



FIGHT FOR THE FUTURE



Save the Children

Annual report 2017

2017 IN NUMBERS

13.3 MILLION CHILDREN

reached directly through our work*

49.6 MILLION CHILDREN

reached by the Save the Children movement as a whole

10 MILLION CHILDREN

supported in emergencies by the Save the Children movement through 121 humanitarian responses in 60 countries†

£407 MILLION

raised for our life-saving work

6,000 VOLUNTEERS

gave their time, energy and skills to support our cause‡

117,000 CAMPAIGN ACTIONS

taken to push for change for children

4.6 MILLION PEOPLE

signed up to take part in Save the Children's Christmas Jumper Day

*This refers to the work of Save the Children UK in 2017 (for details of our relationship with the wider Save the Children movement, see page 8). The number of children we reached directly in 2016 was 22.1 million. The lower figure for 2017 reflects the completion of several large-scale programmes, including an education programme in Nigeria, which reached 5 million children, and a nutrition programme in Malawi which reached 1.4 million children. A person is reached directly when he or she has received one or more project/programme inputs from Save the Children or a partner; or has participated in activities or accessed services provided by Save the Children, a partner, or institutions or individuals supported by Save the Children or its partners.

† 3.2 million of those children were reached by Save the Children UK.

‡ Refers to active volunteers holding a formal volunteering role during 2017.

In memory

On 24 January 2018 four Save the Children members of staff were brutally killed when a deliberate attack was carried out on our office in Jalalabad, Afghanistan. We condemn this attack in the strongest possible terms.

We pay tribute to our colleagues Mohammad Asif Ghazi, Sayed Omar Sadat, Samiullah Sadeq and Fawad Ahmed Ahadi for their courage and their commitment to improving the lives of some of the world's most disadvantaged children.

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SHARED ENDEAVOUR



2017 was a turbulent year. In Yemen, Syria and elsewhere, children were subjected to the horror and brutality of conflict. Millions of children in East Africa faced the agony of hunger and malnutrition. In the face of these challenges, Save the Children's frontline staff worked determinedly to save lives and support children in their hour of need. I pay tribute to their remarkable courage, commitment and skill. They made a significant difference to very many children's lives in 2017.

Last year I had the privilege of visiting Save the Children's long-term development programmes in Sierra Leone, China and Madagascar. Meeting staff, children and parents, I heard their inspiring stories and bore witness to how the charity has helped to improve their lives by delivering vital services in healthcare, nutrition, education, livelihood support and protection to millions of children and families.

This life-saving and life-changing work is made possible by countless dedicated and tireless supporters and volunteers. In 2017 I was delighted to meet many of them at Save the

Children events, and at the charity shops in Cumbria, Kent and Belfast. To all of you – thank you.

Next year, Save the Children marks its centenary. Set up by Eglantyne Jebb in response to the plight of children left stranded and starving in Austria at the end of the First World War, the organisation has a long and remarkable record of supporting children in the most difficult circumstances. As this report shows, that drive and determination continue to this day. All who are involved with Save the Children should be proud of its achievements. This is a shared endeavour that saves lives and gives hope to children around the world.

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

Raashida, 13, and her brother fled their home in Raqqa, Syria in August 2017 when their street was bombed. The family now lives in a camp for displaced people.



MOVEMENT FOR CHANGE

The world stands at a crossroads. Many children face terrible threats from war, hunger, disease and poverty. Yet this is also a moment of historic opportunity. Our world has greater power than ever before to transform children's lives, safeguard them from harm and help them build a better future.

Save the Children is at the heart of this challenge. We fight for children every single day, so they can realise their full potential and make their mark on the world.

We help children survive. For all the world's riches, many children still face a daily fight for survival. In response to the East Africa food crisis last year the Save the Children movement reached 4.7 million people with support, including life-saving food, water and medicine, and helped galvanise the international community to act.

As we approach our 100th anniversary in 2019, the global Save the Children movement has adopted three centenary commitments. One of these is our commitment

Sisters Awel, 12, and Nyandeng, 10, survived a deadly attack on their village in South Sudan by fleeing into the bush – but lost all contact with their parents for the next three years. Save the Children traced the girls' whereabouts and reunited the family.



MARTIN KHARUNWA/SAVE THE CHILDREN

to end pneumonia, the world's biggest infectious killer of children. Last year we launched a global campaign to tackle pneumonia. Our *Fighting for Breath* report showed how child deaths can be cut dramatically from a projected eight deaths per 1,000 live births in 2030 at current rates of progress to below three per 1,000. A total of 5 million children's lives can be saved by 2030.

We empower children to learn – and thrive. Whenever I've visited Save the Children's programmes – from a refugee camp in Jordan, to a shanty town in Sierra Leone, to a family group in the UK – the message has been clear. What children want most of all is the chance to learn. We're making that a reality in some of the toughest situations.

Giving very young children the best start in life is crucial. That is why we have adopted a second centenary commitment to enable children to access high-quality learning during their early years.

We ensure children are protected. In response to devastating conflicts in Yemen, Syria, the Democratic Republic of Congo and South Sudan, we're delivering food, shelter and healthcare. We also provide children who have been through traumatic experiences with safe spaces and support. Our third centenary commitment is to ensure children on the frontline of conflicts are protected, and to end the culture of impunity for those who attack them.

Our dedicated and passionate staff are the lifeblood of Save the Children. Their remarkable range of skills and

experience make it the modern, innovative and highly effective organisation shown in this report. Faced with complex challenges, Save the Children combines broad reach on the ground with building a strong evidence base and mobilising support for large-scale change. We continue to prioritise the effectiveness of our safeguarding policies and our respect in the workplace programme at a time when these vital issues are rightly under close scrutiny.

We know we can't achieve everything we want to on our own. Building partnerships is fundamental to our approach. If you are already involved with Save the Children, you are part of this movement for change. If you are not yet, then I urge you to take a look at what we are doing every single day to help children survive, learn and be protected. It is, I hope you will agree, truly inspiring.



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

RESPONDING TO CONCERNS

In mid-February 2018, there were a number of news stories regarding safeguarding issues in the aid sector. Save the Children proposed a series of measures to strengthen safeguarding procedures, including the creation of a global centre of excellence for child safeguarding in emergencies, the introduction of 'humanitarian passports', work with Interpol to strengthen the global criminal records checking system, and new regulatory standards to ensure all humanitarian agencies have a legal obligation to report any dismissals. Our CEO, Kevin Watkins, spoke about these to the International Development Select Committee of the UK Parliament on 20 February 2018.

In the same month there were media reports that complaints of inappropriate behaviour were made in 2012 and 2015 against former senior members of staff at Save the Children. In public statements about the allegations, Kevin Watkins made clear that Save the Children has zero tolerance for sexual harassment, bullying or inappropriate behaviour.

As a response to these concerns, Save the Children UK has asked Dr Suzanne Shale, an international expert in organisational ethics, to lead a fully independent review of our workplace culture. The review team is expected to publish its report in 2018.

In April the Charity Commission announced a statutory inquiry into Save the Children UK over the trustees' handling of cases of alleged misconduct and harassment of staff members in 2012 and 2015. Save the Children will cooperate fully with the Charity Commission and act swiftly on any lessons that emerge.

Following the announcement of that inquiry, Save the Children UK volunteered to withdraw temporarily from bids for new funding from the Department for International Development. The offer was accepted by Penny Mordaunt, the International Development Secretary.

FIGHTING FOR THE FUTURE

In 2017 I witnessed the best and worst of humanity in Cox's Bazar, Bangladesh.

I'd read the reports and media accounts of the Rohingya crisis beforehand. But nothing really prepared me for listening to Ahmed, a ten-year-old boy I met who has seen his father shot, his sister raped and his neighbours burned to death.

The sheer scale, intensity and brutality of what has happened to the Rohingya is a stark reminder of what ensues when the worst of humanity is unleashed. This is what happens when identity becomes narrowed by political narratives that demonise 'others', fuelling the fear, hate and resentment that unleash violence and destroy communities.

Yet in Cox's Bazar I also saw the best of humanity in operation. Humanitarian teams from across the Save the Children movement were on the ground within days of the first refugees arriving. As I write this, our colleagues are running eight emergency health units, bringing vital medical care to thousands of children. They are operating safe spaces where children can come together and play, as well as schools that are keeping alive the hope of education. They are also providing shelter to more than 20,000 refugee families.

This work on the front line is made possible by an organisation that mobilises resources from supporters in towns and villages across the UK, from philanthropists, business partners, government and other institutions – an organisation that unites people with shared values to do something for children. Those values reflect the best of humanity. Our mission at Save the Children is to connect people who want to make a difference for children like Ahmed. We are there to fight for his rights. And we are there for the millions of children around the world denied a chance to realise their potential because of poverty, insecurity and inequality.

As part of the global Save the Children movement, we have a unique ability to speak up for children across the world. Our wider movement is made up of national Save the Children members in 28 countries, operating through Save the Children International in more than 120 countries.

As we approach our centenary year, we should look back with pride at what we have achieved – but we must also look forward towards the challenges that lie ahead.

In 2017 we...

Launched our new global drive on pneumonia. Now the single biggest infectious killer of children, pneumonia is a disease that claims the lives of two children every minute. Almost all the deaths are preventable with simple, affordable treatments. Yet the death rate is coming down far too slowly. We are now positioned to champion the fight against pneumonia across the world.

Responded to a wave of humanitarian emergencies.

I witnessed first-hand the appalling impact of conflict and the obstruction of humanitarian aid in Yemen – and I was reminded that our founder, Eglantyne Jebb, created Save the Children in response to a humanitarian blockade that was starving children in Europe after the First World War. In East Africa the Save the Children movement responded to a series of devastating droughts and conflict, reaching 2.9 million children with life-saving interventions.

Unfortunately, the warning signs for a renewed crisis in 2018 are clearly visible – and we are working in Ethiopia, Kenya, South Sudan and Somalia to break the deadly interaction between drought and hunger through long-term development programmes.

Protected children in armed conflict. This is at the heart of what we do and who we are. In Syria and Iraq, we responded to the needs of children displaced by war, providing support to refugees across the region. We are part of the response to a crisis that has seen more than 1 million South Sudanese refugees move to northern Uganda. And we are responding to emergencies in the Democratic Republic of Congo and north-east Nigeria. But we must do more than respond when children are in trouble – and do everything we can to prevent them being harmed in the first place. One of the most disturbing features of our age is the collapse of respect for the rules, norms and international laws designed to protect children affected by armed conflict. There is a culture of impunity surrounding attacks on children, the bombing of schools and hospitals, and the obstruction of humanitarian aid. Our mission demands that we defend children by combating that culture every day. This is a central theme for us in 2018 and beyond.

Worked to support early learning in the UK. Far too many children in this country are robbed of their potential by social disadvantage, poverty and educational deprivation long before they enter school. Almost one third of children in the UK start school without the language, numeracy and other skills they need to be ready to learn. Tragically, the

Venetia, age nine, talks to Save the Children Chief Executive Kevin Watkins in a camp in Uganda. Her mother and father were killed when their village in South Sudan was attacked. We helped Venetia get back to school.

JUOZAS CERNIUS/SAVE THE CHILDREN

gaps remain over time. This is bad for children, bad for social mobility and – ultimately – bad for the country. We will continue to work alongside schools, children's centres and social services to change this.

Save the Children was created to advance the rights of children globally – and that remains our mission. But as a values-based organisation we have to live our principles at home as well as abroad, starting in our own organisation. Since starting as CEO I have made it clear that I have zero tolerance for any form of harassment, bullying or disrespect in the workplace. We need to ensure that our work culture and behaviour reflects our values. The #MeToo movement has highlighted concerns over sexual harassment globally – and we should be part of efforts to address these concerns. That is why, following high-profile media reports, Save the Children UK commissioned an independent review in February 2018 to identify areas where we can do more to build a culture in which all staff feel safe, protected and valued.

I'm proud of what we achieved in 2017. We supported children in the toughest situations and told the stories of those at the sharp end of global crises, amplifying their voices and leading calls for action. Meanwhile, often far away from the headlines, we delivered the small things that make a big difference to children's lives. All of you – our brilliant staff, volunteers, supporters and donors – made this possible.

Thank you.



Kevin Watkins
Chief Executive, Save the Children

WHO WE ARE

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

This report focuses specifically on the work of Save the Children UK in 2017. We are part of the Save the Children movement, which is made up of 28 member organisations, operating in more than 120 countries. Last year our movement directly reached 49.6 million children.

The members of the Save the Children Association (SCA) share a single vision, mission and set of values. We work together behind a common strategy for children. Save the Children International (SCI) delivers the movement's international programming through a network of 56 offices around the world. The Chief Executive of both SCA and SCI is Helle Thorning-Schmidt, former Prime Minister of Denmark.

OUR VISION, MISSION AND VALUES

Our **vision** is of a world in which every child attains the right to survival, protection, development and participation.

Our **mission** is to inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives.

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

OUR GLOBAL STRATEGY

The Save the Children movement's global strategy, *Ambition for Children 2030*, harnesses our resources, energy, knowledge and expertise to drive three global breakthroughs by 2030:

- **Survive:** no child dies from preventable causes before their fifth birthday
- **Learn:** all children learn from a good-quality basic education
- **Be protected:** violence against children is no longer tolerated.

2019 marks Save the Children's 100th year. To amplify the impact of our global strategy, we have adopted **three centenary commitments** aimed at delivering transformative change in the lives of the world's most marginalised and deprived children. Over the coming years we will focus our programmes, advocacy and campaigns on:

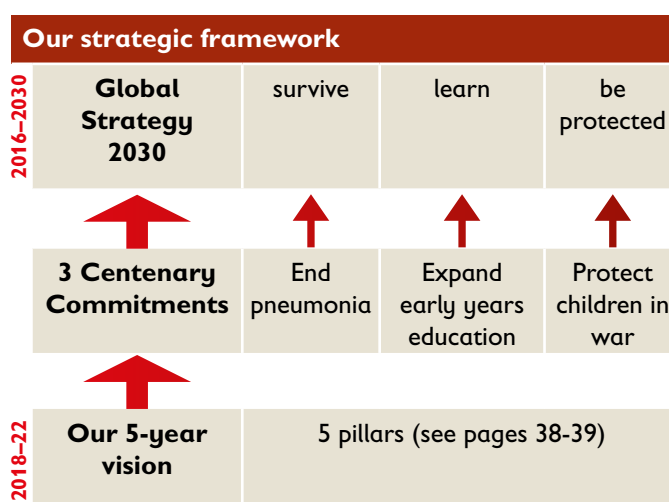
- ending pneumonia
- expanding opportunities for early education
- protecting children in war.

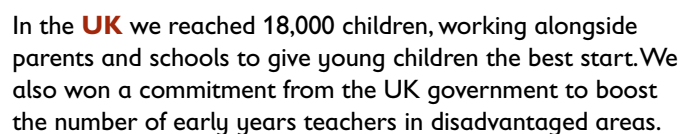
WHAT WE WILL ACHIEVE FOR CHILDREN BY 2030

Our strategy is a living guide to action that we constantly adapt to changes in our operating environment.

The sheer scale of humanitarian emergencies in 2017 placed enormous stress on Save the Children, as well as the wider international humanitarian system. We responded by expanding our programmes and engaging with international actors to strengthen financing and coordination.

Having helped frame the 2030 international development targets agreed by governments around the world – the Sustainable Development Goals – we are working with our colleagues across the Save the Children movement to deliver results. Through our development programmes we are providing vital health, nutrition, education and protection services, combating gender inequalities and tackling child poverty.





THE GLOBAL PICTURE

Across the world children face enormous challenges. Yet there are tremendous new opportunities to transform the future we all share.

Poverty is denying too many children their rights. Child poverty today has two faces. Increasingly, it is concentrated in fragile and conflict-affected states where it is most difficult to eradicate. At the same time, poverty is becoming more prevalent in middle-income countries, where inequality and discrimination are deeply entrenched and defended by powerful interests.

The urbanisation of war – aided by the shattering of the norms of conflict – continues to destroy children's lives. It also drives mass migration, which in turn fuels the current surge in populism and xenophobia. Meanwhile, climate change makes competition for resources more frequent and potentially more violent.

Alongside these trends are fears that global institutions are no longer able to provide the rules, frameworks and aid resources that deliver for children. On the ground, humanitarian workers and activists face increasing danger of attack and arrest.

Despite these extraordinary challenges we see cause for optimism about what we can achieve together. One reason is that the Sustainable Development Goals represent – perhaps for the first time in our history – a promise from world leaders to live up to ideals articulated by our founder, Eglantyne Jebb, when she said, “humanity owes the child the best it has to give.”

Nearly 100 years on, this generation of adults has finally pledged to give all children, everywhere, the right not simply to survive, but to thrive, and to go on to change the world. And on many counts, things are already getting better. We continue to make breakthroughs in medical science at an astonishing rate. Pneumonia – the target of our global

Mylene and her daughter Mary Anne, who is malnourished, outside their home in the Philippines.





CARLOTA GUERERO/SAVE THE CHILDREN

Jennifer at home with her newborn son, Daniel, and her daughter in Guatemala.

2017: A CHALLENGING YEAR

In 2017 we faced a number of additional barriers to delivering our strategy. Our commitment to focusing on the most marginalised children requires us to do more complex things in more difficult places, while sustaining our drive to improve quality and impact. To advance this objective, we will work with Save the Children International to strengthen country offices in the development and delivery of ambitious, achievable, innovative and coherent country strategic plans; and we will continue to develop and implement common approaches to addressing the challenges children face (see page 32).

Gathering high-quality evidence from our work on the ground (see page 32) is vital to demonstrate the effectiveness of our programmes and help drive improvements and replication. We know we have further

to go – both to strengthen the evidence and learning we derive from our programmes, and to ensure our programmes are informed by the best global research and evidence.

While our overall level of income in 2017 was in line with the previous year, we faced particular challenges in certain areas, including financial support for our UK programmes and uncertainties over future EU funding. We won fewer new long-term grants from institutional donors than in previous years, so expect to see a fall in our total income in 2018. The temporary withdrawal from bidding for new DFID contracts announced in April 2018 (see page 5) will further reduce our expected income. We have reviewed our strategy, emphasising the importance of mobilising strong public support for our cause (see page 39).

campaign launched last year – has only emerged as the world's biggest infectious killer of children because previous efforts on AIDS, TB and malaria have been so effective and contributed to the world's infant mortality rate falling by half.

And while the global humanitarian system needs reform, it delivered an incredible success last year in the Horn of Africa crisis, where swift action prevented a catastrophe on the scale of previous emergencies in the region.

The increasing prominence and impact of social movements – from Black Lives Matter to Me Too to the Global March

Against Child Labour – herald a new era of accountability, one we welcome even when, in the case of the aid exploitation scandal, it reveals our own sector's urgent need to change.

Behind every reason to be optimistic we find the same forces: a willingness to innovate and take risks, powerful partnerships across sectors, the application of political will by decision-makers, and the determination of the public that change is possible.

HELPING CHILDREN SURVIVE

The world has made remarkable progress in saving children's lives. Child mortality has halved since 1990.

But despite this breakthrough, 5.6 million children under five died in 2016, most from conditions we know how to prevent or treat. Malnutrition is an underlying cause in around half of those deaths.

Save the Children is part of the global fight to make sure no child dies of preventable causes by 2030. To focus our child survival efforts, we have adopted a 'centenary commitment' to end child deaths from pneumonia.

In addition, we have these strategic priorities:

- improve the quality of and access to healthcare and nutrition for babies, children, pregnant women and mothers
- promote livelihood and cash support to benefit the poorest children
- enable life-saving nutrition and healthcare for children in emergencies.

In 2017 we delivered on these priorities. In East Africa, which was ravaged by drought and war, we helped avert a full-blown famine. We launched our campaign to end preventable deaths from pneumonia, the world's biggest infectious killer of children. In India, Kenya and Nigeria we helped children get life-saving healthcare and nutrition. And in humanitarian emergencies, from Bangladesh to the Democratic Republic of Congo, we delivered frontline healthcare.

10.7 MILLION CHILDREN

reached through our **health and nutrition** programmes



Deeqa and her children near their home in Somaliland. Most of their cattle died last year in the drought. "We don't have access to clean water," said Deeqa, "and I don't have enough food to feed my children."



