protection	7,368	6,747	8,072	3	93	1,453	23,736	25,853
Rights	2,453	2,508	2,936	1	39	518	8,455	10,042
Education	16,752	8,414	12,518	5	420	2,485	40,594	40,102
Rapid-onset emergencies	36,997	13,145	21,533	9	9,641	5,303	86,628	74,857
Campaigning and awareness	789	6,547	7,998	2	436	2,478	18,250	16,039
Support costs	292	14,044	12,647	214	814	(28,011)	–	–
	102,407	71,471	93,147	244	17,396	(9,826)	274,839	287,165
Governance	–	237	205	–	–	301	743	734
Other resources expended ²	–	–	–	–	–	6,148	6,148	1,443
Total resources expended	102,407	79,828	116,616	518	17,664	–	317,033	322,579
Prior year	94,937	78,674	118,273	550	30,145	–	322,579	

¹ New categories of charitable expenditure have been used for the 2012 accounts. Details of the restatement of 2011 numbers are given in note 28.

² 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 – see note 20.

(b) Grants payable

During the year ended 31 December 2012, 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-2012

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 31/12/12	Year to 31/12/11
	£000	£000
Individual giving	19,494	17,984
Trusts and major donors	1,600	1,287
Community fundraising	2,512	2,394
Corporate fundraising	2,693	2,607
Save the Children member development	1,245	1,510
Legacies	882	985
	28,426	26,767

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

	Year to 31/12/12	Year to 31/12/11
	£000	£000
	Basis of apportionment	
Management and administration costs		
General management	Pro-rata by expenditure	730
Financial management	Pro-rata by expenditure	2,614
Human resources	Pro-rata by salary costs	2,133
Information technology	Pro-rata by expenditure	2,039
Premises and facilities	Pro-rata by building usage	987
Programme support	Pro-rata by expenditure	11,577
		20,080
Other support costs		
Gifts in kind (pro-bono professional services)	Estimated usage	814
Losses on foreign exchange	Pro-rata by expenditure	969
Rental and service charge costs on sublet office space	Estimated floor space	6,148
Total support costs		28,011
		17,437

Support costs are shown net of £9,798,000 indirect cost recovery contributions received from donors during the year (2011: £10,001,000).

(f) Total resources expended include the following amounts:

	Group Year to 31/12/12	Group Year to 31/12/11	Charity Year to 31/12/12	Charity Year to 31/12/11
	£000	£000	£000	£000
Auditor's remuneration:				
Audit	96	96	90	91
Tax	5	129	5	129
Work relating to grant applications	6	6	6	6
Other statutory requirements	5	4	5	4
	112	235	106	230

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

10. RESOURCES EXPENDED (CONTINUED)

(f) continued

Lease rentals: land and buildings

	Year to 31/12/12	Year to 31/12/11
	£000	£000
Retail	2,036	2,234
Programme offices	4,576	4,410
Headquarters	3,346	3,172
	9,958	9,816

Ex-gratia payments

The trustees felt under a moral obligation to make ex-gratia payments totalling £4,000 (2011: £65,000) to relatives of testators who had willed part of their estate to Save the Children UK. These payments were approved by the Charity Commission.

(g) Governance costs

	Year to 31/12/12	Year to 31/12/11
	£000	£000
Internal audit and risk	338	356
Audit fees	104	98
	442	454
Allocation of support costs	301	280
	743	734

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 £584,394 (2011: £258,268) for advertising and creative services provided by Adam & Eve DDB 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, £60,732 was outstanding as at 31 December 2012 (31/12/11: £23,585).

The charity is a member of the Disasters Emergency Committee (DEC) and in the year paid a subscription of £112,166 (2011: £101,264). In addition, Save the Children's Chief Executive is a trustee of the DEC. The charity's income in the year included £5,717,000 (2011: £7,765,000) receivable from DEC appeals.

During the year, following advance approval by the board, the charity was invoiced £1,000 by Kevin Watkins, one of the charity's trustees, for consultancy services (2011: nil).