MUSTAFA SAIED/SAVE THE CHILDREN

EAST AFRICA: PULLED FROM THE BRINK

The first member of the Salat family to die was little Isse, aged eight. She was followed by her siblings Noor, 12, Sangabo, nine, and Alio, just five.

“The only medicine I had for them was anti-worm tablets. There was nothing I could do at any stage,” said their father, Mohamed, his face gaunt with grief. He had endured the unimaginable anguish of seeing all four children – weakened by hunger – die of cholera in the space of four days.

They were among millions of children caught up in a devastating food crisis at the start of 2017. A deadly combination of back-to-back droughts and war left around 20 million people across East Africa in desperate need of humanitarian assistance.

Killer drought: Somalia, Ethiopia, Kenya

Severe food and water shortages killed livestock, destroyed livelihoods and forced families to abandon their homes in Somalia, Kenya and Ethiopia.

Hardest hit was **Somalia**, home of the Salat family. There were fears the country was on the verge of a catastrophe even worse than the famine of 2011, which claimed 260,000 lives. More than half a million people left home in search of food and water.

In **Kenya** and **Ethiopia** hundreds of thousands of families could not give their desperate children enough to eat (see box). “Many are now barely surviving on just a meal a day,” explained Francis Woods, our interim Country Director in Kenya, “when they can find it.”

South Sudan: man-made famine

War was the driving force behind hunger in South Sudan. Violence, displacement and economic collapse left 2 million people facing starvation. Famine was declared in parts of the country – the first to be announced anywhere for six years.

Hundreds of thousands of children fled to neighbouring Uganda, arriving terrified and hungry, many of them alone.

At the forefront

Save the Children played a role in averting famine in Somalia, and preventing widespread famine in South Sudan. Learning lessons from 2011 – set out the following year in our report *A Dangerous Delay* – we responded much earlier last year. In February, we were one of the first organisations to scale up our work to meet the rising need.

Our response – which was supported by DFID – rapidly provided food, water, medicine and other life-saving essentials to children in the areas hardest hit. We:

- identified and treated malnourished children
- distributed cash transfers and food vouchers
- transported water to drought-hit communities
- set up mobile health clinics
- delivered emergency supplies to families forced to leave their homes.

We deployed our Emergency Health Unit (see page 18) to treat malnourished children, babies and pregnant mums, curb a deadly cholera outbreak in Somalia, deliver emergency vaccines in the most remote parts of South Sudan and set up two health clinics in Uganda for children fleeing war.

The response of the Save the Children movement to the crisis in East Africa reached 4.7 million people by the end of the year.

Not only were we one of the first to respond on the ground, we were also one of the first to urge the international community to do the same. In May, we called on key players to do more. The World Bank approved a \$50 million emergency project to scale up the drought response and recovery effort in Somalia. At some of the most important international meetings of the year, such as the UN General Assembly, we made sure the voices of children in the Horn of Africa were heard, and pushed governments to commit to continuing support for the millions of people facing hunger.

Warning signs

Widespread famine may have been averted but a new crisis looms, and the warning signs are even more ominous than in 2017. The rains failed at the end of last year and are expected to fail again between April and June 2018. We're determined to help communities to prepare this time around and help them find long-term solutions.

THE HUNGER CRISIS IN NUMBERS

Our movement's response:

2.9 million children reached across East Africa

- 1.6 million in Somalia
- 669,000 in Ethiopia
- 427,000 in Kenya
- 225,000 in South Sudan

Jacob and Alice

COLIN CROWLEY/SAVE THE CHILDREN



“THEY WERE WASTING AWAY IN FRONT OF US”

Alice began to despair as hunger tightened its grip on her four-year-old son Jacob and his sisters. “We watched as our children became weaker and thinner – they were wasting away in front of us.”

Entire herds of livestock were wiped out in their village in Turkana County, northern Kenya. “We didn’t have anything to feed our children,” Alice explains. “He became so weak that he couldn’t even stand up.”

Alice learned that Save the Children had set up an emergency nutrition centre in the area. She carried Jacob there, where our health workers quickly diagnosed him as suffering from acute malnutrition.

They put Jacob on a course of high-energy therapeutic food. He started to gain weight and become stronger.

Alice explained that when she brought Jacob to the centre he was very weak. “But now he’s looking much better,” she said. “He is very active and able to play with the other children. Today we are feeling better because the children are doing well.”

But the reason Alice’s children became malnourished in the first place has not gone away. “There is still no food for us to eat,” she says.

PREDICT, TARGET, PREVENT

In Ethiopia's Somali region we piloted an approach to support families before the food crisis reached its peak. Most families in this region support themselves by keeping cattle, goats or sheep. With poor rains predicted, families' livelihoods were at risk. For children it meant the threat of malnutrition.

Save the Children's household economy approach is a widely recognised method for assessing the vulnerability of rural populations to economic shocks and changes, based on their livelihood patterns and market information. Last year, we used this approach to identify families in four neighbourhoods who were most at risk. We then released funds to help them secure precious supplies of water, income and livestock. Between March and June 2017 we:

- provided 1,000 families with water-purification tablets and animal feed for their livestock
- arranged cash for work to give 525 families an income for three months, which meant they didn't have to sell their cattle
- rehabilitated six water sources.

By acting early – before rather than after the rains failed – we helped families come through the crisis without needing emergency food aid and with their livelihoods intact. Our project evaluation found that the nutritional status of children in targeted households actually improved slightly over the period of the intervention, along with households' 'resilience score' (their ability to withstand a shock). This did not happen in villages where no early action occurred. The rehabilitation of water sources meant children did not have to spend as much time finding water, and as a result they were more likely to go to school.

A value-for-money review of the project used a socio-economic tool to estimate its impact and compared it with a humanitarian response alone, without early action. The review suggested that for every £1 invested in the project, the benefit to communities – in nutrition, water, income and children's education, for example – was worth on average more than £2.50.

PNEUMONIA: FIGHTING FOR BREATH

“It's indefensible that we allow so many young lives to be destroyed by a disease we have the knowledge and resources to defeat. Pneumonia should be a defining cause of our age. Yet there are no marches, awareness ribbons or global summits for the two children who die every minute from pneumonia.”

Kevin Watkins, Chief Executive, Save the Children

Pneumonia kills more children than any other disease. It took the lives of 900,000 children in 2016 – more than diarrhoea, malaria and measles combined.

Yet pneumonia operates in the shadows – neglected by governments and overlooked by the international community. Even some health ministers in the countries most affected don't fully appreciate the threat it poses.

Defining cause of our age

The world has the vaccines to prevent pneumonia and the medicines to treat it. A course of antibiotics that can save a child's life costs 30p – less than a bag of sweets. But it's not available in many health centres in the world's poorest countries.

That's why, in November 2017, we kicked off our campaign to end pneumonia, unveiling our groundbreaking report *Fighting for Breath* at a high-profile launch at the House of Commons. Then Secretary of State, Priti Patel, spoke at the event about the devastating impact of pneumonia on children's lives and took part in a live video call with one of our dedicated health workers in Kenya (see box). Two days later, she announced a £62 million package of aid from the UK government to tackle the threat of pneumonia to children in war-torn Syria.

Our Fighting for Breath campaign aims to catalyse a global effort to beat pneumonia. It will put the issue on the map, get millions of people behind our cause and press world leaders to hold a summit where they will commit to making sure every child can get the healthcare they need, no matter where they are. We'll fight for:

- a new deal on vaccines to make them cheaper and more accessible, especially for communities most at risk
- new Pneumonia Action Plans from governments, which make sure every child gets access to health workers trained to diagnose the disease accurately and early
- more funding for health systems to improve diagnosis and treatment, increase the number of health workers and make life-saving antibiotics more widely available.

Last year as a first step in catalysing a global response, we helped launch the 'Every Breath Counts' coalition. Bringing together governments, businesses, United Nations' agencies and non-governmental organisations, this partnership aims to end preventable child deaths from pneumonia by 2030.



JONATHAN HYAMS/SAVE THE CHILDREN

Jedidah urgently fits an oxygen mask on Jackson, age three, who is suffering with severe pneumonia.

“THIS IS SOMETHING THAT SHOULD NOT KILL A CHILD”

Jedidah Onyango is one of those people who cares so deeply about her job she can't wait to get started in the morning. She's our Emergency Health Officer in Turkana, Kenya, and she's early to work every single day.

Her passion for nursing was ignited by a childhood tragedy – the death of her sister from pneumonia, the killer disease she now spends her life fighting. “I felt if I had been a nurse, her life could have been saved.”

She talks about the vital job she now does in Kenya and how fast she and her colleagues must act to save lives:

“Pneumonia is deadly, especially in children, because it blocks their airway and they can't breathe. Within 30 minutes the child needs to have their airway cleared, and be able to open their lungs so they can get oxygen to the body tissues as well as the brain.

“Then you work on reducing their temperature, then give them their first antibiotics.”

Jedidah's work is about prevention too. “Pneumonia can be tackled by informing the community about the danger signs and symptoms,” she says. “Our Community Health Volunteers identify pneumonia early, before it complicates to a severe form. We have really assisted a great deal in Turkana.

“The most satisfying thing about my job is to see a child improving. Pneumonia is something that – if action is taken early enough – should not kill a child.”

Jedidah spoke to senior members of the UK government via a live video call at the launch of our Fighting for Breath report in November 2017.

We will scale up our programmes on the ground, and join forces with partners to get life-saving vaccines and antibiotics to many more children. Our health workers are showing parents how to spot the danger signs, so they can act before pneumonia tightens its grip.

The world has committed to ending preventable child deaths by 2030. For that to happen, though, we need a breakthrough on pneumonia. Together, we can stop pneumonia in its tracks and save more than 5 million children's lives between now and 2030.



Baby Exodus is treated for malaria and given routine vaccinations at a mobile health clinic in a refugee camp in Uganda.

EMERGENCY HEALTH UNIT: SPEED. REACH. EXPERTISE.

Our Emergency Health Unit (EHU) allows us to deliver rapid and effective healthcare in some of the world's toughest and most remote places. Our teams of doctors, nurses and logistics experts run mobile clinics, delivering life-saving healthcare, drugs and nutrition supplements. The EHU builds on the work of Merlin, the international health charity that joined Save the Children in 2013.

When an explosion of violence in August forced more than half a million people from the Rohingya community to flee in terror from Myanmar, our EHU deployed to support them.

Children crossed the border into Bangladesh, malnourished, exhausted and in many cases traumatised. They crowded

into makeshift camps in Cox's Bazar, living under plastic sheets, surrounded by mud and standing water, with little food or clean water – all the ingredients for a catastrophic outbreak of disease. Our teams set up eight mobile health clinics to provide healthcare to 19,000 people and to deliver vital nutrition and hygiene supplies.

Bangladesh was just one of the crisis hotspots where the expertise of our EHU was called upon in 2017. From setting up mobile clinics in the Democratic Republic of Congo, to responding to cholera outbreaks in Somalia, delivering vaccines in South Sudan, and establishing life-saving healthcare and nutrition in drought-hit northern Kenya, we deployed our EHU to reach 204,000 people caught up in seven humanitarian emergencies last year.

LIFE-SAVING HEALTHCARE AND NUTRITION

Ending diarrhoea deaths in India

Diarrhoea is the third biggest killer of children in India. Yet it is simple to treat and prevent.

Working in partnership with consumer health company RB and local government, we launched our Stop Diarrhoea Initiative in 2015 to massively reduce child deaths from diarrhoea across four Indian states – from urban slums in Delhi and Kolkata to rural areas in Uttarakhand and Uttar Pradesh.

To keep children safe from contaminated water, we have built almost 50 wells and trained more than 700 specialists to maintain safe water systems. We supported 120 villages to end the practice of open-air defecation, which worsens the spread of diarrhoea. Uttarakhand became the fourth state in India to be declared free of open-air defecation.

We trained 2,000 health workers to prevent and control diarrhoea. We set up community groups to make people more aware of the dangers of diarrhoea and helped hundreds of mothers understand the importance of good hygiene for their babies.



CJ CLARKE/SAVE THE CHILDREN

Rekha with her youngest child, Rishabh outside their home in a slum area in Delhi, India. Rekha's daughter, Tannu, died from diarrhoea when she was four.

Our work reached 17,960 children in 2017 alone and the results have been stunning: we've cut under-fives deaths from diarrhoea by 70% in districts where we're working.

Fighting malnutrition in Nigeria

In Nigeria, poverty is blighting the lives and future chances of young children. A shocking one-third of children under five are stunted, rising to more than half of children in some states, with appalling repercussions for their long-term development.

We're using a smart combination of cash transfers, combined with nutrition-specific interventions, including social behaviour change communication, to tackle the problem head on.

In northern Nigeria, our Child Development Grant Programme, delivered in partnership with Action Against Hunger, will provide up to 100,000 pregnant women and those with children under two with 4,000 naira (£8) per month. The size of the grant was determined and updated using diet and food price data, and the money is transferred to registered beneficiaries following ID confirmation using thumbprints, photo checks and a unique ID code.

The programme also provides support and counselling on maternal and child health, nutrition and child development, reaching about 400,000 people by the end of 2017. These sessions have helped produce a sharp increase in the number of women who exclusively breastfeed children under six months old – a key factor in the fight against malnutrition – rising to 70%, in contrast with 28% in comparison areas not covered by the programme.

After just two years, the combination of the regular cash transfers with the complementary nutrition interventions has already led to statistically significant reductions in stunting. In addition, its impact has been felt in many other ways, including greater access to health services and uptake of vaccinations, and increased household consumption, even beyond the value of the transfers themselves, indicating that families' livelihoods have been strengthened.

THE UK'S AID PROMISE

When the UK general election was called in April, there were calls from parts of the media and some politicians to scrap the law that requires government to spend 0.7% of national income on overseas aid. We worked with allies across the international development sector to make the case for the UK's role as a leader in international development and, with backing from our supporters, we demonstrated public support for aid. The Prime Minister reaffirmed her support for retaining the 0.7% commitment.

We are keen to see the debate on aid focus not just on the amount of aid the UK provides, but also on its quality. Our report, *Next Generation Aid*, launched during the Conservative Party Conference, focused on the impact of aid on children. It provided a strong platform for meetings with ministers, and was well received by senior civil servants and special advisers.

EMPOWERING CHILDREN TO LEARN

Education is every child's right. It offers children the chance to fulfil their extraordinary potential – and make their mark on the world.

But many children, particularly those from disadvantaged groups or caught up in humanitarian crises, are denied the chance to learn. And while more children are in school than ever before, the often poor-quality education on offer means that after five years in class, far too many children are unable to read, write or do basic maths.

We're determined to help turn this around. Our 'centenary commitment' under this theme is to expand opportunities for early years education – so that every child starts school ready to learn.

Alongside this commitment, our strategic priorities for education are to:

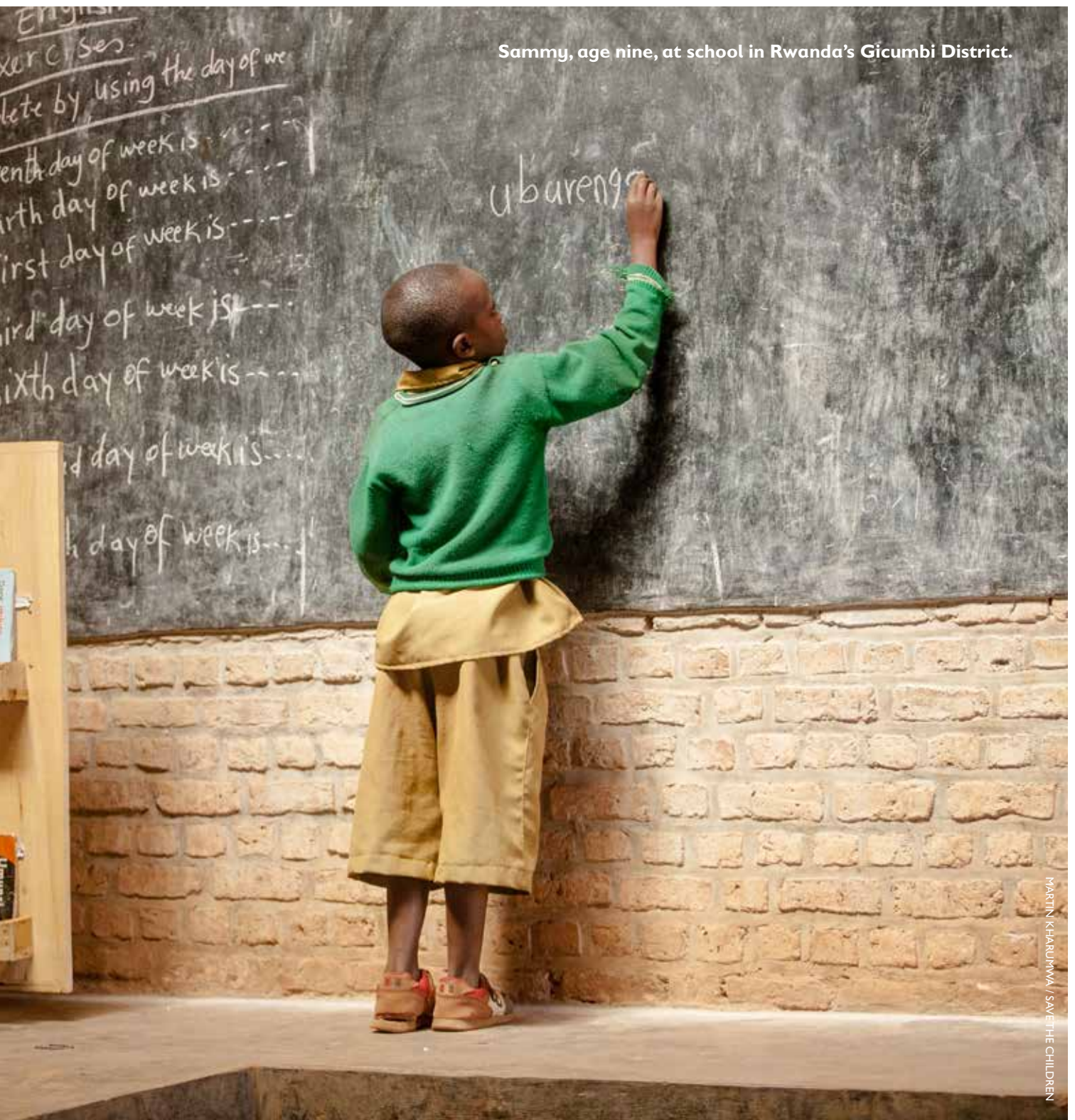
- enable children from disadvantaged groups to get a good-quality basic education
- ensure children in humanitarian crises have the opportunity to learn.

Last year we delivered on these objectives in the UK and around the world. From Afghanistan to Uganda we enabled children from disadvantaged groups – including girls and child refugees – to go to school and we helped build stronger education systems. In Rwanda we helped thousands of children get a good-quality, basic education. And here in the UK our programmes and early years campaign sought to give all young children the best start in life.

842,000 CHILDREN

reached through our **education** programmes





Sammy, age nine, at school in Rwanda's Gicumbi District.

Immaculé and Emerance

JONATHAN HYAMS/SAVE THE CHILDREN



IMMACULÉ, ONE OF OUR PARENT VOLUNTEERS

Immaculé runs a Let's Read! club for children in Ngororero, in Rwanda's Western Province. She has led the club since 2012, when she and three fellow volunteers were trained in how to facilitate children's reading. Every week, the children sit on benches and the volunteers bring out a big plastic box overflowing with Kinyarwanda books.

"The children who come here now do better in school," says Immaculé. "For example, Kevine – one of the girls who comes to the group – has changed since coming here. Now she has no fear. No fear of reading, no fear of talking, no fear in front of others."

"I tell parents to encourage their children to read. If parents are illiterate, their children will help them to learn."

Immaculé's daughter, Emerance, age 12, attends the club. She appreciates having books that reflect her culture. "The people in the stories could have come from villages near me," she says.

At the club, Emerance helps other children in the group with their reading. "I'll carry on studying and learning how to teach, especially young children," she says. "I feel good when I help a child to read and write. It's a gift to both the child and the community."

EVERY CHILD'S CHANCE TO THRIVE

Advancing the right to read in Rwanda

Reading changes lives. Just ask Sammy, age nine, from Rwanda.

"The teachers say it's a shame to see a grown-up who is given a book and can't read. To get a job, you need to read and write," Sammy explains.

Most children in Rwanda today go to school. But literacy levels remain low.

Our ambitious and wide-ranging programme engages children, parents, teachers and even local publishers to support a reading revolution – and change the story for children.

"I learned to read by going to the reading club," says Sammy. "Now I help some friends in school. When they don't understand, I help them if I can."

The Let's Read! club Sammy attends is one component of our multi-dimensional programme, Advancing the Right to Read. Working across Rwanda's 30 districts, it's designed to make sure all children leave school able to read.

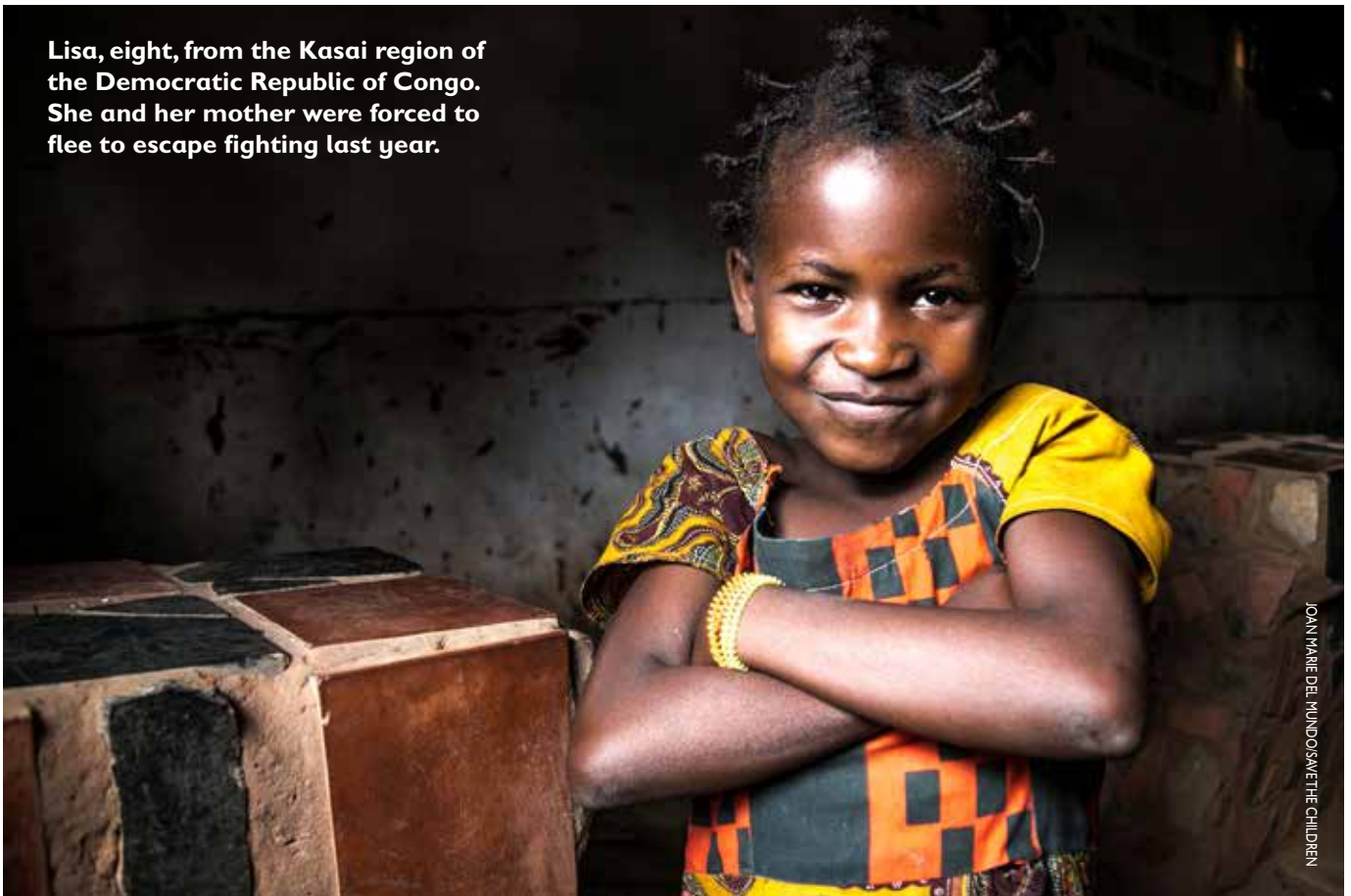
Let's Read! runs hand-in-hand with our Rwandan Children's Book Initiative. We're supporting Rwandan publishers, writers and illustrators to create engaging, educational titles in Kinyarwanda – Sammy's first language. Before we started, there were just four Kinyarwanda storybooks. Now there are more than 500.

We've worked closely with the Rwanda Education Board to make sure all books published are high quality. Some writers have even had their titles purchased by international publishers.

Alongside this, we're training teachers to set up book banks. And we're helping them use reading materials effectively as part of their lessons.

The programme has delivered huge impact. Reading outcomes have increased in districts where we've worked intensely, school attendance has improved, and many children who had dropped out have returned to class.

Lisa, eight, from the Kasai region of the Democratic Republic of Congo. She and her mother were forced to flee to escape fighting last year.



JOAN MARIE DEL MUNDO/SWEETHE CHILDREN

Every girl's right

Every child has the right to an education. But many girls from the poorest communities miss out on school and the chance of a better future – often just because they're a girl.

In 2017, as part of DFID's Girls' Education Challenge, we ran four projects delivering basic education to marginalised girls in Afghanistan, the Democratic Republic of Congo, Ethiopia and Mozambique. Working with partners, we trained teachers, promoted girls' education within communities, constructed and repaired school buildings, and provided financial support to the poorest families. Across the four countries we have helped more than 150,000 marginalised girls get a basic education.

Strengthening education systems

South Sudan has some of the lowest rates of school enrolment in the world. Less than half of children are in school, and less than 10% of children complete primary school. Hundreds of schools have been destroyed by conflict.

Working alongside the Ministry of Education through a three-year programme that ended last year, we developed training materials for senior teachers, school supervisors and inspectors. Courses are endorsed by the Ministry of Education and embedded into Juba University, creating the opportunity for many more headteachers and inspectors to benefit from this ground-breaking work in years to come.

The programme trained more than 11,000 senior teaching staff in school management and leadership, and more than 1,000 inspectors, higher than our targets, and with high satisfaction levels. Additionally, more than 200 headteachers and 190 inspectors completed more advanced courses. We also faced challenges, with women comprising just 12% of those who completed the basic training course in school management and leadership – lower than our target.

UGANDA'S FIRST-EVER CHILD PARTICIPATION STRATEGY

Ugandan Minister of State for Youth and Children Affairs Florence Nakiwala Kiyingi hailed her country's first-ever child participation strategy as a "historic opportunity to transform the role of children".

We supported the government's development of the strategy, ensuring children's views – including those of child refugees, street children and children with disabilities – were listened to. The strategy paves the way for children to take part in decisions that affect them – within families, communities, schools and government.

Sofia



JUOZAS GERNIUSAS/SAVE THE CHILDREN

FORCED TO FLEE, LONGING TO LEARN

Education is often one of the first casualties of conflict. Half of all refugee children of primary school-age are out of the classroom.

More than half a million children from South Sudan have crossed the border into northern Uganda, uprooted by a brutal campaign of terror. Sofia is one of them.

Sofia fled South Sudan with her family. Her father was killed in front of her on the journey. She's just 12 years old.

When she first arrived at the Rhino refugee camp in Uganda, Sofia didn't get a place in school. "Back home I used to go to school every day," she says.

But thanks to our Accelerated Learning programme, which supports children back into formal schooling, Sofia is now back in class. "I love school because I want to continue reading. My favourite subjects are English and Maths," she says. "When I grow up I want to become a doctor, so that I can support myself and my family."

Uganda's response to refugees has been generous. But resettlement areas are under enormous pressure from the number of refugees who arrived last year.

In Uganda's largest refugee settlements, we're providing protection, healthcare and education for children. We run 60 child-friendly spaces, most of which include early learning facilities, where trained caregivers teach children aged 0–6 basic literacy and numeracy, social and emotional development, health, and physical education.

The spaces also provide psychosocial support for children recovering from trauma, through play and learning activities conducted in a safe and stimulating environment. Many children are unaccompanied. We work to find these children foster families within camps and provide family tracing services to help reunite children with parents.

Our education response in Uganda was supported by DFID. Last year our movement helped more than 15,000 get the chance to learn.

Pushing the international community to act

In June, UN agencies and the Ugandan government held a 'Solidarity Summit' to mobilise international support for the country's refugee response. At the summit we challenged donor governments to do more, presenting our *Restoring Hope, Rebuilding Lives* report, which provides a costed plan of action for delivering education to South Sudanese refugees.

JOINING FORCES FOR REFUGEE EDUCATION

Promising Practices in Refugee Education is an initiative between Save the Children, the UN High Commission for Refugees and Pearson. In September, we published a joint report, identifying and promoting innovative ways to effectively reach refugee children with quality education.

Together with Pearson, as part of our 'Every Child Learning' partnership, we also launched an ambitious pilot education project in Jordan, in collaboration with the Ministry of Education. The project includes *Space Hero (Batlalfada)*, a fun and engaging maths learning app, developed by Pearson in collaboration with Syrian refugee and Jordanian children. The app supports a new Save the Children-led in-school programme that focuses on teacher professional development, school-community relations, after-school learning and psychosocial support.



Amanda and Adam

BOOSTING EARLY LEARNING IN THE UK

By age three, children from the poorest fifth of the UK population are 17 months behind on average in their development. Many never catch up – less than a quarter go on to achieve five good GCSEs.

For these families, creating a good learning environment at home – and, crucially, increasing parents' skills and confidence to support their child's learning – can reduce the impact of poverty on their child's future.

Adam, 6, took part in our Families Connect programme with his mum, Amanda, at their school in Edinburgh.

"It helped me get better at counting because I keep on thinking in my head and it's getting easier," says Adam. "It's easy to learn at school now because of Families Connect."

At weekly sessions in schools across the UK, we're working alongside parents to increase their skills and give them the confidence to help their children learn. It's a chance for little ones to spend precious one-on-one time with their mums and dads, learning games that help them read, write, count and express themselves. Teachers reported significant differences in children who took part – in their academic progress, motivation, concentration and enjoyment.

And three months after taking part, nine out of ten parents said Families Connect was still influencing how they interact with their children at home.

"It teaches you ways to teach your children, ways that you maybe never would have thought would work, or never knew about," says Adam's mum, Amanda. "I've enjoyed every bit of Families Connect, and will take away everything that we've learned, everything."

Amanda says Families Connect has helped bring them together as a family. It has also encouraged her to get more involved in her school community. "I can speak to

the school now, which I probably would never have done before," says Amanda.

In 2017 our programmes in schools reached more than 8,000 children.

We also teamed up with family support and childcare workers across the UK to help struggling parents access the basics they need – like a bed, books, or toys – that are essential for children's early learning. In 2017 we supported more than 5,000 families with beds, pushchairs, toys, and a host of other items to make their homes fit for learning. When they support families like this, our partners can build vital trust and give guidance to help their children's learning.

In 2017 we supported 18,000 children in the UK through our programmes.

CAMPAIGNING FOR THE RIGHT START FOR CHILDREN

Making sure children in the UK and around the world have good-quality early learning is one of our core commitments over the coming years. In the UK last year we campaigned for all young children to get the start they need.

In March, a petition signed by 32,000 of our supporters called on the government to invest in an Early Years Teacher in every nursery in **England**. The UK government made a commitment to look into boosting the number of early years teachers in disadvantaged areas.

In September, the **Scottish government** committed to producing a national action plan on parental engagement and family learning, recognising how crucial parents are in supporting children's education. We've long advocated for this focus, drawing on our research on parental engagement, and highlighting practice findings from the programmes we run in schools.

ENSURING CHILDREN ARE PROTECTED

Save the Children was founded to protect children affected by the horrors of war. Yet today the rights of children in war are violated with impunity.

We're determined to tackle this. That's why we've adopted a 'centenary commitment' to protect children in war.

We're working with others to defend the rules, norms and human rights that can help achieve a global breakthrough on the protection of children. Last year in Yemen, Syria and Iraq we protected children caught up in conflict and campaigned for perpetrators of attacks on children's homes, schools and hospitals in Yemen to be held to account

Alongside this, in 2017 we protected 324,000 vulnerable children around the world through our long-term development programmes. The strategic priorities underlying these programmes are to:

- end violence against children
- support children who are not properly cared for
- address the most dangerous forms of child labour
- help build child protection systems.

324,000 CHILDREN

reached through our **protection** programmes



Ahmed, 12, lives in an abandoned petrol station with 14 members of his family after fleeing violence in their village in Raqqa province, Syria.



PROTECTING CHILDREN IN CONFLICT

In 2017 children were more at risk in conflict than at any time in the past 20 years, according to new research from Save the Children.

From Syria to Nigeria, Yemen to Myanmar, children were caught up in conflicts that aren't theirs. They were killed and maimed as their homes and playgrounds were turned into battlegrounds. Millions were forced to flee or to face disease and hunger. They were deliberately targeted by weapons and subjected to sexual violence.

And when they needed protection, the international laws designed to keep them safe were under attack from combatants, who acted with impunity amid the chaos of war.

In 2017 we reached children in war zones with protection, life-saving supplies and spoke out when their rights were violated.

Yemen

Hundreds of thousands of Yemen's children are trapped in a brutal cycle of starvation and sickness, with food supplies and aid blocked, and hospitals bombed. Last year, with nearly 400,000 of the country's children severely malnourished, many were at the mercy of the worst cholera epidemic on record. The Save the Children movement is running more than 100 health facilities, and has treated more than 300,000 children since the conflict escalated 2015.

Myanmar

A surge in attacks against Rohingya communities in Myanmar in August saw more than 350,000 terrified children flee across the border into Bangladesh. Worrying numbers arrived alone – prime targets for exploitation, abuse and trafficking. With support from DFID, we provided protection and care to children who were hungry and scared, and helped those who were lost and alone to trace their families. The Save the Children movement opened 40 safe spaces where children could play – and just be children again. We also provided life-saving healthcare (see page 18).

Democratic Republic of Congo

What started as a dispute between a local traditional leader and the Congolese state spiralled into violence that engulfed the DRC's vast Kasai region. Dozens of mass graves were discovered as both sides were accused of atrocities. In what was the highest internal displacement of people anywhere in the world in 2017, some 1.4 million people – including 850,000 children – were forced from their homes. Save the Children's emergency teams reached 19,000 of the worst-affected children with support, including healthcare and child protection.

Syria

The human cost of Syria's war – which entered its sixth year in 2017 – is incalculable. The number of Syrian refugees topped 5 million, with a further 6 million displaced inside the country. The future of a generation lies in ruins. Since the start of the crisis, with support from DFID, we have reached more than 2.5 million children living in Jordan, Lebanon, Egypt, Iraq, Turkey and inside Syria itself, providing healthcare, food, water and sanitation, and other vital services. Last year, our child protection teams worked to rebuild children's lives across the region. We referred children suffering from severe trauma to psychologists, and the Save the Children movement ran safe spaces for child refugees so they could return to some kind of normality and continue their education.

Iraq

The offensive to seize back control of Mosul from ISIS came at a heavy price. More than 800,000 people were uprooted. Most ended up in overcrowded camps, where children are vulnerable to abuse and mentally scarred by their experiences. The Save the Children movement set up safe spaces for more than 13,000 children and helped 6,300 more get expert psychological support (see page 30). We worked to protect children at risk of abuse or neglect and reunite those separated from their families.

Nigeria

Eight years of vicious conflict has turned north-east Nigeria into the scene of one of the world's worst humanitarian disasters. In May 2017 the UN reported that more than 5 million people were in urgent need of food aid. Since 2014, the Save the Children movement has reached more than 400,000 people, ensuring children recover from malnutrition and cholera, and enabling them to go to school.

Our greatest export should be hope, not fear

As UK aid helps those caught up in the violence, British-made bombs are being dropped on Yemen. Aid workers are saving children at the same time as UK arms companies profit from the horror.

In 2017 we took a stand. Our campaign calling on the government to suspend arms sales to the Saudi-led coalition was backed by more than 40,000 supporters. We launched a powerful film, 'Made in Britain', voiced by TV star Dominic West, with the message: our greatest export should be hope, not fear.

In August, we handed a petition with more than 37,000 signatures to the United Nations, successfully calling on the UN Secretary-General, Antonio Guterres, to name and shame the Saudi-led coalition in his annual report on children in armed conflict.



MOHAMMED AWADH/SAVE THE CHILDREN

SHATTERED AND BROKEN

As a war for power rages in Yemen, the lives of hundreds of thousands of children are left shattered and broken.

On August 2017, an airstrike hit the home of two-year-old Aws in the capital Sana'a.

Amid the devastation, rescuers spent hours pulling people from the rubble. But by the time they reached Aws's mother and father they were already dead. Miraculously Aws was still breathing. They rushed him to hospital, his face covered in blood.

Our child protection team helped pay for Aws's treatment and put him on the road to a full physical recovery. We're now making sure he gets the long-term psychological support he needs.

Aws' late father was a successful clothes maker and used to provide for the whole family. Now Aws is living with his grandfather, Murad, who doesn't have enough money to take care of him. Our team has been supporting him to look after his precious grandson.

Children at a temporary learning space run by Save the Children at a camp in northern Iraq.



“I HAVE SEEN DOLLS CONNECTED TO EXPLOSIVES”



The battle for Mosul saw thousands of children driven from their homes. Save the Children community worker, Riyadh, is based at Al Alil camp in northern Iraq. He's a crucial first point of contact for children and adults at the camp, helping them get the support they need.

He describes what life was like for children under ISIS and how he and his colleagues are helping them to recover, running temporary learning centres and child-friendly spaces.

“Children have seen horrible things – ISIS executed people in front of them. Parents tell me their children have witnessed evil. I know of a three-year-old girl who was shot by a sniper. They target children to inflict as much pain on us as humanly possible.

“There are mines all over the place. I have seen dolls connected to explosives, left out for children to pick up and detonate.

“We brought in a team to run sessions raising awareness of mines. They taught the children not to leave the path, go climbing over destroyed buildings or pull wires they find on the floor.

“This camp has been full for a month but every day people still come to register new children for our activities.

“I let people know what Save the Children are doing here and how to use our programmes. I tell them that they are safe now and that we are here to help them.”

SAVING LIVES AT SEA

In 2017 the Save the Children movement relaunched our search and rescue operation in the Mediterranean. Our vessel patrolled the open sea to find helpless children who have fled poverty, war and persecution.

“We pull people from the water and provide food and warm clothes,” says our team leader Roger Alonso.

“We’re on the lookout for children at risk of being trafficked. Once we’re on land, our child protection teams work with those children identified as at risk.”

Our efforts saved 7,666 people in 2017 – including 1,231 children. A deal between the EU and Libya saw the numbers attempting to cross the Mediterranean fall drastically and we closed our operations in late October.

CARING FOR CHILD REFUGEES IN THE UK

Thousands of child refugees are stranded alone in Europe in appalling conditions.

Last year, alongside the UK public, MPs and refugee organisations, we called on the UK government to extend the cut-off date for children eligible for transfer to the UK. This was incorporated in the Dubs amendment, which Save the Children successfully campaigned for in 2016.

As a result, in January 2018 the government announced a range of measures – including extending the cut-off date for unaccompanied children – which will help many more lone child refugees in Europe come to the UK safely and with fewer delays.

Last year we trained more than 500 foster carers and social workers in the UK to help them care for asylum-seeking children, focusing on cultural differences, the countries children are coming from and the journeys children take in arriving in the UK. Following the success of the training, we have worked with the British Red Cross, the Refugee Council, Coram, child protection agency ECPAT and others to develop a course for social workers that also covers the legal asylum process and includes information on trafficking.

CARE THEY DESERVE

A decade of work culminated in a huge breakthrough in 2017 – one that will change the childcare in Indonesia for ever.