Transactions with SCI and the William Belmer Rush Foundation 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 31/12/12 £000	Year to 31/12/11 £000
Amounts sub-granted to other members in countries where Save the Children UK did not have a presence or was not the lead member	40,298	41,683
Gifts in kind sub-granted to other members in countries where Save the Children UK did not have a presence or was not the lead member	37	48
Other amounts paid to other members	3,120	1,864
	43,455	43,595
Total grants receivable directly from other Save the Children members or channelled through them	41,903	39,647
Total gifts in kind directly from other Save the Children members or channelled through them	82	244
Total unspent grant funds returned to other Save the Children members in the year following transition of their programming to SCI	(3,850)	(560)
Other income received from other members	11,778	1,858
Net income from other Save the Children members recognised during the year	49,913	41,189

At 31 December 2012, £5,023,000 was payable to other Save the Children members (31 December 2011: £1,998,000) and £1,344,000 was due from other Save the Children members (31 December 2011: £667,000).

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 31/12/12 Number of trustees paid	Year to 31/12/11 Number of trustees paid	Year to 31/12/12 £000	Year to 31/12/11 £000
Expenses including travel and subsistence	6	4	4	1

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 £12,500 (2011: £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

(a)	Year to 31/12/12 £000	Year to 31/12/11 £000
Wages and salaries	70,554	70,635
National Insurance	3,200	2,798
Pension costs	2,108	1,799
Other staff costs	3,966	3,442
	79,828	78,674

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 31/12/12 Number	Year to 31/12/11 Number
Charitable activities	3,790	4,712
Cost of generating funds	226	227
Governance of the charity	9	8
	4,025	4,947

(c) At 31 December 2012 the number of staff were as follows:

	Headcount ¹ Number	Headcount equivalent ² Number
UK Headquarters-based	687	645
UK non-Headquarters-based	311	292
International	995	995
	1,993	1,932

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 average number of employees was lower in 2012 a result of the transitions of country programme staff to SCI. It will fall significantly in 2013, reflecting the full-year impact of the transition of the majority of country programmes to SCI. Total staff costs (see note 13a), which include the cost of staff employed in-country to deliver programming, will reduce accordingly.

Save the Children UK's remaining employees will include those involved in providing frontline emergency response and technical assistance in the design and quality of its programmes, as well as the headquarters functions. Given the inherent change in the mix of the employee base towards the UK, the resultant impact will be a reported rise in the average cost per employee in future years.

(d) The following number of employees (including those on short-term contracts) earned emoluments in respect of the year in excess of £60,000 within the bands shown below.

Emoluments include taxable benefits in kind but exclude employer pension costs.

	Year to 31/12/12 Number	Year to 31/12/11 Number
£60,001–£70,000	16	14
£70,001–£80,000	8	5
£80,001–£90,000	5	3
£90,001–£100,000	1	1
£100,001–£110,000	2	1
£110,001–£120,000	5	3
£120,001–£130,000	–	1
£130,001–£140,000	–	–
£140,001–£150,000	–	1
£150,001–£160,000	–	1
£160,001–£170,000	2	1
	39	31

The rise in employees with emoluments over £60,000 reflects the need to strengthen talent in key roles focused on the delivery of Save the Children UK's impact for children, as well as the effects of timing of recruitment.

(e) The highest-paid employee received emoluments amounting to £168,653 in respect of the year to 31 December 2012 (2011: £162,220)

13. STAFF COSTS (CONTINUED)

(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 31/12/12 £000	Year to 31/12/11 £000	Year to 31/12/12 Number	Year to 31/12/11 Number
	218	160	30	22

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

6 6

14. TANGIBLE FIXED ASSETS

(a) Group and charity

	Freehold property £000	Leasehold property improvements £000	Computer equipment and software £000	Total £000
Cost at 1 January 2012	1,343	7,256	3,786	12,385
Additions	–	615	1,176	1,791
Disposals	–	(3,901)	(148)	(4,049)
Cost at 31 December 2012	1,343	3,970	4,814	10,127
Accumulated depreciation at 1 January 2012	446	5,195	3,618	9,259
Charge for period	28	369	121	518
Disposals	–	(3,810)	(145)	(3,955)
Accumulated depreciation at 31 December 2012	474	1,754	3,594	5,822
Net book value at 31 December 2012	869	2,216	1,220	4,305
Net book value at 31 December 2011	897	2,061	168	3,126

(b) The net book value at 31 December 2012 represents tangible fixed assets, used for:

Direct charitable purposes (UK only – see note 1(f))	144	153	–	297
Other purposes:				
Fundraising and charity shops	725	970	–	1,695
Headquarters	–	1,093	1,220	2,313
	869	2,216	1,220	4,305

(c) Capital expenditure contracted for but not provided in the financial statements, was £nil (31/12/11: £nil).