Half a million Indonesian children are growing up in orphanages or other institutions – yet nine out of ten have at least one living parent. Many have families that are too poor to care for them, or who feel they’ll have a better life in institutional care.

Being cut off from a caring family has devastating consequences for children’s wellbeing and development. Some are forced to live in unsafe conditions, subjected to abuse or forced to work.

This damaging culture of institutional care has held sway in Indonesia – until now.

Following five years of advocacy with the Indonesian government, our team of childcare experts convinced the Ministry of Social Affairs to pass regulations in October 2017 that will establish Indonesia’s first-ever system of foster care – giving more children the chance to grow up in a loving family environment. These regulations stipulate that institutional care should only be a last resort – overturning years of harmful practice.

This is a huge victory, and one we will now build on. We’ll be advising the government on what foster care in Indonesia should look like, and work with them to pilot a family-based care model for Indonesia that better includes extended family members.

ENDING CHILD MARRIAGE

Every seven seconds, a girl under the age of 15 gets married. Child marriage cheats girls of their education. It leaves them at risk of early pregnancy and vulnerable to domestic violence and social isolation. It often traps them – and their children – in poverty.

The world has promised to end child marriage by 2030. But we’re a very long way from achieving that aim.

Last year we stepped up efforts to tackle child marriage. We brought together African politicians, civil society organisations, and community and religious leaders to commit to ending this burden in West and Central Africa, which has the highest rate of child marriage in the world.

The conference, the first of its kind, was held in Senegal’s capital Dakar. It called for governments to draw up concrete plans and make sure laws against child marriage in their countries are effectively enforced.

MAKING OUR WORK EQUAL

Last year Save the Children published a movement-wide Gender Equality Policy, reflecting growing recognition of how important gender equality and girls’ empowerment are in helping us achieve breakthroughs. The policy sets out a minimum standard for all new programmes to be rated as ‘gender sensitive’ or ‘gender transformative’.

Save the Children UK developed a complementary strategy on gender equality and girls’ empowerment. Covering the period 2017–19, it provides a roadmap to organise, programme, partner and advocate for gender equality.

FOCUS, ACTION, IMPACT

In 2017 we identified five strategic priorities to go further, faster – so that more children survive, learn and are protected.

PRIORITY 1: STRENGTHEN THE IMPACT OF OUR PROGRAMMES AND ADVOCACY

Focusing our resources is vital to deliver greater impact for children and to build stronger links between our programmes and advocacy work. In 2017 we sharpened our focus by agreeing a list of 35 priority countries where we will concentrate our work.

Generating stronger research and evidence from our programmes is vital in giving us the knowledge to catalyse policy and practice change. Last year we generated strong evidence on a number of programmes, including Child Development Grant Programme in Nigeria (see page 19), Advancing the Right to Read in Rwanda (see page 22) and Families and Schools Together in the UK. Over the next few years we must strengthen our capacity to take evidence from our programmes and better understand our overall impact.

To deliver the best for children, the Save the Children movement has adopted ten common approaches. Each approach addresses a particular problem – such as how to help children read and write or how to prevent malnutrition among young children. And each approach is supported by evidence that it works and can be adapted to work in different contexts. For example, our work tackling pneumonia (page 16) and diarrhoea (page 18) adopts the common approach to ‘ensure children are treated close to home’ through networks of community health workers and local healthcare facilities. In Rwanda our Advancing the Right to Read programme supports our common approach to give children a ‘literacy boost’ (page 22). And in Nigeria our grants programme delivering child-sensitive social protection exemplifies the common approach to ‘resource families for better nutrition’ (page 19).

We brought our research, analysis and experience to bear in advocating for transformational change for children. We galvanised donor support for Somalia (see page 14); called for international action to support Uganda’s response to refugees from South Sudan (page 24); partnered with the World Bank on the high-level meeting on child marriage (page 31); campaigned for the Saudi Arabia-led coalition to be listed in the UN report on children and conflict (page 28); and integrated our UK programmes and campaign to support children living in poverty in the UK (page 25).





Louren, age eight, at a centre for children with disabilities that Save the Children supports in Kenya.

Working with children and listening to what they have to say about our programmes and their lives is fundamental to our mission. Our Suchana programme in Bangladesh and Advancing the Right to Read in Rwanda (see page 22) led the way in listening to children's voices. In Uganda we supported the development of the first child participation strategy. Nevertheless, as a movement we know there is more we can do in this area, and this will be a focus for the coming years (see page 15 in our Accountability and Transparency Report).

PRIORITY 2: BECOME THE PREFERRED ORGANISATION FOR OTHERS TO PARTNER WITH

In 2017 we developed powerful partnerships with institutional donors and companies, generating charitable activity income of £281 million.

The UK government continued to be a key strategic partner in 2017. We secured multi-year UK government contracts and grants worth £169 million.

As a key civil society partner, we implement around 50 UK government-funded projects, many in fragile states, including Somalia and Yemen. With DFID support, we responded to several emergencies, including early action to address and prevent the worst effects of the drought across the Horn of Africa (see page 14) – matching DFID funding with appeal donations raised directly from supporters – and in response to the Rohingya crisis (see page 28). Through START – a network that we host, comprising 42 NGO partners and promoting change in the humanitarian system – we responded to other, less well-known emergencies and helped increase the resilience of communities from Ethiopia to Mozambique.

DFID funded a number of large-scale, longer-term development projects that we carried out, including match-funded child health projects in the Democratic Republic of Congo (DRC); support for girls to attend school in Malawi; increasing access to quality education for girls in Afghanistan, DRC, Ethiopia and Mozambique (page 23); a major nutrition programme in Bangladesh; providing cash transfers to meet basic food needs in Yemen; rehabilitating housing for Syrian refugees in Lebanon; empowering women and girls in Somalia; and providing access to healthcare for preterm and low-birthweight babies in Kenya.

Working closely with **UNICEF**, we were awarded £8.8m in programme funding. We were awarded £22m from other **UN agencies**, including £13.5m from the UN Organisation for the Coordination of Humanitarian Funds for emergency responses in seven countries.

We are one of a number of members of Save the Children receiving funding from the **European Union**. Against the backdrop of the Brexit negotiations, we will work with our European colleagues to ensure this important source of funding for the Save the Children movement is

maintained and grown. We were awarded £27.6m funding from the European Commission's Humanitarian Aid and Civil Protection Department to support vulnerable children afflicted by conflict and environmental disasters. EuropeAid and the Directorate-General for Neighbourhood and Enlargement Negotiations awarded £17m to support our programmes. The EU Trust Fund for Africa supported our work to enhance the livelihoods and resilience of children and young people in Somalia and Ethiopia. We are discussing with other Save the Children members the future arrangements for this partnership after Brexit.

Our partnership with the **World Bank** secured £3.8m in 2017 to support our programme work. This includes providing technical support to the government of Bangladesh under its Reaching Out-of-School Children programme, and the extension of our work with the government of Mozambique to strengthen their early childhood development service provision at central, provincial and district levels. We also have increased our engagement and joint policy efforts, including working together to address the challenge of child marriage (see page 31).

We worked closely with a number of **trusts and foundations**, including **Comic Relief**, who awarded us £2.5m for an innovative education programme in Tanzania. In the UK our work was supported by several funders, including the **Big Lottery Fund**, the **STV (Scottish Television) Appeal**, and the **governments** of Scotland and Northern Ireland.

We continued to develop and strengthen transformational, multi-layered and long-term strategic partnerships with the **private sector** in order to deliver sustainable change for children. See, for example, our innovative Every Child Learning partnership with **Pearson**, which aims to improve education for children in Jordan affected by the Syria Crisis (page 24).

We continued to work in partnership with **Unilever**, vanilla supplier Symrise and GIZ, the German Agency for International Cooperation, to support vanilla-farming communities in Madagascar. Using the Child Rights and Business Principles framework, we will continue to engage with partners and members of the Sustainable Vanilla Initiative to promote child-sensitive business practices in the vanilla industry.

Last year we celebrated five years of our ground-breaking partnership with **GSK**, which has reached more than 2.6 million children with life-saving interventions. For the second year running it was voted the most admired corporate-NGO partnership in the C&E Advisory Barometer. The award recognised the innovation, scale and impact of our pioneering and multi-faceted partnership. 40 GSK employees from 24 countries demonstrated the depth of the relationship when they scaled Mount Kenya to raise more than £273,000 to support our life-saving partnership.

Our partnership with **Prudence Foundation** continued to give children the best start in life through our First Read programme and to ensure children across Asia are safe from disasters when in school.

Through our partnership with **Arsenal Football Club** we harnessed the power of football to give children a safe place to play in Jordan, Somalia and Indonesia, and to raise awareness of our life-saving work.

Clifford Chance LLP won Best Charity Law Firm in the Third Sector Awards in recognition of its commitment to protecting children in conflict and its unwavering support, both financially and by way of pro bono legal advice, for Save the Children's Search and Rescue vessel in the Mediterranean. Our partnership with **Bulgari** raised a fantastic €220,000 – double its target – through its Save the Children jewellery range to support children in the early years in disadvantaged communities in the UK. **Johnson & Johnson** committed \$200,000 to support parents and carers in the UK's poorest communities to give children a fair start.

OUR PHILANTHROPIC PARTNERSHIPS

We would like to thank the many philanthropists who supported us in 2017. These philanthropic partnerships enabled us to undertake innovative, wide-ranging and large-scale programmes to support disadvantaged children around the world. They were also crucial to our humanitarian emergency response work.

PRIORITY 3: PLACE SUPPORTERS AT THE HEART OF OUR RELATIONSHIP WITH THE PUBLIC

From toddlers jumping in muddy puddles to grown-ups running marathons, our supporters went the extra mile last year. Their energy, enthusiasm and determination to help children in the toughest situations was remarkable.

The UK public dug deep in response to the East Africa food crisis (see page 14). With a humanitarian catastrophe threatening millions of children and adults, we raised a total of £11.9 million, including income from the appeal of the Disasters Emergencies Committee, helping the Save the Children movement reach 4.7 million people. As children came under fire in conflicts in Syria, Yemen and South Sudan, and in response to the Rohingya crisis, our supporters responded generously. Tens of thousands of supporters took part in our campaign to protect children in Yemen (see page 28). Last year we received £1.3 million for our search and rescue mission in the Mediterranean, which saved a total of 7,666 people's lives (see page 31). In total we received £11 million in donations to our emergency work, reaching 3.2 million of the world's most vulnerable children in 2017.

1,400 supporters contacted and met with their MPs to urge them to support the UK's aid commitment. More than

5,000 supporters got behind the launch of our campaign to end preventable deaths from childhood pneumonia, calling on the UK government to spearhead the global effort. And 4.6 million people signed up to take part in Christmas Jumper Day, raising £4 million for our cause.

Our supporters are the backbone of Save the Children. That's why we're committed to engaging with them in the most relevant and inspiring ways, and to putting their needs at the very heart of our relationship with the public.

In order to deliver on that commitment, we know there are a number of ways we need to improve and, following an



Making a splash!

4.6 million people across the UK signed up to 'make the world better with a sweater' on Save the Children's Christmas Jumper Day. With massive press and TV coverage and a host of celebrities getting behind the campaign – and even some photogenic dogs in jumpers – it was a national event.

We were thrilled to partner for the first time with The Yogscast through their 'Jingle Jam' campaign, and our partnerships with Arsenal and Selfish Mother attracted widespread media coverage. We are very grateful for support from Ella's Kitchen, WHSmith and Leon Restaurants, as well as the many other companies who got involved and wore their Christmas jumpers with pride.

In May, toddlers, parents, nursery workers and childminders pulled on their wellies to take part in Peppa Pig's Muddy Puddle Walk. 7,000 family and nursery groups around the UK took part, organising their own walks and raising money for our cause. With fantastic support from our partner, Entertainment One, owners of Peppa Pig, the event raised £245,000 – well above our target in its first year.

In March, 335 guests celebrated A Night of Country at the Roundhouse in London. Hosted by Sir Alan Parker and Helena Bonham Carter, the evening of music raised more than £1 million. In November, our Winter Gala – a Harry Potter-themed extravaganza at London's Guildhall – also raised £1 million for our work.

independent audit of our Supporter Promise in 2016, last year we focused on enhancing seven areas of supporters' experience – including improving the way we show impact, building a better understanding of those who support us, and ensuring supporter journeys are always positive and well-rounded. We also focused on improving our supporters' digital engagement, launching a new website with a greatly enhanced online experience and rewarding ways to find out about our work and support our cause.

Although we made great strides in these areas during 2017 we know they will require further work in 2018 and beyond, which we are committed to delivering.

PRIORITY 4: STRENGTHEN OUR FOUNDATIONS AND EMPOWER OUR PEOPLE

In order to have the most impact for children, our foundations need to be strong. We need robust processes that enable us to plan and budget effectively and efficiently. And our structure needs to give staff the support and tools they need to work effectively.

We are committed to ensuring staff can share their feedback and work with senior leaders to further improve their experience of working at Save the Children. In 2017, work on developing our People Deal was completed. The People Deal describes what staff can expect from the organisation in return for what the organisation expects of its staff and is both an aspirational intent and true picture of the experience of staff working at Save the Children. This involved wide consultation with our staff, with 500 people participating through focus groups and online surveys. In 2018, we will implement our People Deal, and it will form the basis for how we will continue to monitor and measure staff engagement and retention.

Fundamental to our workplace culture is a sense of mutual trust and respect. We recognise we need to make further improvements to our culture. 80% of staff have undertaken training on 'respect in the workplace'; in 2018 we aim for universal take-up. Alongside this, last year we initiated a Total Reward project to identify the steps required for an open and clear salary and grading structure that allows staff to see how they can progress their career at Save the Children.

In 2017, we published our annual priorities on our website, and strengthened our systems for monitoring progress on delivering them. We also carried out a Fit for the Future programme – a major review of our organisation and spending to drive efficiency. Boston Consulting Group generously donated the time of three consultants for several weeks to support this review. 121 people took part in change management training.

We continued strengthening our technology, with a focus on providing staff with the self-service tools they need to do their jobs. We rolled out Windows 10 across all our computers, and continued to develop our finance system (including with a new electronic expenses tool). We launched a cybersecurity project, and strengthened our data protection systems. Progress on upgrading our HR system was slower than hoped, but was completed early in 2018.

Given the huge challenges and changes facing the humanitarian sector, we are committed to incubating innovation in the sector. We host three entities with remits to foster innovation. In 2017 we supported ELRHA, which promotes humanitarian research and innovation, to plan to transition to a subsidiary of Save the Children in 2018 and supported the START network in its plan to become an independent charity in 2018. We agreed criteria for when the Humanitarian Leadership Academy, currently a subsidiary of Save the Children, should move to full independence.

PRIORITY 5: SUPPORT MOVEMENT-WIDE PROGRAMMES TO DELIVER OUR GLOBAL STRATEGY

The Save the Children movement is made up of 28 members working in more than 120 countries and with a shared global strategy. The movement operates a networked leadership model, with individual members leading on particular initiatives and functions.

Last year Save the Children UK led on a number of our movement's global advocacy initiatives:

- our partnership with the World Bank for the High-level Meeting on Ending Child Marriage (see page 31)
- education for refugee children – including our call for South Sudanese refugee children in Uganda to get back to school (see page 24)
- the launch of the *Fighting for Breath* report, setting out our movement-wide agenda for tackling childhood pneumonia (page 16)
- our call for the UN Secretary-General to name the Saudi Arabia-led coalition, alongside other parties fighting in Yemen, in the Children and Armed Conflict report for committing grave violations against children (page 28)
- our call for World Bank funding for Somalia (page 14).

Drawing on our communications expertise, we hosted the global media unit, which raises awareness among media outlets across the world of the challenges facing children. The unit generated more than 200,000 global media 'hits' last year. We also hosted a global content-gathering team, which collects photography, film and personal testimonies from children and adults to demonstrate the life-saving impact made possible by our supporters.

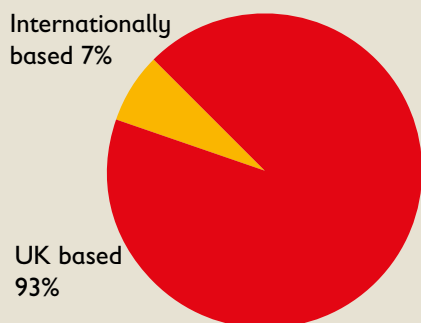
OUR WORKFORCE

Save the Children is committed to cultivating a safe and respectful working environment where our staff and volunteers recognise one another's contribution and performance.

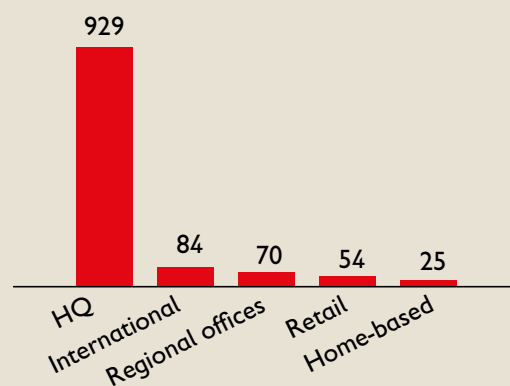
The Save the Children movement has around 23,000 staff in more than 120 countries. Just over 16,000 of them are employed by Save the Children International, with around 7,000 staff employed by the 28 members of Save the Children.

As of December 2017, Save the Children UK had 1,162 members of staff, with 93% working in the UK and 7% working internationally to support Save the Children International with humanitarian surge capacity and technical expertise. In the UK, Save the Children had more than 6,000 volunteers in a formal volunteering role.

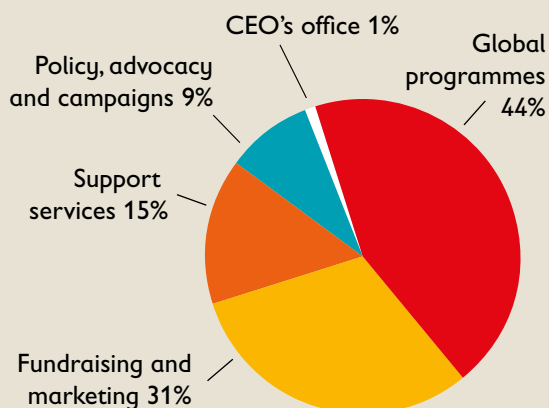
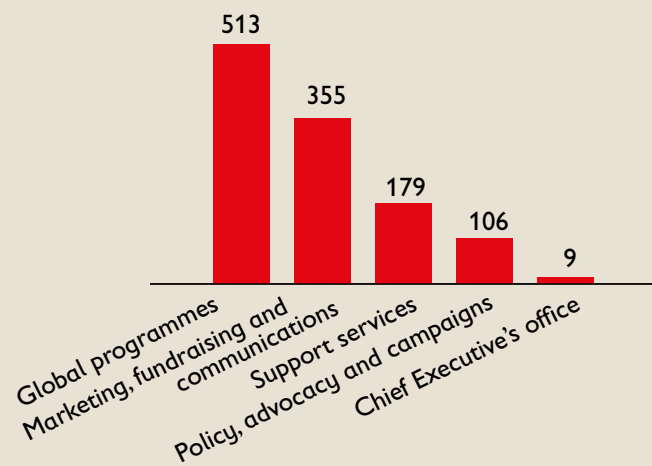
Save the Children UK staff (total: 1,162)



Save the Children UK staff per location



Save the Children UK staff by division



Our global strategy also aims to simplify systems across six operational functions – finance, information systems, supply chain management, human resources, international development programmes and grant awards. In 2017 we supported all the projects under this initiative, including

the management of grant awards across Save the Children members, and tracking cost-effectiveness and efficiency across our international development programmes.

LOOKING AHEAD

“Every generation of children offers mankind the possibility of rebuilding his ruin of a world.”
Eglantyne Jebb

WE LIVE IN TROUBLED TIMES

International cooperation – from trade and finance to climate change and poverty reduction – is under stress. Trust in institutions is weakening. The world is woefully off-track for achieving universally agreed development goals.

To take just one example, we are on a trajectory that will leave around 3 million children dying from preventable illnesses before their fifth birthdays in 2030. The target is zero.

And it is today far more dangerous to be a child living in an area affected by conflict than it is to be a soldier. Children can be bombed, assaulted, raped, abducted or treated as collateral damage, with near-total impunity, while the world looks on and wrings its hands.