15. FIXED ASSET INVESTMENTS

(a)	Unrestricted	Restricted	Total	Total
	funds	funds	31/12/12	31/12/11
	£000	£000	£000	£000
Market value at start of period	18,631	3,131	21,762	27,685
Acquisitions	11,573	217	11,790	10,515
Sales proceeds	(7,425)	(774)	(8,199)	(11,550)
Net movement in cash balances	(4,120)	58	(4,062)	(3,456)
Net realised investment gains	242	29	271	597
Net unrealised investment gains/(losses)	811	128	939	(2,029)
Market value at end of period	19,712	2,789	22,501	21,762
Historical cost at end of period	17,740	2,661	20,401	20,602
Unrealised investment gains at end of period	1,972	128	2,100	1,160
Realised investment gains calculated on historic cost basis	242	29	271	597

(b) The market value is represented by:

	31/12/12	31/12/11
	£000	£000
Equities	16,659	16,079
Bonds	4,893	3,544
Cash	949	2,139
	22,501	21,762

(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 £8,331,000 (31/12/11: £6,409,000).

(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 2012	771		
Additions	365		
Share of surplus for the year	18		
At 31 December 2012	1,154		

	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 in the process of being transitioned to be delivered on its behalf by SCI. Assets, employees and operations of Save the Children UK and other members located abroad are being transitioned to SCI management on a phased country-by-country basis. This transition is expected to be completed during 2013.

(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 2012, Save the Children UK made the following payments:

	Year to 31/12/12	Year to 31/12/11
	£000	£000
Funds transferred for programme delivery	31,509	3,136
Membership and other contributions	6,208	5,191
	37,717	8,327

Payment of these amounts was satisfied in the following way:

	37,238	7,894
	479	433
Transfer of funds	37,238	7,894
Provision of resources for no consideration	479	433
	37,717	8,327

By 31 December 2012, Save the Children UK's programme activity in 23 countries had been transitioned to SCI, with a further six countries transferred in 2013 to date. The remaining countries are expected to transition later in the year. As a result, payments to SCI for charitable activities are anticipated to continue to increase significantly in the future.

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

(iii) Balance sheet items

	Group 31/12/12	Group 31/12/11	Charity 31/12/12	Charity 31/12/11
	£000	£000	£000	£000
SCI debtor at year end	5,252	1,260	5,252	1,260
Cost of services incurred by Save the Children UK to be donated to SCI in the future	790	55	790	55
Investment in associate as a result of Save the Children UK's share of SCI's surplus	771	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 SCI's programming activity ceases to operate, whether by choice of the members or otherwise. At 31 December 2012, Save the Children UK's share of this was approximately USD \$6.4 million (2011: \$6.4 million). Save the Children UK and the other SCA members are 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.

Subject to the execution of the relevant contractual agreements, Save the Children UK has agreed to provide a letter of credit to SCI in the amount of USD \$3.4m for the purpose of providing access to additional funds as may be necessary in the event of a significant unfunded programmatic cost.

(c) William Belmer Rush Foundation

(i) Introduction

The William Belmer Rush Foundation was established on the 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. The trustees meet annually to review the way in which the capital is invested. They aim 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 31/12/12	Year to 31/12/11
	£000	£000
Grant funding	37	31
Administration fee	1	1
	38	32

(iii) As at 31 December 2012, there were no balances outstanding with the William Belmer Rush Foundation (2011: £nil).