RENEW AND REBUILD

Nearly one hundred years ago, Eglantyne Jebb created a movement to fight for the cause of children. The catalyst was a blockade imposed by Britain on aid to children in ‘hostile countries’ at the end of the First World War. Driven by a burning sense of injustice and by conviction that change was possible, Jebb built the organisation that laid the foundations for universal child rights – Save the Children.

As we approach our centenary next year, it is time to renew our contract with children. If we are to grasp the opportunity to address the many challenges we face, and meet the 2030 deadline of the Sustainable Development Goals, we need to change. We urgently need to rebuild trust in our organisation – and in the power of international aid to help transform the lives and futures of the world’s most vulnerable children. In our direct work with children we must gather hard evidence of what works, focus relentlessly on programme quality, safeguard our staff and the children and the communities we work with, and shift our resources towards partners working close to where decisions are made.

OUR WORK IN 2018

In 2018 we will lay the foundations for our forthcoming 2019–21 strategy. We will enhance our programme and advocacy impact through:

- progressing our three centenary commitments – launching new global research on children’s early learning; strengthening the global commitment to tackle pneumonia; and campaigning for international action to protect children in conflict
- responding at scale to humanitarian crises – including in East Africa, in Yemen and among Rohingya refugees
- supporting the development of ambitious, achievable and coherent country-level strategic plans
- enhancing and consolidating evidence from our ‘common approaches’ (see page 32) and initial development of a knowledge hub to make this research accessible.

A PLAN FIT FOR A NEW CENTURY

Looking further ahead, we want to deliver even more for children. Our vision is that by 2022 Save the Children will be an unstoppable agent of change for children.

Some of the road-map for the journey ahead is already in place. Our centenary commitments (see above) provide a focal point for breakthroughs on child survival, education, and protection. We have a Global 2030 strategy for the wider Save the Children movement, and are working on the development of our 2019–21 strategic priorities for the movement and for Save the Children UK.

Alongside these interlocking plans, we have identified five mutually re-enforcing pillars to enable our organisation to achieve our vision. By 2022 we aim to be:

1. an agent of change everywhere we work:

Our independence, combined with the scale of our programme, advocacy, campaigning and communication resources, is what makes us distinctive. We will increase the impact and quality of our work at country level by getting behind ambitious, achievable, innovative and coherent country strategic plans, which ensure Save the Children country offices (including in the UK) can be real agents of change.



Akokote, age one, from Kenya, was diagnosed with pneumonia. She made a successful recovery, thanks to the support of a community health worker trained by Save the Children.

JONATHAN HYAMS/SAVE THE CHILDREN

2. **a movement of millions:** Our mission remains as compelling today as it was 100 years ago. There is no greater cause than child rights, but they aren't secured without pressure. That's why we will work to become a powerful brand that inspires millions of people to give and to act in solidarity with children around the world, including in the UK. We need to put children at the heart of our movement – not simply by defending their interests, but by amplifying the voices of girls and boys and giving them a platform and tools to change the world for themselves.
3. **a respected source – and user – of evidence:** Ideas and evidence can change the world. Drawing on our domestic and international programme experience, the perspectives of children and communities, and our policy and programme research, we will seek to set agendas, inspire innovations and galvanise partnerships that can transform the world for marginalised children. We aim to become a world-class thought leader for children and to generate and use evidence effectively to improve what we do.
4. **at the forefront of humanitarian response for children:** Children are on the frontline of armed conflicts, natural disasters and climate-related emergencies. Working directly, and increasingly through partners, Save the Children will be there whenever and wherever children need us in emergencies. We aim to ensure our supporters can trace their impact in some of the world's most dangerous places and, through outspoken and evidence-led advocacy, to help rejuvenate the rules of war and make the humanitarian aid system deliver more for children.
5. **an outstanding organisation:** Our success will depend on our most precious asset – our people. We aim to become an employer of choice, attracting and retaining staff who combine commitment with exceptional talent. We will support our staff with the right technologies and systems, and mobilise more unrestricted income to allow us to act strategically for children.

These goals are highly ambitious. Achieving them will require tremendous dedication, skill and professionalism. We look forward to the challenge. And we know we must meet it if we are to renew our organisation – and realise our vision.

For more information on how we track our performance against our strategy, see our 2018 objectives, available on our website.

FINANCIAL PERFORMANCE

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

INCOME

In 2017 we raised £407 million, which is £2 million higher than our income in 2016. However, we won fewer new long-term grants from institutional donors than in previous years, so expect to see a fall in our total income in 2018.

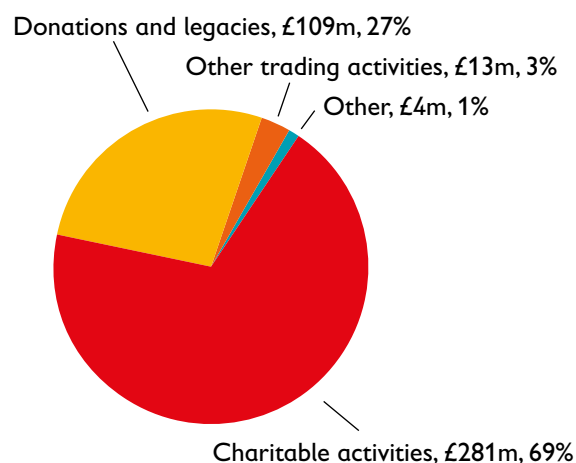
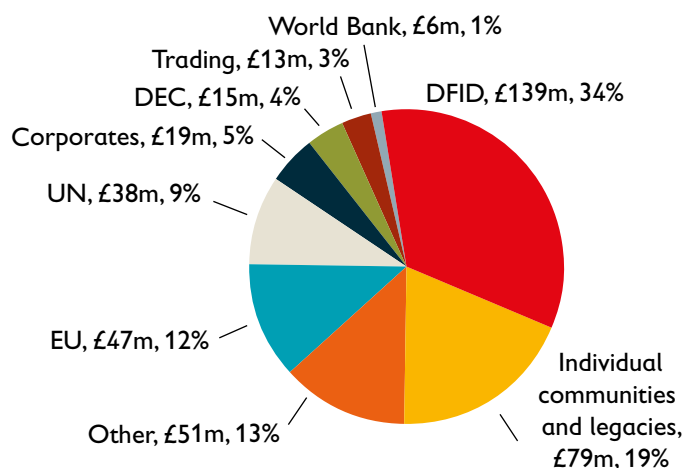
| | 2017 £m | 2016 £m | Growth/ decline £m |
|--------------------------|------------|------------|--------------------------|
| Total income | 407 | 405 | +2 |
| Charitable activities | 281 | 271 | +10 |
| Donations and legacies | 109 | 120 | -11 |
| Other trading activities | 13 | 10 | +3 |
| Other | 4 | 4 | +0 |

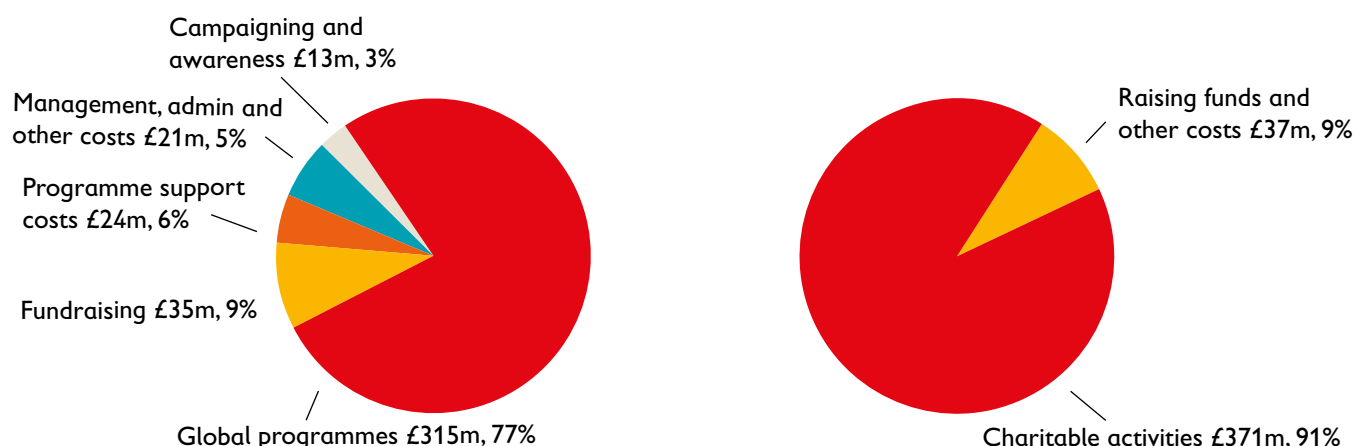
- Our income from charitable activities of £281 million, up £10 million on 2016 is primarily from grants from governments, international organisations and corporate partnerships to finance specific projects. Our largest single donor is DFID, who in 2017 provided £139 million, down £20 million from 2016 (see note 27 of the financial statements for a full breakdown of each grant). Grant funds from DFID are for specific projects around the world and will vary each year. The lower level of DFID funding for 2017 was more than offset by higher funding from other donors, in particular the European Union and Disasters Emergency Committee (DEC).

- Donations and legacies include all financial contributions made on a voluntary basis. This includes all individual giving, community fundraising, legacies, gifts in kind and some income from institutions, governments, corporates, emergency appeals, trusts and philanthropists. In 2017 we raised £109 million, which was £11 million lower than in 2016. Donation income from individual givers, major donors, legacies and community fundraising was up on 2016. But donation income from institutions was £16 million lower, partly because of the end of DFID's Programme Partnership Arrangement, which contributed £9.4 million of unrestricted income in 2016.
- Our trading activities raised £13 million of income, of which £10 million is from retail. Retail income has been maintained due to the strong performance of Mary's Living & Giving shops following investment where there was significant growth potential, offsetting declining income from the closure of some community retail shops, which were performing less well. In addition to the trading funds that are raised, our retail staff and volunteers play a key role in raising awareness, engaging the local community and collecting cash donations. One-off income of £0.5 million was additionally generated in 2017 through the disposal of freeholds. We also had new income in 2017 from the People's Postcode Lottery, which held five draws on our behalf, raising £2.6 million.

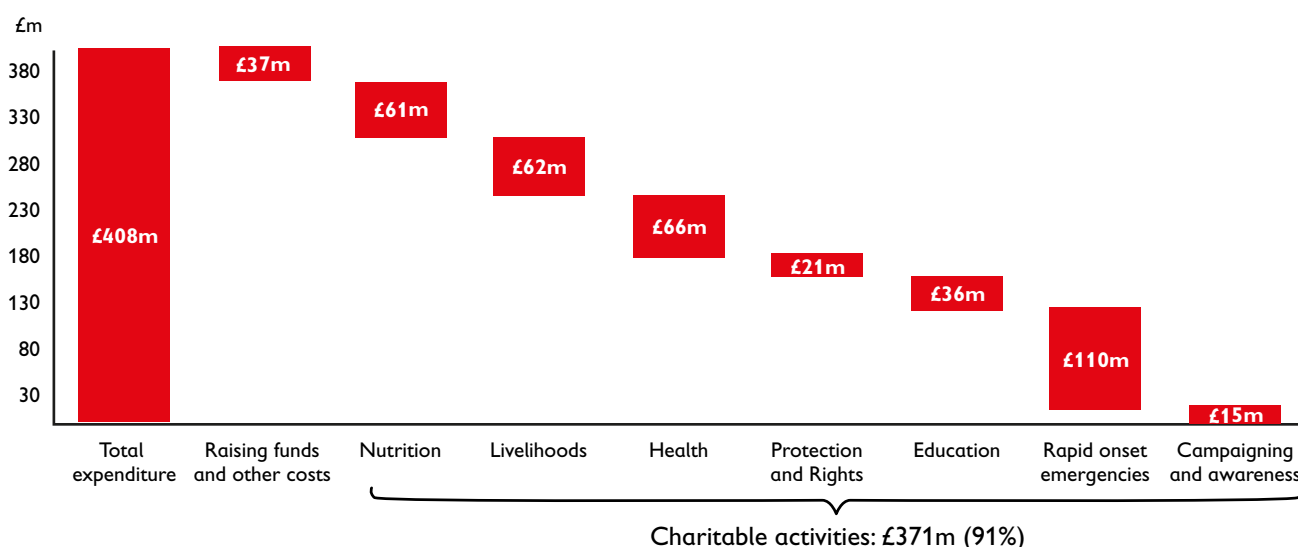
The funds raised from appeals come from a variety of sources, ranging from individual supporters, community fundraising, trusts, the DEC and corporations. Over the course of the year, we ran nine emergency appeals, raising £28 million. Our largest appeal was for East Africa and raised over £11 million, see page 14 for details on the

Total income £407 million



Total expenditure £408 million

The right hand pie chart shows the split of charitable and non-charitable expenditure after allocation of support and other costs to the activities they support. £2 million of management, administration and other costs are attributed to fundraising and £19 million to charitable activities.

Total expenditure £408 million

impact these funds had. We continued to raise money for our existing appeals, including Yemen, Syria, Nepal and the Search and Rescue response. We launched a new appeal for the Rohingya crisis, raising £2 million, and once again our supporters donated £1 million for the *Sunday Times* appeal.

EXPENDITURE

Our total expenditure in 2017 was £408 million (2016: £410 million). The Statement of Recommended Practice (FRS 102) as issued by the Charities Commission requires us to split our expenditure between charitable activities and raising funds, and to include within both types of spend the costs of activities undertaken directly as well as an apportionment of the associated support costs. In 2017 we spent £371 million (2016: £374 million) on charitable activities, (91% of total

spend) and £37 million (2016: £36 million) on raising funds (9% of total spend).

In addition to providing a breakdown of spend between charitable activity and raising funds and other costs, the pie chart above provides a more detailed breakdown of spend by organisational function.

Fundraising

In 2017 we broadly held flat our overall investment in fundraising but changed our investment mix, cutting investment in poorly performing areas, and investing in activities that were more profitable or will lead to greater income in the future.

Charitable activities

Our total global programme expenditure in 2017 was £315 million, of which the top ten countries of expenditure are shown below. Our achievements with this expenditure are set out within this report.

| Country | 2017 Spend £m |
|--------------------------------------|------------------|
| Top ten spend countries | |
| Somalia | 52 |
| Ethiopia | 26 |
| Myanmar | 16 |
| Malawi | 14 |
| Mozambique | 14 |
| Nigeria | 13 |
| South Sudan | 11 |
| Kenya | 11 |
| Yemen | 11 |
| Bangladesh | 9 |
| | 177 |
| Other countries | 78 |
| Multi-country | 60 |
| Total Global Programmes spend | 315 |

Support costs

In 2017 we spent £45 million on support costs, which have been categorised as follows:

- Management and administration support costs (£21 million) include our spending on finance, human resources, information technology, legal and governance activities such as child safeguarding, protection against fraud and audit costs.
- Programme support costs (£24 million) include the costs incurred directly to design and monitor our programmes as well as the costs incurred by Save the Children International to deliver our international programmes.

Such activities are crucial for delivering high quality programmes effectively and ensuring that there are robust controls in place on how money is spent. Through investment in improving support services we are also seeking to drive greater efficiency across the Save the Children movement. More information on support costs and their basis of allocation are included in note 7 to the financial statements.

THE FUNDS OF SAVE THE CHILDREN AS AT 31 DECEMBER 2017

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

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

- reaching the most deprived and marginalised children, even when no donor funds are available. This is particularly important in a humanitarian crisis when we need to act quickly.
- piloting innovative programmes – because, in a changing world, we need to evolve our approach so that we leave no child behind.
- mobilising the public to campaign for children's rights and ensuring everyone recognises the rights of every child to survive, learn and be protected.

Our overall results show net income of £1 million in 2017 (2016: £2 million net expenditure). The net movement in funds after actuarial gains and losses on the defined benefit pension scheme, gains on investments and transfer between funds, was a £20 million surplus for the year (2016: £17 million deficit), comprising:

- an unrestricted surplus of £30 million (2016: £13 million deficit) of which £19 million (2016: £16 million loss) is due to the actuarial gain on our pension schemes.
- a deficit of £10 million (2016: a deficit of £4 million) restricted programme funds, due to grant expenditure being incurred in advance of funding.

RESERVES POLICY

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

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

Holding general reserves also allows us to implement new strategic priorities or to invest in new opportunities that help us to achieve our goals. Our general reserves are matched by highly liquid investments so that we can draw on them quickly if necessary.

Our target range of general reserves is £30 million to £40 million. This is based on a review in which we consider the financial risk associated with our income and expenditure streams and balance sheet composition while ensuring that we do not retain income longer than required. This review is performed annually. Our annual funding payment to our defined benefit pension plan is included in our general reserves assessment, as is the risk of an increase in the current pension deficit. At 31 December 2017, our general reserves stood at £42 million.

FINANCIAL RISK

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

INVESTMENTS

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

Newton Investment Management Limited manages our portfolio of equity and fixed-interest investments in accordance with our ethical investment policy. Following the stock market volatility in 2016 we decided that it would be prudent to match a small part of our reserves with investments that are not subject to market volatility. This will enable us if required to draw on some of our long-term reserves at short notice when markets are weak. We still plan to maintain the majority of our investments in equities and bonds so as not to lose the opportunity for long-term growth. In 2017 our investment portfolio reported a gain of £2 million.

PENSION DEFICIT

We are managing a deficit of £16 million in the Pensions Trust Defined Benefit and Growth Plan schemes, driven by the economic slowdown resulting in low discount rates, and increasing longevities. Save the Children is making annual contributions with a view to closing the deficit over a number of years. Following a triennial review of the assets and liabilities of the scheme in 2014, Save the Children is contributing £4.65 million per annum from April 2017, and £4.7 million per annum from April 2018 to March 2023.

GRANT-MAKING POLICY

Save the Children works in partnership with many organisations. This may involve our staff working in joint operations, supporting and monitoring work, or funding local partners to deliver services, including immediate emergency relief. The grants we make to partner organisations help local organisations provide sustainable benefits for communities, and so further our own objectives. We carefully consider the experience, reach and governance of potential partners, as well as the value they will add to our work with vulnerable children. We monitor how all grants are spent. Goods and services purchased are subject to contracts with suppliers based on market prices. During the year we provided grants to the value of £282 million, with the largest recipient being Save the Children International.

GOING CONCERN

We have set out above a review of Save the Children's financial performance and the general reserves position. We have adequate financial resources and are able to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. We announced in April 2018 a temporary withdrawal from bidding for new funding from DFID. The impact of this on our ability to finance new programmes will depend on how long the withdrawal lasts. Insofar as it affects our restricted income for specific programmes in 2018 and future years, we expect this to be offset by reductions in restricted expenditure. We are monitoring any indirect impact there might be for our unrestricted income and expenditure, but expect this to be limited.

Taking into account all factors we have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future and believe that there are no material uncertainties that call into doubt Save the Children's ability to continue in operation. Accordingly, the accounts have been prepared on the basis that Save the Children is a going concern.

ANNUAL TRUSTEE RISK STATEMENT

HOW WE MANAGE RISK

Save the Children UK views risk management as an integral part of planning, management, decision-making and learning. We identify and manage risks which could prevent us achieving our objectives. We take disciplined risks where this enables us to help more children.

Principal risks and uncertainties in 2017

Save the Children's mission and operating environment expose us to a range of risks. At each of its meetings throughout the year, the Board of Trustees considers the principal risks and their potential impact on the organisation

and its ambitions for children. Our commitment to reach the most marginalised and disadvantaged children has implications for our risk profile because it requires Save the Children to operate in conflict-affected and fragile states with poor governance environments, and in humanitarian emergencies.