17. DEBTORS

(a) Grant debtors

	Group and Charity	
	31/12/12	31/12/11
	£000	£000
European Commission	9,258	8,353
Other Save the Children members	8,002	7,635
United Nations	7,299	4,155
United States government	2,749	2,678
UK government	1,207	1,956
Mercy Corps	895	1,326
HORN Relief	708	–
Corporate donors	367	527
Care International	97	334
Other national governments	299	311
UK local and regional government	500	178
Other	2,591	1,993
	33,972	29,446

17. DEBTORS (CONTINUED)

(b) Other debtors

	Group 31/12/12	Group 31/12/11 Restated	Charity 31/12/12	Charity 31/12/11 Restated
	£000	£000	£000	£000
Trade debtors	1,333	1,355	1,332	1,355
Legacy debtors	7,558	13,202	7,558	13,202
Taxes recoverable	162	717	162	717
Prepayments and accrued income	1,992	1,570	1,932	1,570
Save the Children International (note 16)	6,042	1,260	6,042	1,260
Other debtors	3,687	2,256	3,552	2,252
	20,774	20,360	20,578	20,356

18. CASH AT BANK AND IN HAND

	Group 31/12/12	Group 31/12/11	Charity 31/12/12	Charity 31/12/11
	£000	£000	£000	£000
Headquarters	21,351	30,684	21,326	30,659
UK branches and shops	508	260	508	260
Projects in UK and overseas	5,872	9,657	5,872	9,657
	27,731	40,601	27,706	40,576

19. CREDITORS

(a) Amounts falling due within one year

	Group 31/12/12	Group 31/12/11	Charity 31/12/12	Charity 31/12/11
	£000	£000	£000	£000
Trade creditors	5,291	2,989	5,282	2,972
Taxes and social security costs	1,051	1,153	925	5,705
Amount owed to subsidiary undertaking	–	–	107	69
Accruals	6,927	4,855	6,927	197
Deferred income ¹	483	472	483	634
Operating lease incentives ²	182	182	182	182
Grant obligations	3,346	431	3,346	431
Other creditors	3,489	1,408	3,489	1,408
	20,769	11,490	20,741	11,598

(b) Amounts falling due in more than one year

Operating lease incentives ²	2,642	2,821	2,642	2,821
	2,642	2,821	2,642	2,821

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

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 AND CHARITY

	At 01/01/12 £000	Provision created/ (released) £000	Provision utilised £000	At 31/12/12 £000
Terminal grants	4,886	523	(937)	4,472
Dilapidations	1,067	134	–	1,201
Grants	3,402	207	(500)	3,109
Tax	4,658	(1,732)	–	2,926
Funds to be returned to other members on transition	–	1,058	–	1,058
Onerous lease	–	4,553	–	4,553
Other	85	97	–	182
	14,098	4,840	(1,437)	17,501

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

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

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

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 present value of the estimated difference between lease income from sub-tenants and lease expenditure on sub-let premises payable to Save the Children UK's landlord over the 15 years to the end of our lease term.

21. OBLIGATIONS UNDER OPERATING LEASES – GROUP AND CHARITY

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

	Property 31/12/12 £000	Other 31/12/12 £000	Total 31/12/12 £000	Property 31/12/11 £000	Other 31/12/11 £000	Total 31/12/11 £000
Within one year	493	66	559	1,603	181	1,784
In years two to five	1,524	199	1,723	1,498	–	1,498
After five years	3,436	–	3,436	3,957	–	3,957
	5,453	265	5,718	7,058	181	7,239

22. FINANCIAL COMMITMENTS – GROUP AND CHARITY

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

A significant proportion of the funds needed for these programmes has already been received and is disclosed within the restricted income funds (see note 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.

	31/12/12 £000	31/12/11 £000
Within one year	96,568	87,679
Between two and five years	94,116	73,210
After five years	184	3,547
	190,868	164,436

Of this amount, the restricted funds balance of £49,270,000 has already been recognised within income (2011: £70,645,000).

22. FINANCIAL COMMITMENTS (CONTINUED)

(b) Save the Children UK has entered into a number of grants where it is required to secure 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 £143,000 (2011: £349,000) has been recognised as at 31 December 2012 in respect of these grants as Save the Children UK does not expect to be able to find donors for these over the remaining life of the projects. In respect of grants terminating in 2013, £3,317,000 of co-funding had not been found at 31 December 2012 (2011: £2,000,000).