ORGANISATIONAL PRIORITIES, RISK CONTEXT AND PRINCIPAL RISKS

| ORGANISATIONAL PRIORITY | RISK CONTEXT DURING 2017 | PRINCIPAL RISKS |
|---|---|---|
| 1 We will strengthen the impact of our programmes and advocacy | <ul style="list-style-type: none"> • Save the Children continued to work in complex and dangerous locations, such as Yemen, Syria and the Mediterranean sea. • To focus our work, we are prioritising 35 countries where the need is greatest and we can have greatest impact. • We continued our work with Save the Children International to improve programme quality and strengthen controls. | <ul style="list-style-type: none"> • Programming in complex environments • Child safeguarding |
| 2 We will become the preferred organisation for others to partner with | <ul style="list-style-type: none"> • As partners' expectations on impact, compliance and reporting continue to rise, we continued to build our internal reporting and assurance mechanisms. • Our restricted income was at record levels in 2017, but our total secured grants for future years has fallen. | <ul style="list-style-type: none"> • Meeting increased levels of regulatory and donor scrutiny |
| 3 We will set the sector standard in placing supporters at the heart of our relationship with the public | <ul style="list-style-type: none"> • We reviewed our information and cyber security arrangements in readiness for new data protection regulations in 2018. • Investment in a new digital platform helped us comply with increasing restrictions on communicating with supporters | <ul style="list-style-type: none"> • Safeguarding confidential and sensitive material |
| 4 We will build strong support services and empower our people | <ul style="list-style-type: none"> • To focus our resources more tightly on our strategy we launched a new efficiency programme ('fit for the future'). • We implemented a People and Culture initiative which strengthened our staff induction and training programmes. • High-profile cases of sexual harassment highlighted the risk all workplaces face, and underlined the importance of our respect in the workplace agenda. | <ul style="list-style-type: none"> • Attracting, engaging and retaining staff |
| 5 We will support movement-wide programmes to deliver Save the Children's Global Strategy | <ul style="list-style-type: none"> • Shifting geo-political environments continued to impact our work, including advocacy and fundraising. | <ul style="list-style-type: none"> • Responding to global political and economic challenges |

PRINCIPAL RISKS IN 2017

Programming in complex environments**DESCRIPTION**

We work in complex environments. This brings the risk of health, safety and security incidents to our staff; inadvertently working with, or assisting, prohibited parties; fraud and dishonesty, including bribery and corruption; as well as the risk of failing to achieve the impact for children expected by our beneficiaries, supporters and donors.

RISK MANAGEMENT STRATEGY

Save the Children International delivers most of our overseas programmes and is responsible for managing operational risks in the challenging environments where we work. We work with them to mitigate those risks as far as possible. In 2017, we continued to invest in programmes to strengthen the capability of country offices and upgrade controls.

In Save the Children UK, we train our staff to manage risks we face in delivering programmes and continue to deliver our AWARE programme to support the mental wellbeing of our staff deploying to humanitarian crises and conflicts. Our Audit Committee and Board received programming updates throughout the year, as well as the annual health & safety, safety & security, and fraud reports.

Child safeguarding**DESCRIPTION**

Save the Children's mission is to inspire breakthroughs in the way the world treats children. Keeping the children we work with safe from harm is a top priority. We work closely with Save the Children international to address child safeguarding risks in our international programmes. We also aim to prevent a child safeguarding incident occurring in our events, activities and programmes in the UK, and to effectively manage any incident that arises.

RISK MANAGEMENT STRATEGY

Save the Children UK, together with Save the Children International, adheres to the policy and standards set out in our Global Child Safeguarding protocol. All staff based within the UK as well as those travelling overseas undergo Disclosure and Barring service checks together with international police checks for staff who have lived overseas. All staff undergo mandatory training courses in Child Safeguarding. We also apply appropriate checks and provide training when engaging volunteers. We have systems for monitoring and reporting on any concerns. Our Board and nominated Child Safeguarding Trustee receive updates on the effectiveness of our Child Safeguarding control measures.

Meeting increased levels of regulator and donor scrutiny**DESCRIPTION**

We rely on our ability to fundraise and operate in the UK as well our ability to programme through Save the Children International. We must meet increasing levels of regulation and scrutiny applied to charity income, spending and governance by donors, regulators and media and uphold our Supporter Promise.

RISK MANAGEMENT STRATEGY

Our Governance arrangements are underpinned by a comprehensive set of policies and procedures. We conduct regular audits of key operational areas, including information and cyber security, data protection, and fundraising (including delivery of our Supporter Promise). We investigate any breaches and learn lessons. In 2017, we focused particularly on meeting new regulatory requirements around contacting our supporters. Our Board and Committees receive regular updates from operational teams, as well as internal audit reports.

KEY**Net risk movement through 2017**

Stable

Increasing

Decreasing

Attracting, engaging and retaining staff**DESCRIPTION**

Our people are our greatest asset; if we fail to attract, engage and retain the best staff, it reduces our ability to deliver successful outcomes for children. Any failure to adhere to our code of conduct could adversely affect morale and cause reputational damage.

RISK MANAGEMENT STRATEGY

We continue to invest in our people and have recently launched our new Passport to Success induction programme for all new staff. We ensure all staff have clear personal objectives, and can see their contribution to the vision and mission of the organisation. Our suite of mandatory training includes programmes on our Code of Conduct and Respect in the Workplace. Our People and Culture strategy is regularly reviewed by the Board. Our Integrity Line provides staff with a means of reporting on inappropriate behaviour or misconduct.

Responding to global political and economic challenges**DESCRIPTION**

External shocks or trends impacting our income, cash flow or reserves could put our future financial stability at risk. Negotiations for the UK to exit the EU and the new US administration prompted a number of risks including fluctuating foreign exchange rates, and potential policy changes in our institutional donors.

RISK MANAGEMENT STRATEGY

We have reviewed our strategy in the light of changes in the external context, emphasising the importance of mobilising strong public support for our cause, and advocating strongly for the needs of children. We aim to strengthen and diversify our donor base, and are focusing our efforts more tightly on winning the highest priority bids. We monitor our reserves, debt and cash flow positions against agreed thresholds throughout the year. We maintain strong working relationships with a range of UK political stakeholders.

Safeguarding confidential and sensitive information**DESCRIPTION**

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

RISK MANAGEMENT STRATEGY

We provide mandatory data protection training for all new staff. In preparation for the new General Data Protection Regulation, we conducted a comprehensive review of data protection risks. Specialist staff provided information security advice and guidance to the organisation and implemented technical security measures including laptop encryption and firewalls. Internal audits of our digital transformation programme – as well as our information security and cyber security arrangements – were completed and reported to the Audit Committee and Board of Trustees.

KEY**Net risk movement through 2017**

Stable



Increasing



Decreasing

Continuous improvement in how we manage risk

During 2017, we further strengthened our approach to risk management by:

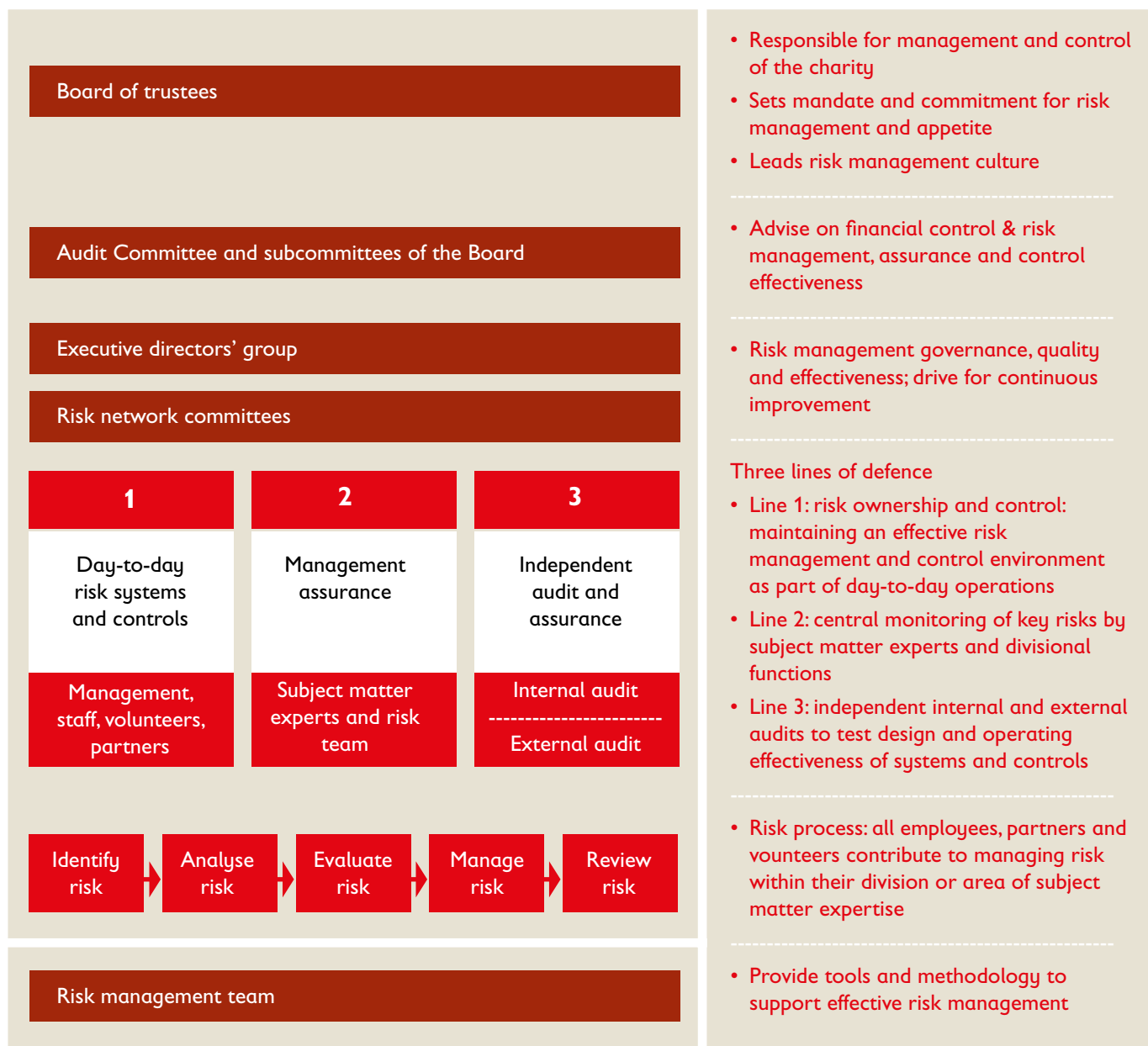
- updating our risk policy and procedures to set out clearer roles and responsibilities for managing risk throughout the organisation
- developing a new risk appetite statement aligned with our strategic priorities to support robust decision making.

The new policy and framework will be embedded in the organisation in 2018 through a training and awareness programme.

Save the Children updates its risk profile at least quarterly to reflect new or emerging threats and challenges. Our risk management processes help us manage risk to the best of our ability; they provide reasonable, but not absolute, assurance that the organisation is protected. In the event of an incident, we have a robust crisis management plan to ensure we manage incidents effectively and learn lessons for the future.

In response to heightened concerns about risks of sexual harassment for beneficiaries and staff, the Trustees have decided that Save the Children should consider as an additional principal risk for 2018 the risk of 'failure to provide a safe and respectful environment for all staff and beneficiaries, including protection from sexual harassment or misconduct'.

Roles and responsibilities for managing risk



Working together to manage shared risks

Save the Children operates as a movement with a networked structure and we share exposure to financial, operational, and reputational risks with Save the Children International and other Save the Children members. We work closely with them to ensure we identify and manage shared risks in our challenging operating environments.

Internal audit

We outsource our internal audit function to Grant Thornton and work closely with them to ensure a holistic risk and assurance approach to Internal Audit. Risk-based audits were conducted across key areas of the organisation in 2017 on topics including fundraising, programming, finance, information systems and cyber security. Internal

audit reports were shared with the Audit Committee; and agreed actions were systematically followed up throughout the year. The Audit Committee also received summaries of internal audit reports prepared for Save the Children International by the Global Assurance Unit.

Approval of the Trustees' Report

The Trustees' Report on pages 4–57 was approved by the Board of Trustees on 16 May 2018.

Peter Bennett-Jones CBE
Chair of Trustees, Save the Children
21 May 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT

STRUCTURAL AND ADMINISTRATIVE DETAILS

A GLOBAL MOVEMENT

Save the Children UK is a member of the Save the Children Association (SCA), a global movement made up of 28 independent national entities and Save the Children International (SCI). SCI was established in 2011 with responsibility for implementing international programmes outside SCA's member countries. SCI is registered as a charity in England and Wales and SCA is its sole member.

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

SAVE THE CHILDREN UK

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

TRUSTEES*

| | Committees** |
|--|--------------|
| Peter Bennett-Jones (Chair) | P, N |
| Mark Esiri (Vice Chair) (retired 13/07/2017) | |
| Fiona McBain (Vice Chair) | N |
| Gareth Davies (Hon. Treasurer) | A, F, I |
| Sir Alan Parker (retired 15/11/2017) | |
| Tamara Ingram | N |
| Sophie McCormick | P |
| Naomi Eisenstadt | CS, W |
| Adèle Anderson (retired 08/12/2017) | |
| Sebastian James | P, D |
| Jamie Cooper | A |
| Diana Carney | D |
| Farah Ramzan Golant (retired 24/02/2017) | |
| Mark Swallow | A, F, I |
| Lisa Rosen | D |
| Anne Fahy | |
| Arabella Duffield (appointed 17/02/2017) | A, D |
| Dianna Melrose (appointed 23/06/2017) | N |
| David Ripert (appointed 04/08/2017) | F, P |
| Charles Steel (appointed 01/02/2018) | |
| Babatunde Soyoye (appointed 20/03/2018) | |

INDEPENDENT MEMBERS AND EXTERNAL ADVISERS

| | Committees** |
|--------------------------------------|--------------|
| David Poulter | F, I |
| Richard Bernays | I |
| Peter Moon | I |
| Nick Mourant (retired November 2017) | I |

*Trustee biographies are available on our website

** Committee membership as at 31 December 2017

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

DIRECTORS' GROUP as at 31 December 2017

| | |
|----------------|--|
| Kevin Watkins | Chief Executive |
| Clare Conaghan | Executive Director of Human Resources |
| Nikki Feltham | (Interim) Executive Director of Global Programmes |
| Kirsty McNeill | Executive Director of Policy, Advocacy & Campaigns |
| Claire Rowney | Executive Director of Fundraising & Marketing |
| Sam Sharpe | Chief Financial Officer |

COMPANY SECRETARY

Andrew Willis

PRINCIPAL PROFESSIONAL ADVISERS

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

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square, London E14 5GL

PRINCIPAL BANKERS

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

PRINCIPAL INVESTMENT MANAGERS

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

PRINCIPAL LEGAL ADVISERS

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

SAVE THE CHILDREN SUBSIDIARIES

Save the Children (Sales) Limited is registered in England and Wales and is a wholly-owned trading subsidiary, whose directors are appointed by Save the Children. Although the principal activity of the subsidiary is through commercial promotions run in conjunction with our corporate supporters, income is also generated by the trading of new goods through our shops, branches and website. The subsidiary's taxable profits are donated to the charity, contributing £1 million to the charity's funds (2016: £1 million). See note 14 in the financial statements for further details.

Medical Emergency Relief International (Merlin) is a charitable company limited by guarantee, registered in England and Wales, of which Save the Children became the sole member in July 2013. The appointment of trustees is a matter for Save the Children as sole member, although once appointed the Board of Trustees owe their duties to, and act in the best interests of, Merlin and its beneficiaries.

Merlin's principal activity is to end the needless loss of life in the poorest countries caused by a lack of effective healthcare. By 2017 all of Merlin's country programmes had transitioned to Save the Children International or closed. Merlin is addressing its final obligations to historic funders and transferring its remaining assets to Save the Children, and a decision will be taken on its final winding-up in due course. Merlin's results have been included in the group's results and the subsidiary has made a surplus of £480,000 in 2017, up from a deficit of £89,000 in 2016. See note 14 in the financial statements for further details.

Humanitarian Leadership Academy (the Academy) is a charitable company limited by guarantee, registered in England and Wales, with Save the Children as its sole member. The appointment of trustees is a matter for Save the Children as sole member, although once appointed the Board of Trustees owe their duties to, and act in the best interests of the Academy and its beneficiaries. The principal activity of the subsidiary is to enable people around the world to prepare for and respond to crises in their own countries. The Academy's results have been included in the group's results and the subsidiary has generated a surplus of £82,000, following breaking even in 2016. See note 14 in the financial statements for further details.

CONSORTIUMS

Start Network

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

HOW WE MANAGE OUR AFFAIRS

THE BOARD OF TRUSTEES AND SUB-COMMITTEES OF THE BOARD

The Board is responsible for ensuring that all agreed charitable objectives and activities are within UK law. Its work includes setting our strategic direction and agreeing our financial plan. Matters reserved for the Board are set out clearly in the Standing Orders of Save the Children. The Board acts on advice and information from regular meetings with the Chief Executive and Executive Directors. Trustees are able, where appropriate, to take independent professional advice if it helps them to fulfil their role. We also agree and implement an individual induction programme for each new trustee, covering all aspects of the role and the organisation.

In 2017 the Board had four all-day meetings. At each meeting it reviewed overall progress of the charity on the basis of reports from the Chief Executive, and reviewed the financial position and risks of the organisation. It reviewed the charity's achievements in delivering against our objectives for 2017, revised priorities for 2017–18 and the budget for 2018. As of 31 December 2017, the gender ratio of the Board of Trustees was 33% male and 67% female.

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

- The **Audit & Risk Committee** oversaw preparation of the 2016 Annual Report. It reviewed the assurances provided to Trustees about the control environment during 2017, and considered reports from the external auditor. It agreed a programme of internal audits to be conducted between January and December 2017, received reports of completed reviews, and checked delivery of agreed actions. The Committee received updates on key risks on a number of topics, including: child safeguarding, fundraising, programming, finance, information systems and cyber security. For more information please see pages 44–47 of this report in the Annual Risk Statement. The Audit & Risk Committee met five times in 2017.
- The **Finance Committee** reviewed the financial out-turn from 2016, and in-year forecasts for 2017. It supervised preparation of the budget for 2018 and approved all decisions for Save the Children UK to accept awards worth more than £10 million. The Finance Committee met four times in 2017.
- The **Investments and Pensions Committee** is an advisory sub-committee of the Finance Committee. It met three times in 2017 to review the performance of Save the Children's investment manager and pension funds.

- The **Donations Acceptance Committee** considers potential high-risk donations to Save the Children and makes decisions about whether it is in the best interest of the charity to accept a donation or not. Information was shared with the Committee by email and telephone throughout the year, and the Committee met in person twice. Over the 12-month period they assessed a total of 21 different high-risk opportunities from a range of donors (individuals, companies and trusts) and sectors, ranging from retail to oil, gas and mining. Of these, Save the Children agreed to proceed with 19 opportunities and rejected two. For more information please see page 20 in the 2016 Accountability and Transparency Report.
- The **Nominations Committee** finds and recommends potential candidates for election to the Board. It identifies the skills, experience and knowledge required from new trustees by considering the collective skill profile of the current Board. During 2017, three new trustees were appointed to the Board on the recommendation of the Nominations Committee. The Nominations Committee also considers appointments to the charity's committees. During the year, information was shared by email and telephone and quarterly updates were provided to the Board.
- The **Performance and Remuneration Committee** is appointed by the Board and has four Board members. It reviews the performance of the executive directors and key senior staff, and makes recommendations to the Board on their remuneration, benefits and terms of employment. Since 2016, the Committee has provided oversight and governance of the People and Culture agenda in relation to all staff within Save the Children. With input and steer from the trustees, our People and Culture agenda has made significant progress in 2017, something which is set to continue as we launch a new staff engagement initiative in early 2018. The Performance and Remuneration Committee met four times in 2017.

TRUSTEES' RESPONSIBILITIES

Statement of responsibilities of the Trustees of Save the Children Fund in respect of the Trustees' annual report and the financial statements:

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate and proper 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 enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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.

EXTERNAL AUDITORS

AUDIT TENDERING

In the charity sector, while there is no mandatory requirement to rotate auditors, it is good practice to periodically review the provision of audit services. During the year the Audit Committee led a formal tender process for the appointment of the external auditor. The Committee made a recommendation to the board, who approved the appointment of KPMG on 19 October 2017.

REAPPOINTMENT

KPMG LLP have expressed their willingness to continue to act as auditors. A resolution to reappoint them, under section 485 of the Companies Act 2006, was approved at the Board of Trustees Meeting on 16 May 2018.