(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 01/01/12 Restated £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/12 £000
Unrestricted funds						
General reserve	44,690	78,367	(89,511)	242	(4,672)	29,116
Revaluation reserve	1,076	–	–	811	–	1,887
Designated funds:						
Tangible fixed assets reserve	2,247	–	–	–	1,230	3,477
Associates (note 16)	771	–	–	383	–	1,154
St John's Lane reserve fund	700	19	(17)	–	98	800
Total unrestricted funds excluding pension reserve	49,484	78,386	(89,528)	1,436	(3,344)	36,434
Pension reserve (note 27)	(31,844)	(350)	(418)	(4,881)	3,843	(33,650)
Total unrestricted funds	17,640	78,036	(89,946)	(3,445)	499	2,784
Restricted funds						
Restricted income funds (note 24)	70,645	205,712	(227,087)	–	–	49,270
Endowment funds (note 25)	3,131	–	–	157	(499)	2,789
Total restricted funds	73,776	205,712	(227,087)	157	(499)	52,059
Total funds	91,416	283,748	(317,033)	(3,288)	–	54,843

23. STATEMENT OF FUNDS (CONTINUED)

(b) Charity

	At 01/01/12 Restated £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/12 £000
Unrestricted funds						
General reserve	44,690	77,487	(88,631)	242	(4,672)	29,116
Revaluation reserve	1,076	–	–	811	–	1,887
Designated funds:						
Tangible fixed assets reserve	2,247	–	–	–	1,230	3,477
St John's Lane reserve fund	700	19	(17)	–	98	800
Total unrestricted funds excluding pension reserve	48,713	77,506	(88,648)	1,053	(3,344)	35,280
Pension reserve (note 27)	(31,844)	(350)	(418)	(4,881)	3,843	(33,650)
Total unrestricted funds	16,869	77,156	(89,066)	(3,828)	499	1,630
Restricted funds						
Restricted income funds (note 24)	70,645	205,712	(227,087)	–	–	49,270
Endowment funds (note 25)	3,131	–	–	157	(499)	2,789
Total restricted funds	73,776	205,712	(227,087)	157	(499)	52,059
Total funds	90,645	282,868	(316,153)	(3,671)	–	53,689

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** represent assets received that may not be exhausted (see note 25 for details).

24. RESTRICTED FUNDS

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

	Balance 01/01/12 £000	Income £000	Expenditure £000	Balance 31/12/12 £000
East Africa				
Ethiopia	3,634	15,128	17,304	1,458
Kenya	4,369	17,069	19,902	1,536
Rwanda	156	1,656	781	1,031
Somalia	7,613	30,195	35,701	2,107
South Sudan	3,271	20,103	21,770	1,604
Tanzania	1,035	2,393	2,731	697
Uganda	44	611	346	309
Other	–	1,160	602	558

(continued overleaf)

24. RESTRICTED FUNDS (CONTINUED)

(a) continued

	Balance 01/01/12 £000	Income £000	Expenditure £000	Balance 31/12/12 £000
Southern Africa				
Mozambique	289	1,518	1,657	150
South Africa	498	2,098	2,175	421
Zimbabwe	332	732	674	390
Other	1,559	(852)	473	234
West and central Africa				
Burkina Faso	41	1,669	1,490	220
Côte d'Ivoire	1,224	993	1,334	883
Democratic Republic of Congo	1,620	5,731	6,307	1,044
Liberia	289	4,382	4,366	305
Niger	292	12,178	11,945	525
Nigeria	2,396	5,603	6,958	1,041
Sahel region	85	366	323	128
Senegal	80	686	297	469
Sierra Leone	1,294	1,417	2,017	694
Other	136	15	51	100
Asia				
Afghanistan	778	2,697	2,931	544
Bangladesh	1,509	5,676	4,778	2,407
China	941	3,894	4,236	599
India	1,299	5,334	5,232	1,401
Indonesia	79	342	207	214
Myanmar	1,303	9,480	8,121	2,662
Nepal	–	712	712	–
North Korea	248	2,222	2,006	464
Pakistan	10,965	15,217	24,722	1,460
Philippines	63	230	258	35
Sri Lanka	848	2,256	2,692	412
Tajikistan	–	290	290	–
Thailand	829	1,227	1,882	174
Vietnam	725	1,453	1,527	651
Other	246	5	210	41
Latin America and Caribbean				
Brazil	315	858	937	236
Colombia	434	2,620	2,829	225
Ecuador	61	356	303	114
Haiti	861	3,316	3,638	539
Peru	48	257	279	26
Other	27	54	57	24
Middle East and south-east Europe				
Iraq	4,290	197	1,689	2,798
Libya	645	587	1,227	5
Middle East/north Africa	108	418	376	150
Occupied Palestinian territory	255	878	1,024	109
Syria	–	1,389	519	870
Yemen	5	2,485	843	1,647
South-east Europe	–	80	75	5
Other	–	379	325	54

24. RESTRICTED FUNDS (CONTINUED)

(a) continued

	Balance 01/01/12 £000	Income £000	Expenditure £000	Balance 31/12/12 £000
United Kingdom				
England	673	1,505	1,421	757
Northern Ireland	84	232	269	47
Scotland	127	856	830	153
Wales	193	945	1,073	65
UK-wide initiatives	2,577	4,475	1,077	5,975
Other funds				
Headquarters grants	3,486	3,249	3,346	3,389
Gifts in kind for fundraising and support purposes	–	1,512	1,512	–
Headquarters emergency programmes	2,595	3,487	3,171	2,911
Consortium of British Humanitarian Agencies funding	526	(249)	211	66
Unallocated Children's Emergency Fund ¹	639	20	141	518
Unrealised exchange gains/losses on restricted funds ²	(582)	–	(902)	320
Unallocated restricted funds ³	3,188	(1,889)	–	1,299
Emergency fundraising	–	320	320	–
Thematic funds ⁴	–	1,489	1,489	–
	70,645	205,712	227,087	49,270


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 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.

⁴ Funds restricted to a particular thematic objective (eg, health, nutrition).

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

	Balance 01/01/12 £000	Income £000	Expenditure £000	Balance 31/12/12 £000
				
Big Lottery Fund				
Our Shout Bradford	11	141	129	23
Health & Nutrition in Kani	–	117	31	86
	11	258	160	109

£252,000 of the above income is recognised in grant income and £6,000 is recognised as gifts in kind.

25. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year:

	Balance 01/01/12 £000	Income £000	Gains £000	Transfers £000	Balance 31/12/12 £000
The Oliver Children's Fund	2,632	–	157	–	2,789
Norman J Swift Memorial Fund	58	–	–	(58)	–
Ida Mary Reynolds Fund	40	–	–	(40)	–
Florence G Jordan Fund	10	–	–	(10)	–
Oliver! – the Musical	58	–	–	(58)	–
Lena Evans Endowment Fund	73	–	–	(73)	–
Other	260	–	–	(260)	–
	3,131	–	157	(499)	2,789

In order to manage its funds in the most efficient manner available to it, and as stated in the 2011 Annual Report, Save the Children UK applied to the Charity Commission in 2012 to have the restrictions on the expenditure of the capital of the smaller endowments removed. The Charity Commission gave this direction and the balances of these endowments have been amalgamated into the general funds of Save the Children UK for charitable purposes.

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 31/12/12 £000
Fund balances at 31 December 2012 are represented by:								
Tangible fixed assets	14	828	–	3,477	–	–	–	4,305
Fixed asset investments	15	17,825	1,887	1,154	–	–	2,789	23,655
Current assets		46,971	–	800	–	53,674	–	101,445
Current liabilities	19a	(17,423)	–	–	–	(3,346)	–	(20,769)
Non-current liabilities	19b	(2,642)	–	–	–	–	–	(2,642)
Provisions for liabilities and charges	20	(16,443)	–	–	–	(1,058)	–	(17,501)
Pension liability	27	–	–	–	(33,650)	–	–	(33,650)
		29,116	1,887	5,431	(33,650)	49,270	2,789	54,843

(b) Charity

The net assets of the charity are the same with the exception of the investment in the associates (see note 16 for details).

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)
- (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	6.6% (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

Save the Children UK's estimated contributions to the scheme for the calendar year starting 1 January 2013 is £4,332,000.

(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

27. PENSION COSTS (CONTINUED)

(d) FRS 17 valuation of the defined benefit scheme as at 31 December 2012

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.