PUBLIC BENEFIT

Charity trustees have a duty to develop strategic plans to ensure that we provide public benefit and achieve our objectives as set out in our governing document. These objectives include: the relief of distress and hardship, promoting the welfare of children, researching these matters, and public education about them. These objectives fall under the purposes defined by the Charities Act 2011.

We have referred to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

CHARITY GOVERNANCE CODE

The Board of Trustees has resolved to adopt the new Charity Governance Code for larger charities which was published in July 2017. The code is voluntary and aspirational and encourages charities to publish a brief narrative in their annual reports explaining how they apply it. The Board has assessed Save the Children's current governance arrangements in areas covered by the code. Our overall assessment is that the charity's governance aligns well with the code. It has identified four areas where we will develop our governance to aspire to best practice:

- **Recruitment.** The charity has recently strengthened its induction process for new trustees. It is considering how best to strengthen its recruitment processes, including advertising vacancies.
- **Diversity.** The Board has good gender and skills balance, but welcomes the detailed suggestions in the code on ways of encouraging diversity as widely as possible. It will in 2018 introduce regular diversity training for trustees, seek to develop diversity objectives, and monitor and report against these annually.
- **Board performance.** The Board conducts annual surveys of its effectiveness. It will aspire to report on board performance annually.
- **Annual reviews.** The Board undertakes annual governance reviews. We will enhance these and include reviews of our overall alignment with the code.

One area identified where we diverge from the code is the size of our Board; given the complexity of the charity's operations, the Board believes it requires more than the recommended maximum 12 trustees, and aims to maintain a balanced board of around 15 trustees.

GLOBAL STANDARDS, REGULATIONS AND CONVENTIONS

As we work for children all over the world, we must ensure that we live up to the standards and regulations that we demand of all actors influencing children's lives. Aside from internal governance (see below), globally Save the Children adheres to national and international standards and regulations. We are also signatories to a number of recognised conventions, including the United Nations Convention on the Rights of the Child, the Human Rights Principles, the Code of Conduct for the International Red Cross, and the Core Humanitarian Standard.

OUR COMMITMENTS TO ACCOUNTABILITY AND TRANSPARENCY

For Save the Children, accountability means ensuring children are always at the centre of what we do. It also means engaging with and listening to anyone with an interest in our work.

Our Accountability and Transparency report provides an overview of the mechanisms in place to ensure we use our resources efficiently, achieve measurable results and are accountable to supporters, partners and, most of all, children. In our 2016 Accountability and Transparency Report, we outlined 10 commitments and identified indicators against these for the reporting period 2016-2018. These help us to track our performance and identify further opportunities for improvement. Furthermore, we continue to track our progress against the reporting standards of the Global Reporting Initiative. This is an opportunity for us to benchmark ourselves against international reporting standards for sustainability and transparency. It also enables our stakeholders to find information about us and to hold us to account.

Below, you can see a snapshot of progress against our 10 accountability and transparency commitments in 2017. For a more detailed progress report, please see our 2017 Accountability and Transparency Report which is published as a companion piece to our Annual Report.

| COMMITMENT | PROGRESS IN 2017 | PRIORITIES FOR 2018 |
|---|--|--|
| PUTTING CHILDREN AT THE CENTRE OF WHAT WE DO We are committed to achieving improved accountability and empowering children to be agents of their own change. We will sharpen our focus to ensure that we protect the most marginalised and deprived children, so that every last child has the opportunity to survive, learn and participate. | <ul style="list-style-type: none"> • Established a new key performance indicator to ensure we are putting children's voices at the heart of our work. • Supported the Government of Uganda to develop and launch their first National Child Participation Policy. • Launched a new gender equality policy and began delivery of gender equality training for our staff. • Published <i>The People in the Pictures</i>, research report demonstrating our commitment to listening to the children and communities who allow us to tell their stories. | <ul style="list-style-type: none"> • Support our staff to design and implement programmes that are in alignment with our global gender equality policy. • Improve children's participation in our research. • Monitor the effectiveness of accountability mechanisms. |
| DELIVERING HIGH QUALITY PROGRAMMES We are committed to continually improving the quality of our programmes, including ensuring they are based on good evidence, are generating impact and learning, and consider sustainability, participation and accountability. | <ul style="list-style-type: none"> • Began tracking, across the Save the Children movement indicators linked to our programme quality including gender equality and the quality of evaluations. • Drew together evidence (supported by tools and guidance) on our best understanding of how to address some of the key problems children face. • Established a research and evaluation ethics committee. • Supported Save the Children International to externally verify our international humanitarian programming against the Core Humanitarian Standard. | <ul style="list-style-type: none"> • Initial development of an evidence and learning hub across our Global Programmes and Policy, Advocacy and Campaigns divisions. |
| COORDINATING AND COLLABORATING WITH OTHERS We are committed to working collaboratively with local communities, NGOs, institutions and partners who share our ambition to achieve lasting change in children's lives. | <ul style="list-style-type: none"> • Agreed a new approach and strategy for business partnerships. • Continued to work with our partners to find new ways of delivering real change for children. • Looked for new ways to improve our accountability and transparency to our partners by providing better mechanisms for open communication and feedback. | <ul style="list-style-type: none"> • Continue to support communities in holding decision-makers to account. |
| ETHICAL FUNDRAISING We are committed to ethical fundraising, ensuring that all donations received further our mission, and that our sources and means of generating income do not conflict with our values or affect our independence. | <ul style="list-style-type: none"> • Continued to uphold our Supporter Promise. • Updated our donations acceptance and refusal policy to include new 'high-risk' sectors. • Developed a new incident register to help us learn from mistakes. | <ul style="list-style-type: none"> • Further invest in communications that show our supporters the difference they make. |
| RESPONSIBLE ADVOCACY We are committed to ensuring that our advocacy is consistent with our mission, grounded in our work, based on evidence and advances children's rights. | <ul style="list-style-type: none"> • We drew on programme evidence to improve the impact of our advocacy and to capture best practice. • Children have played an increasingly important role as ambassadors in key advocacy moments over 2017, including the High Level Political Forum in New York in July, the 'Children on the Move' global conference in Berlin in June, and at the United Nations General Assembly in September. • We refocused the emphasis of our UK programmes on generating compelling evidence for policy change. | <ul style="list-style-type: none"> • Devise approaches to embed a 'Political Will' monitoring tool for measuring advocacy. |

| COMMITMENT | PROGRESS IN 2017 | PRIORITIES FOR 2018 |
|---|--|---|
| TRANSPARENCY We are committed to transparency and honesty about who we are and what we do. This means providing clear and relevant information about how we are structured, and what we spend our income on, as well as making it easier for people to engage with our work and get in touch. | <ul style="list-style-type: none"> • Launched a new website providing a greatly enhanced online experience, with rewarding ways for those interested in our work to find out more about what we do and support our cause. • Published information on project results via the International Aid Transparency Initiative for the first time. | <ul style="list-style-type: none"> • Work towards having a fully integrated digital suite of annual reports on our website. • Provide further transparency on our policies and the way we work. |
| UPHOLDING THE HIGHEST STANDARDS IN CHILD SAFEGUARDING We are committed to upholding the highest standards in child safeguarding. This means ensuring that our measures to ensure child safeguarding are robust and applicable to the variety of settings in which our staff work. | <ul style="list-style-type: none"> • Completed a review of child safeguarding in humanitarian responses a year early. • Started development of a child safeguarding resources toolkit. | <ul style="list-style-type: none"> • Implement a new series of robust processes across our organisation and in the communities we work with for the prevention of sexual exploitation and abuse. |
| RESPONSIBLE RESOURCE ALLOCATION We are committed to ensuring our income is used efficiently, effectively, and responsibly, by making every pound count. | <ul style="list-style-type: none"> • Strengthened our budgeting and forecasting process as well as implementing a new fit for the future programme to drive further efficiencies ultimately leading to greater impact for children. • Secured more than £400,000 savings over a three-year period by reviewing our procurement of key services. | <ul style="list-style-type: none"> • Agree a three year budget framework alongside our 2019-21 strategy. |
| SUPPORTING AND ENABLING OUR PEOPLE We are committed to engaging and supporting our staff and volunteers while cultivating a safe and respectful working environment, where our people recognise each other's contribution and performance. | <ul style="list-style-type: none"> • To improve our ways of working across the organisation we increased delivery of our 'Accelerating Delivery and Improvement' training for staff. • Developed a new staff engagement initiative to help us ensure that we are supporting and enabling our people. • Updated our inductions for new members of staff to ensure they are equipped with the right information from day one. | <ul style="list-style-type: none"> • Regular communication and access to training for our staff on mandatory Respect in the Workplace and Code of Conduct training. • Independent review of our workplace culture. |
| THE ENVIRONMENT We commit to minimising the environmental impact of our operations wherever possible, balancing it with our mandate and financial affordability. | <ul style="list-style-type: none"> • Began implementation of our environmental champions strategy which included developing new environmental training modules for our humanitarian staff, raising awareness internally, recruiting new environmental champion group members, and gathering evidence to enable change. | <ul style="list-style-type: none"> • Continue to implement our environmental champions strategy. • Continue to raise awareness and support across the whole breadth of the organisation from retail to operations and programmes. |

INTERNAL POLICIES AND REGULATORY COMPLIANCE

Anti-bullying and harassment policy

We take a zero-tolerance approach towards bullying and harassment and any employee who is found to have harassed or bullied a colleague will be subject to disciplinary action, which could include summary dismissal. Employees are encouraged to report any incidents of bullying and/or harassment that they experience or witness in the workplace so that we can investigate, take appropriate action and resolve the matter. We will treat all complaints of bullying and harassment seriously and address them promptly and confidentially where possible.

Anti-fraud, bribery and corruption policy

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

Our Code of Conduct

Our Code of Conduct and supporting policies are binding on all Save the Children staff and representatives. If anyone fails to meet these standards they risk disciplinary action, and we will refer any serious infractions to the relevant professional organisations or legal authorities. In 2017, 98% of our staff had completed our Code of Conduct training within three months. For further details on our Code of Conduct please see our website.

Child safeguarding policy

We are committed to upholding the highest standards in child safeguarding. Our Child Safeguarding Policy and accompanying procedures clearly outline what is expected of our staff, and how to report any concerns. It is a requirement for all staff, regardless of their role within our organisation, that they complete child safeguarding training as part of their induction. For further details please see page 25 in our Accountability and Transparency Report. We also publish our Child Safeguarding Policy Statement on our website.

Data protection policy

In 2017 our GDPR Working Group continued to prepare the organisation for meeting the requirements of the General Data Protection Regulation (GDPR) which is due to come into effect in May 2018. This group conducted a data protection gap analysis to identify areas of risk and prioritise mitigating steps, including an analysis of supporter marketing permissions, and updated policies, procedures and staff training.

Donations acceptance and refusal policy

We are committed to making decisions that are in the best interest of the charity but ultimately in the best interests of children. Our Donation Acceptance and Refusal policy ensures that we do not compromise on our mission and values when it comes to raising income. In 2017 we updated our Donation Acceptance and Refusal Policy, revising our 'high risk' donation activities to include gaming and the apparel and footwear sector.

Environmental policy

We are committed to limiting the environmental impact of our operations, by ensuring that our staff minimise the environmental impact of their activities including travel, paper use, waste and recycling. For further details please see page 38 in the Accountability and Transparency Report. We also publish our Environment Policy and Carbon Mapping Report on our website.

Equal opportunities and diversity policy

Save the Children is committed to the principle and practice of equal opportunities and aims to be an Equal Opportunities employer. Our employment policy seeks to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, sex, marital status, ethnic origin, disability, age, class, colour, HIV and AIDS status, personal circumstances, sexual orientation, or any other grounds that are unjustifiable in terms of equality of opportunities for all. Our Equal Opportunities and Diversity Policy states that any training or development opportunities made available to employees will be provided in a fair manner, based on merit or developmental need (wherever possible), free from discrimination in relation to any of the above listed characteristics. Furthermore, where an employee becomes disabled while in employment we are committed to making reasonable adjustments and to providing support as appropriate.

Gender pay gap statement

Save the Children is committed to achieving gender equity in pay. Our values as an organisation demand that women and men are equally rewarded for equivalence in contribution, taking into account skills, grade and performance. Through our programme, policy and campaigning work, we strive to support gender equity in developing countries – and it is imperative that our organisation reflects the commitment to equity we demand of others. Our aim is to eliminate the gender pay gap by 2020.

Our gender pay gap 2017

- Our median gender pay gap as at 5 April 2017 was 8.25%
- The national median gender pay gap in 2017 was 18.10%
- Our mean gender pay gap as at 5 April 2017 was 14.23%

Please note: The above statistics are taken from a staff

population that was 75% female and 25% male. We will always show a zero percentage for bonus payments as we do not operate a bonus pay scheme. For more information on our gender pay gap, including what steps and measures we have taken to address any issues of unconscious or conscious gender bias, please see the full 2017 gender pay gap report, available on our website.

Grievance policy

We provide a safe environment for reporting staff grievances. The aim of our Grievance Policy is to ensure that employees have an effective way of raising a serious dissatisfaction or complaint relating to their conditions of service, work situation, working relationships or any action that Save the Children has taken or is contemplating taking in relation to that employee. In 2017 this policy was reviewed in line with our Respect in the Workplace training to provide information for employees regarding how to resolve concerns informally, using methods including mediation.

Health, safety and security policy

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

Modern slavery statement

Over the course of 2017 we have continued our work in response to the Modern Slavery Act, including updating our key policies and contracts, and identifying areas in our direct supply chain where there may be significant risks of forced labour, human trafficking or other forms of modern slavery. We are also working with our colleagues at Save the Children International to address modern slavery in the supply chain for the international work undertaken by SCI with our funds. We have had no cases reported in 2017 in our supply chains. For more information, see the modern slavery statement on our website.

Whistleblowing policy

Our Whistleblowing Policy is intended to protect anyone who discloses concerns from discrimination. Applicable to all staff, volunteers, partners, children and adults we work with, our Whistleblowing Policy is guided by the principles of fairness, openness, transparency, protection and accountability and is highlighted during the Induction for new starters. In 2017 the staff helpline provided a confidential independent way to report any issues.

OUR APPROACH TO PAY AND OVERHEADS

We are serious about being the best we can for the world's children. That means we place a premium on attracting the best people to work for us and to lead our organisation.

Save the Children is a modern, complex organisation with an annual income of £400 million. We have a high level of ambition, directly reaching 13.3 million children in 2017 through our work in more than 50 countries and delivering 121 humanitarian responses, often working in high-risk environments. Our strategy includes commitments to transform children's lives and opportunities through catalysing global action to tackle childhood pneumonia, protect children in war, and dramatically improve early learning opportunities.

Securing the right people to deliver our ambitious plans is key to our strategy. One of the many ways we do that is through our competitive reward structure. We commit to paying our staff a fair salary that is competitive within the charity sector, proportionate to the complexity and responsibilities of each role, and in line with our charitable objectives. We are committed to pay all staff in line with the Campaign for a Living Wage, which is £10.20 per hour in London and £8.75 per hour outside London as of 25 April 2018.

We acknowledge that debates over pay – and executive salaries, in particular – are important and reflect genuine public concerns. We are therefore committed to find the right balance where we recognise these concerns while at the same time ensure our salary levels help attract the talent we need to run an effective and efficient multinational organisation. The Performance and Remuneration Committee, a sub-group of our Board of Trustees, oversees our pay policy and decides on the salaries of our Chief Executive and executive directors (see page 50).

In line with recommendations from the National Council for Voluntary Organisations 2014 inquiry into executive pay, we publish our approach to pay, including details on our gender pay gap, in detail on our website, explaining how our pay levels are defined, publishing the ratio of pay levels across the organisation, and listing the roles and salaries of our executive team. For further details on staff salary and pensions costs, please see notes 8 and 25 in the financial statements (on pages 72 and 87).

Investment in fundraising and infrastructure

We invest in areas that enable us to expand our reach, improve our efficiency and deliver results for children. For every £1 we invest in fundraising we raise another £3 for our mission for children. We invest in media and communications so that the stories of the children we work with will be heard. And we invest in advocacy and campaigning because success in these areas can mean that more children survive and thrive.

We monitor our spending in all areas to measure our impact and returns. At the same time, we recognise that growth is dependent on sound investment. We must invest in our fundraising and infrastructure in order to achieve our ambitious plans to increase our scale, influence and impact – and to transform the lives of the world's most disadvantaged children.

SAVE THE CHILDREN IN SCOTLAND

The Office of the Scottish Charities Regulator requires us to report separately on the activities we have undertaken in Scotland. Save the Children's activities in Scotland during 2017 addressed issues faced by children in Scotland as well as contributing to the global aims of Save the Children. Our priority in Scotland is to achieve a significant and sustained improvement in early learning for young children growing up in poverty, helping to narrow the gap between children growing up in poverty and their peers.

Our programmes and policy, advocacy and campaigns focus on:

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

In 2017 we reached children and their families through our programmes such as Eat, Sleep, Learn, Play!, which provides essential household items to families with young children living on a low income, and Families and Schools Together (FAST), which brings parents, children, schools and the wider community together to support children's learning at home and in school. A total of 671 grants were distributed throughout Scotland, providing essential items to more than 1,000 children.

Our newest programme, Families Connect, in partnership with the Scottish Government's Read Write Count initiative, has expanded considerably throughout 2017. Families Connect supports parents to develop the confidence and skills to engage in their children's learning through play. This ground-breaking partnership will improve children's engagement with learning at home, helping to narrow the gap in learning between children growing up in poverty and their better-off peers.

Our Stronger Communities initiative in Paisley continued to grow. We supported a group of Community Champions to start a free community cookery class, a family active club and a parent and toddler group. The Community Champions also became a registered group and are now

FUNDRAISING COMPLIANCE

We comply with all relevant statutory regulations, including the Charities Act 2011, the Charities (Protection and Social Investment) Act 2016, the Data Protection Act 1998, the Privacy and Electronic Communications Regulations 2003 and the Telephone Preference Service. The Fundraising

recognised by the local authority in their own right. This will allow the group to work in partnership with the local authority to help make the area a better place to grow up. Stronger Communities secured STV appeal funding for 2018 to support this work.

Our campaigning and advocacy work successfully influenced the Scottish government's expansion of early learning and childcare, securing a greater focus on the quality of provision to support children's learning and development. This included commitments to a greater focus on the needs of children in poverty and improvements in initial and continuing professional learning and development for the early learning workforce, and resulted in commitments from the Scottish government to develop a National Action Plan on Parental Engagement and Family Learning and forthcoming legislative changes to support and promote this.

Playing a more global role, Save the Children in Scotland has assisted in fundraising for emergency appeals to support the humanitarian response for children affected by disasters and conflict. During 2017 we were instrumental in setting up the Scottish government's Humanitarian Emergencies Fund – an expert panel of eight leading humanitarian aid organisations in Scotland with expertise in responding to emergencies. Save the Children in Scotland chair the panel, which was set up to advise on where Scottish government funds can provide immediate and effective assistance to countries affected by disasters, disease or conflict.

Our fundraising activities have included numerous events, collections and other initiatives throughout Scotland organised by our volunteer supporter groups, corporate partners, individuals, ambassadors and community groups. This has included continuing to work closely with Heart of Midlothian FC, as well as a new partnership with Scottish Rugby Union. Our shops have also continued to raise valuable funds and support for work in Scotland and overseas.

Preference Service (FPS) was launched in July and we have reviewed all our processes to ensure that we comply with any requests made to the FPS. We strive for best practice in fundraising by complying with a range of codes of practice and standards, including being a member of the Institute of Fundraising and being registered with the Fundraising Regulator, adhering to its Code of Fundraising Practice and Fundraising Promise

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

Third parties fundraising on our behalf

Save the Children engages 'professional fundraisers' (agencies) to undertake fundraising on our behalf, such as face-to-face fundraising and telephone fundraising. We also work with corporate partners (commercial participators) who sell goods and donate a proportion of the proceeds to us. We continue to use robust oversight and monitoring procedures, in line with Fundraising Regulator standards, to ensure fundraising undertaken on our behalf is of the highest standard, compliant with all regulation and embodies Save the Children's supporter-centric approach. In 2017 we updated our Whistleblowing Policy to include how staff, volunteers or those representing Save the Children can report a concern about any of our fundraising activities. Monitoring of our agencies is undertaken through a combination of 'mystery

shopping', call monitoring, regular meetings and training of fundraisers on our expectations, and this is reported to our Audit Committee on a regular basis.