	Notes	Year to 31/12/12 £000	Year to 31/12/11 £000
(e) Net movement in pension liability			
Net pension liability at start of period		31,844	27,030
Current service cost ¹		418	389
Interest on obligation	5	5,555	6,118
Expected return on scheme assets	5	(5,205)	(6,011)
Contributions by employer		(3,843)	(2,145)
Net actuarial losses in the year		4,881	6,463
Net pension liability at 31 December		33,650	31,844

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

(f) Amounts recognised in the balance sheet

Present value of funded obligations	27h	130,179	119,517
Fair value of scheme assets	27i	(96,529)	(87,673)
Net pension liability		33,650	31,844

(g) Amounts recognised in the statement of financial activities

Expected return on scheme assets	5	5,205	6,011
Interest on obligation	5	(5,555)	(6,118)
Net finance expense	5	(350)	(107)
Current service cost		(418)	(389)
Total decrease in net incoming resources		(768)	(496)
Net actuarial (losses) in the year ²		(4,881)	(6,463)
Total (decrease) in net funds		(5,649)	(6,959)

² Total cumulative actuarial losses since 31 March 2003 are £44,849,000 (31/12/11: £39,968,000).

27. PENSION COSTS (CONTINUED)

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

	Year to 31/12/12 £000	Year to 31/12/11 £000
Opening defined benefit obligation	119,517	114,685
Service cost	418	389
Interest cost	5,555	6,118
Contributions by employees	94	111
Actuarial losses	7,772	1,538
Net benefits paid (including expenses)	(3,177)	(3,324)
Closing defined benefit obligation	130,179	119,517

(i) Change in the fair value of scheme assets

Opening fair value of the scheme assets	87,673	87,655
Expected return	5,205	6,011
Actuarial gains	2,891	(4,925)
Contributions by employer	3,843	2,145
Contributions by employees	94	111
Net benefits paid (including expenses)	(3,177)	(3,324)
Closing fair value of the scheme assets	96,529	87,673

The scheme assets are valued at bid or offer prices.

Actual return on scheme assets	8,096	1,086
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(j) The assets at 31 December 2012 are represented by:

	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	At 31/03/09 Fair value £000
Equities and property	64,492	58,748	60,215	54,372	43,149
Government bonds	30,993	28,528	26,953	24,490	20,547
Other	1,044	397	487	298	617
Scheme assets	96,529	87,673	87,655	79,160	64,313

	Year to 31/12/12	Year to 31/12/11	Year to 31/12/10	9 months to 31/12/09	Year to 31/03/09
Expected rate of return (% per annum)					
Equities and property	6.90	6.89	7.90	8.40	8.20
Government bonds	3.51	3.97	4.77	5.00	5.40
Other	0.50	0.50	0.50	0.50	0.50
Scheme assets	5.74	5.91	6.90	7.32	7.23

27. PENSION COSTS (CONTINUED)

(k) Historic experience of gains and losses

	At 31/12/12	At 31/12/11	At 31/12/10	At 31/12/09	At 31/03/09
	£000	£000	£000	£000	£000
Defined benefit obligation	(130,179)	(119,517)	(114,685)	(108,721)	(86,251)
Fair value of scheme assets	96,529	87,673	87,655	79,160	64,313
Deficit	(33,650)	(31,844)	(27,030)	(29,561)	(21,938)

Experience of gains/(loss) on scheme liabilities:

Amount (£000)	5,306	–	–	–	(2,728)
% of the present value of scheme liabilities	4.1%	0.0%	0.0%	0.0%	(3.2%)

Actual return less expected return on scheme assets

Amount (£000)	2,891	(4,925)	3,635	12,270	(22,620)
% of the present value of scheme assets	3.0%	-5.6%	4.1%	15.5%	(35.2%)

(l) Actuarial assumptions

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

	Year to 31/12/12	Year to 31/12/11
	%pa	%pa
Financial assumptions		
Discount rate	4.40	4.70
Rate of revaluations for career averaged earnings (RPI-related)	3.00	2.90
Rate of increase of pensions (CPI-related):		
Limited Price Indexation 5%	2.20	2.10
Limited Price Indexation 2.5%	1.90	1.70
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI-related)	3.00	2.90
Inflation assumption		
Retail Price Index	3.00	2.90
Consumer Price Index	2.20	2.10
Expected return on the scheme assets	5.91	6.90

Demographic assumptions

Mortality

Year to 31/12/12: 43% before retirement, 93% after retirement SAPS All Pensioners; year of birth; CMI 2011 projections; long-term improvement rates 1.5% p.a. males and 1.25% p.a. females

Year to 31/12/11: SAPS All Pensioners; year of birth, medium cohort; 1% p.a. minimum level of improvement

(m) Defined contribution scheme

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

	Year to 31/12/12	Year to 31/12/11
	£000	£000
Pension contributions	1,528	1,410
	31/12/12	31/12/11
	£000	£000
Outstanding pension contributions	158	154

These are included within creditors in note 19a.

27. PENSION COSTS (CONTINUED)

(n) The Pensions Trust Growth Plan

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

The last formal 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%.

Following a change in legislation in September 2005, 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. This potential liability includes a share of any 'orphan' liabilities in respect of previously participating employers.

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 £1,546,000 (compared to £1,306,000 at 30 September 2010). The annual estimate of the position, ie, at 30 September 2012, will be provided in May 2013.

The potential debt of £1,546,000 has led to a requirement for Save the Children UK to make new additional contributions, starting in April 2013, of £146,000 per annum. It is estimated that this should reduce the potential debt to zero over a period of 10 years, ie, by April 2023.

Save the Children UK has no current intention to leave the plan and trigger the contingent liability.

28. CHANGE IN ACCOUNTING POLICY AND PRESENTATION

(a) Charitable activities

During the year, as part of the process of aligning ourselves further with other Save the Children members, Save the Children UK has adopted new definitions of expenditure by charitable activity, as disclosed in the SOFA and in note 10. To maintain comparability, 2011 charitable expenditure has been restated using the new categories and definitions.

Had Save the Children UK continued to use the same charitable activity definitions as used in its 2011 accounts, expenditure by charitable activity would be presented as follows:

	Year to 31/12/12 £000	Year to 31/12/11 £000
Promoting children's right to be free from hunger	79,790	117,804
Promoting children's right to protection	48,599	48,693
Promoting children's right to education	61,284	50,411
Promoting children's right to health	66,916	52,251
Information, campaigning and awareness	18,250	18,006
Total charitable activities	274,839	287,165
Represented by		
Development projects	91,588	85,585
Humanitarian assistance and work in fragile states	165,001	183,574
Information, campaigning and awareness	18,250	18,006
Total charitable activities	274,839	287,165

28. CHANGE IN ACCOUNTING POLICY AND PRESENTATION (CONTINUED)

(b) Change in accounting policy – legacies

Previously residuary legacies were recognised where notification had been received and the amount receivable could be estimated with reasonable accuracy at the year end. A key element of the assessment of accuracy was the extent to which such amounts were expected to be received prior to approval of the accounts. Following a review of this accounting policy in the year, Save the Children UK has revised its policy on what constitutes sufficient evidence to provide the necessary conditions for measurability and certainty. Residuary legacies are now recognised as receivable once probate has been granted, provided that sufficient information has been received to enable valuation of the charity's entitlement. The net effect is to recognise income earlier than previously. The trustees consider this better reflects the charity's entitlement in line with current best practice in the charity sector, and provides greater visibility of the extent to which it is entitled to legacies income in accordance with the SORP. 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. The change has been accounted for as a prior year adjustment and the comparative figures have been restated to reflect the change in policy. The effect of this change on the accounts is:

	2012	2011	Earlier years
(Decrease)/increase in income	(609)	(687)	7,020
Cumulative increase in debtors and reserves at 31 December	5,724	6,333	7,020



Sana, three, at a refugee settlement near the Syrian border.

“TOGETHER WE CAN BE THE GENERATION TO END CHILDREN DYING OF PREVENTABLE ILLNESSES AND TO ENSURE EVERY CHILD HAS THE CHANCE TO FULFIL THEIR POTENTIAL.

“IT’S A HISTORIC OPPORTUNITY. THERE CAN BE NO GREATER – OR MORE INSPIRING – CAUSE.”

Justin Forsyth, Chief Executive, Save the Children

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

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Save the Children

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