Our approach to vulnerable people

We have continued to ensure that vulnerable supporters and members of the public are afforded the highest levels of support, respect and protection. Guidance for fundraisers on protecting vulnerable people is followed across all our fundraising activities and our fundraising agencies are trained on protecting vulnerable people. This is also a key consideration throughout the monitoring we do of our fundraising.

RAISING A CONCERN OR MAKING A COMPLAINT

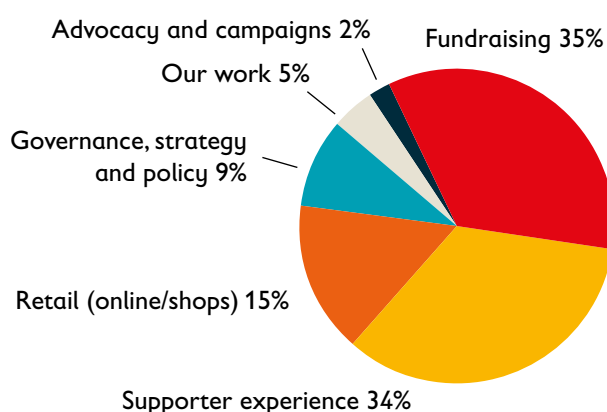
Our approach to feedback and complaints

We know there are times when we do not meet the high standards we set ourselves as an organisation. When this happens, we ensure that not only are the issues investigated, but that measures are put in place to prevent it happening again.

In 2017 we received 919 complaints into our supporter facing teams, which was a 31% decrease compared to the number of complaints received in 2016. The below pie chart provides a breakdown of complaints by thematic area. Notable areas of improvement include our fundraising complaints. This follows the same pattern as in 2016 and is reflective of the work that has been carried out to ensure communications are better tailored for supporters since we launched our Supporter Promise in 2015.

For further details, please see page 27 of the Accountability and Transparency Report. We also publish our Complaints Procedure on our website.

Breakdown of supporter complaints received in 2017



| Category | No |
|---------------------------------|------------|
| Fundraising | 318 |
| Supporter experience | 315 |
| Retail (online/shops) | 143 |
| Governance, strategy and policy | 82 |
| Our work | 42 |
| Advocacy and campaigns | 19 |
| Total | 919 |

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

OPINION

We have audited the financial statements of Save the Children Fund ("the charitable company") for the year ended 31 December 2017 which comprise the consolidated statement of financial activities, consolidated and charity balance sheets, consolidated cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

BASIS FOR OPINION

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.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

OTHER INFORMATION

The directors are responsible for the other information, which comprises the Trustees' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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.

We have nothing to report in these respects.

TRUSTEES' RESPONSIBILITIES

As explained more fully in their statement set out on page 50, 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Lynton Richmond (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

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

15 Canada Square, London E14 5GL

21 May 2018

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | Unrestricted funds £000 | All restricted and endowment funds £000 | Total funds year to 31/12/2017 £000 | Total funds year to 31/12/2016 £000 |
|--|-------|----------------------------|--|--|--|
| Income and endowments from: | | | | | |
| Donations and legacies | 2 | 77,356 | 31,705 | 109,061 | 119,631 |
| Charitable activities | 3 | – | 280,983 | 280,983 | 270,836 |
| Other trading activities | 4 | 12,579 | – | 12,579 | 9,752 |
| Investments | 5 | 831 | 34 | 865 | 951 |
| Other | 6 | 2,244 | 826 | 3,070 | 3,355 |
| Total income | | 93,010 | 313,548 | 406,558 | 404,525 |
| Expenditure on: | | | | | |
| Raising funds | | | | | |
| Raising donations and legacies | 7 | 28,354 | 749 | 29,103 | 26,634 |
| Other trading activities | 7 | 8,711 | 56 | 8,767 | 8,293 |
| Investment management costs | 7 | 179 | 1 | 180 | 127 |
| Total raising funds | | 37,244 | 806 | 38,050 | 35,054 |
| Charitable activities | | | | | |
| Nutrition | 7 | 5,398 | 55,812 | 61,210 | 48,528 |
| Livelihoods | 7 | 5,892 | 55,644 | 61,536 | 47,987 |
| Health | 7 | 5,181 | 61,325 | 66,506 | 78,689 |
| Protection | 7 | 2,261 | 17,877 | 20,138 | 11,785 |
| Rights | 7 | 232 | 444 | 676 | 781 |
| Education | 7 | 5,253 | 30,377 | 35,630 | 50,013 |
| Rapid onset emergencies | 7 | 13,831 | 95,792 | 109,623 | 111,294 |
| Campaigning and awareness | 7 | 9,843 | 5,363 | 15,206 | 24,503 |
| Total charitable activities | | 47,891 | 322,634 | 370,525 | 373,580 |
| Other | 7 | (510) | (2) | (512) | 1,466 |
| Total expenditure | | 84,625 | 323,438 | 408,063 | 410,100 |
| Net gains on investments | 13 | 1,818 | 301 | 2,119 | 3,492 |
| Movement on share of associates' surplus | 14 | 36 | – | 36 | 35 |
| Net income/(expenditure) | | 10,239 | (9,589) | 650 | (2,048) |
| Transfers between funds | 21 | 577 | (577) | – | – |
| Actuarial gains/(losses) on defined benefit pension scheme | 25 | 19,041 | – | 19,041 | (15,502) |
| Net movement in funds | | 29,857 | (10,166) | 19,691 | (17,550) |
| Fund balances brought forward | | 10,419 | 31,592 | 42,011 | 59,561 |
| Fund balances carried forward | 21 | 40,276 | 21,426 | 61,702 | 42,011 |

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

The restricted fund balances carried forward include £3,977,000 (2016: £3,676,000) which relate to endowment funds.

There were no new endowments in this period and there were gains in the funds in the current period of £301,000 (2016: £432,000).

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

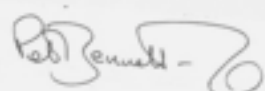
CONSOLIDATED AND CHARITY BALANCE SHEETS

AS AT 31 DECEMBER 2017

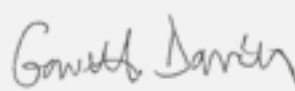
| | Notes | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|--|-------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | 4,479 | 5,582 | 4,479 | 5,582 |
| Tangible assets | 12 | 3,087 | 3,159 | 3,087 | 3,159 |
| Investments | 13 | 38,646 | 35,473 | 37,891 | 34,768 |
| Associates | 14b | 508 | 472 | – | – |
| | | 46,720 | 44,686 | 45,457 | 43,509 |
| Current assets | | | | | |
| Stocks | 15 | 1,308 | 1,690 | 1,196 | 1,583 |
| Grant debtors | 16a | 35,866 | 33,963 | 35,551 | 33,661 |
| Other debtors | 16b | 27,524 | 32,923 | 28,036 | 32,719 |
| Short-term deposits | | 22,044 | 34,503 | 22,044 | 34,503 |
| Cash at bank and in hand | | 25,352 | 32,968 | 22,656 | 31,144 |
| | | 112,094 | 136,047 | 109,483 | 133,610 |
| Creditors: amounts falling due within one year | 17a | (71,692) | (85,626) | (71,560) | (85,491) |
| Net current assets | | 40,402 | 50,421 | 37,923 | 48,119 |
| Total assets less current liabilities | | 87,122 | 95,107 | 83,380 | 91,628 |
| Creditors: amounts falling due after more than one year | 17b | (1,515) | (1,454) | (1,515) | (1,454) |
| Provisions for liabilities | 18 | (8,026) | (12,922) | (7,569) | (12,097) |
| Net assets excluding pension liability | | 77,581 | 80,731 | 74,296 | 78,077 |
| Defined benefit pension scheme liability | 25 | (15,879) | (38,720) | (15,879) | (38,720) |
| Total net assets | | 61,702 | 42,011 | 58,417 | 39,357 |
| Unrestricted funds | | | | | |
| General reserve | 21 | 41,785 | 35,210 | 40,499 | 34,404 |
| Revaluation reserve | 21 | 5,613 | 4,031 | 5,613 | 4,031 |
| Designated funds: | | | | | |
| Tangible fixed assets reserve | 21 | 7,003 | 8,126 | 7,003 | 8,126 |
| Programme related investment | 21 | 955 | 955 | – | – |
| Associates | 21 | 508 | 472 | – | – |
| St John's Lane reserve fund | 21 | 291 | 345 | 291 | 345 |
| Total unrestricted funds excluding pension reserve | | 56,155 | 49,139 | 53,406 | 46,906 |
| Pension reserve | 25 | (15,879) | (38,720) | (15,879) | (38,720) |
| Total unrestricted funds | | 40,276 | 10,419 | 37,527 | 8,186 |
| All restricted and endowed funds | | | | | |
| Restricted income funds | 22 | 17,449 | 27,916 | 16,913 | 27,495 |
| Endowment funds | 23 | 3,977 | 3,676 | 3,977 | 3,676 |
| Total restricted funds | | 21,426 | 31,592 | 20,890 | 31,171 |
| Total funds | | 61,702 | 42,011 | 58,417 | 39,357 |

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

The financial statements on pages 60 to 96 were approved by the Board of Trustees on 16 May 2018 and signed on their behalf by the Chair and Honorary Treasurer on 21 May 2018.



Peter Bennett-Jones CBE – Chair



Gareth Davies – Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------|-------------------------------|-------------------------------|
| Net cash flows from operating activities | (a) | (19,210) | 20,159 |
| Cash flows from investing activities | | | |
| Bank interest received | 5 | 151 | 133 |
| Dividends received | 5 | 714 | 818 |
| Purchase of intangible fixed assets | 11 | (537) | (1,903) |
| Purchase of tangible fixed assets | 12 | (723) | (769) |
| Proceeds from sale of fixed assets | | 620 | 31 |
| Purchase of investments | 13 | (9,250) | (16,675) |
| Proceeds from sale of investments | 13 | 7,988 | 11,885 |
| Net cash movement in investments | 13 | 208 | (152) |
| Investment in associate | 14b | (36) | (35) |
| Net cash used in investing activities | | (865) | (6,667) |
| Change in cash and cash equivalents in the year | (b) | (20,075) | 13,492 |
| Cash and cash equivalents at the beginning of the year | | 67,471 | 53,979 |
| Cash and cash equivalents at the end of the year | | 47,396 | 67,471 |

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

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of net income/(expenditure) to net cash flow from operating activities

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| Net income/(expenditure) | 650 | (2,048) |
| Investment income | (865) | (951) |
| Gains on investments | (2,119) | (3,492) |
| Adjustment for pension funding | 1,265 | 1,219 |
| Payments to defined benefit pension scheme | (5,065) | (4,880) |
| Net gain on disposal of fixed assets | (498) | – |
| Depreciation charge | 673 | 551 |
| Amortisation charge | 1,543 | 1,335 |
| Impairment charge | 97 | 66 |
| Decrease in stocks | 382 | 3,959 |
| Decrease in debtors | 3,496 | 18,628 |
| (Decrease)/Increase in creditors falling due within one year | (13,934) | 6,551 |
| Increase/(Decrease) in creditors falling due in more than one year | 61 | (46) |
| Decrease in provisions | (4,896) | (733) |
| Net cash flows from operating activities | (19,210) | 20,159 |

(b) Analysis of cash and cash equivalents

| | At 01/01/2017 £000 | Cash flow £000 | At 31/12/2017 £000 |
|--------------------------|--------------------------|-------------------|--------------------------|
| Cash at bank and in hand | 32,968 | (7,616) | 25,352 |
| Short-term deposits | 34,503 | (12,459) | 22,044 |
| | 67,471 | (20,075) | 47,396 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

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

The group meets the definition of a public benefit entity under FRS 102. See page 51 for further details. The financial statements have been prepared under the historical cost convention, unless otherwise stated in the relevant accounting policy note.

The financial statements have been prepared on the going concern basis as discussed in the trustees' report on page 43.

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

Save the Children International (SCI) carries out international programming on behalf of Save the Children UK (SCUK) and other movement members. The investment in SCI is classified as a programme related investment as this investment is made directly in pursuit of SCUK's charitable purposes. Grants provided by SCUK to SCI are considered to be part of the costs of activities in furtherance of the objects of the charity and are accounted for in accordance with the grants made to external parties. This is because of the significance of the charity's programme activity carried out through SCI and the nature of the programme operating model. The amounts recognised in relation to SCI are disclosed in the relevant notes to the financial statements.

Save the Children UK has treated the William Belmer Rush Foundation as an associate owing to the significant influence exerted over its financial and operating policies, and has accounted for the Foundation in the group financial statements on a net equity basis. The consolidated SOFA includes the group's share of the associates' surplus or deficit.

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

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

(B) COMPANY STATUS

The charity is a company limited by guarantee. The members of the company are the trustees named on page 48. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

(C) FUND ACCOUNTING

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

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in note 21.

Unrestricted funds include a **pension reserve** adjustment to match the pension deficit, in line with FRS 102 section 28: Employee Benefits.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. Costs are charged against the specific fund in line with donor wishes. An analysis of each restricted fund is set out in the notes to the financial statements.

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

Investment income and gains are allocated to the appropriate fund.

(D) INCOME

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

1.ACCOUNTING POLICIES (CONTINUED)

Donations and legacies

Donations

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

Legacies

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

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

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

Gifts in kind

Gifts for onward distribution

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

Gifts for resale

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

Donated facilities and support

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

Volunteers

Our volunteers play a vital role in the activities of the charity, including in our network of shops and as community fundraisers and ambassadors. However in accordance with the SORP, no monetary value has been attributed to their contribution and been included in these accounts.

Income from charitable activities

Grants from governments, agencies and foundations, corporates and trusts have been included as 'Income from charitable activities' where these grants specifically outline the goods and services to be provided to beneficiaries.

For these performance-related grants, in the absence of specific milestones to determine entitlement, income is recognised to the extent that resources have been committed to the specific programme, as this is deemed to be a reliable estimate of the right to receive payment for the work performed. In this case, cash received in excess of expenditure is included as a creditor (as deferred income) and expenditure in excess of cash included as a debtor (as accrued income).

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

Other trading activities

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

Lottery income is proceeds from lotteries held by the People's Postcode Lottery (PPL). SCUK has no ability to alter the price of the tickets, determine the prizes or reduce the management fee. As such, PPL is treated as acting as principal. Net proceeds due to SCUK are recognised under lottery income in the statement of financial activities and analysed in note 4b.

(E) EXPENDITURE

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

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

Expenditure on charitable activities includes grants payable and costs incurred directly by Save the Children UK in the furtherance of its charitable objectives, along with associated support costs. Grants payable to partner organisations such as Save the Children International are considered to be part of the costs of activities in furtherance of the objects of the charity. This is because much of the charity's programme activity is carried out through grants to local organisations that support long-term sustainable benefits for children, which are monitored by the charity. Grants are also made to fund immediate emergency relief provision in times of crisis, catastrophe or natural disaster.

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

1.ACCOUNTING POLICIES (CONTINUED)

allocated across the categories of charitable activities and costs of raising funds. The basis of the cost allocation has been explained in the notes to the accounts.

(F) TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

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

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

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

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

(G) INTANGIBLE FIXED ASSETS AND AMORTISATION

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

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

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

(H) INVESTMENTS

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

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

(I) STOCKS

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

(J) PENSION COSTS

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

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

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

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

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan, which is in most respects a money purchase arrangement, but has some guarantees. This scheme has been treated as a

1.ACCOUNTING POLICIES (CONTINUED)

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

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

(K) FINANCE AND OPERATING LEASES

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

(L) FOREIGN CURRENCIES

Foreign currency balances have been translated at the rate of exchange ruling at the balance sheet date into the accounts presentational and functional currency, which is GBP. Income and expenditure transactions incurred in foreign currencies have been translated during the course of the period at the rate of exchange ruling at the time of the transaction.

(M) PROVISIONS

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

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

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

(N) TAXATION

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

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

(O) FINANCIAL INSTRUMENTS

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

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

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

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

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

Revenue recognition

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

Pension liability

Estimates of the net pension liability depend on a number of complex judgements relating to the discount rate used, changes in retirement ages and mortality rates. The group

1. ACCOUNTING POLICIES (CONTINUED)

engages a firm of actuaries to provide expert advice about the assumptions made and the effect on the pension liability of changes in these assumptions.

Provisions

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

Cost allocation

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

2. DONATIONS AND LEGACIES

| | Unrestricted funds £000 | Restricted funds £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
| (a) Donations and gifts | | | | |
| Individual giving | 42,276 | 6,819 | 49,095 | 48,150 |
| Trusts and major donors | 4,293 | 6,794 | 11,087 | 8,314 |
| Community fundraising | 7,651 | 707 | 8,358 | 6,634 |
| Corporate fundraising | 2,673 | 3,493 | 6,166 | 6,795 |
| Save the Children global member development | – | 52 | 52 | 455 |
| Institutional donors | – | 8,495 | 8,495 | 24,387 |
| | 56,893 | 26,360 | 83,253 | 94,735 |
| (b) Gifts in kind by type | | | | |
| Gifts in kind for distribution ¹ | – | 3,502 | 3,502 | 5,301 |
| Headquarters professional services | – | 833 | 833 | 205 |
| Fundraising | – | 467 | 467 | 594 |
| | – | 4,802 | 4,802 | 6,100 |
| (c) Legacies | | | | |
| Legacies ² | 20,463 | 543 | 21,006 | 18,796 |
| Total donations and legacies | 77,356 | 31,705 | 109,061 | 119,631 |

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

² The estimated amount of legacies for which the charity has received notice of entitlement, but which has not been accrued, whether because probate has not yet been obtained, or on grounds of insufficient certainty, was £3.5 million (2016: £4.1 million).

3. INCOME FROM CHARITABLE ACTIVITIES

| | Year to 31/12/2017 restricted £000 | Year to 31/12/2016 restricted £000 |
|---|---|---|
| Performance-related grants | | |
| UK central government | 131,395 | 138,742 |
| United States government | 1,078 | 220 |
| Irish government | 3,255 | 3,314 |
| Other national governments | 3,912 | 1,172 |
| UK local and regional government | 734 | 680 |
| European Commission including European Commission Humanitarian Organisation of £30,048,000 (2016: £19,186,000) | 46,778 | 34,334 |
| Disasters Emergency Committee | 15,239 | 7,256 |
| United Nations | 38,053 | 40,109 |
| World Bank | 6,066 | 7,695 |
| Global Fund to fight AIDS, tuberculosis and malaria | 919 | 319 |
| Total government and multilateral organisations | 247,429 | 233,841 |
| Comic Relief | 417 | 1,734 |
| Bill & Melinda Gates Foundation | 3,906 | 4,356 |
| Big Lottery Fund | 1,719 | 1,220 |
| Corporate partners | 12,761 | 16,459 |
| Trusts | 9,537 | 4,287 |
| Save the Children members | 58 | 443 |
| Lankelly Chase | 40 | 30 |
| IKEA – START Network | 36 | – |
| Other | 5,080 | 8,466 |
| Total income from charitable activities | 280,983 | 270,836 |

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

4. OTHER TRADING ACTIVITIES

| | Unrestricted funds £000 | Restricted funds £000 | Total year to 31/12/2017 £000 | Total year to 31/12/2016 £000 |
|------------------------------|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
| Retail income (see note 4a) | 10,036 | – | 10,036 | 9,752 |
| Lottery income (see note 4b) | 2,543 | – | 2,543 | – |
| Total trading income | 12,579 | – | 12,579 | 9,752 |

| (a) Retail income and costs | Charity £000 | Save the Children (Sales) Ltd £000 | Total year to 31/12/2017 £000 | Total year to 31/12/2016 £000 |
|-----------------------------|-----------------|---|-------------------------------------|-------------------------------------|
| Retail income | 9,416 | 620 | 10,036 | 9,752 |
| Cost of sales | – | (322) | (322) | (237) |
| Direct expenses | (8,224) | (221) | (8,445) | (8,056) |
| Total expenses | (8,224) | (543) | (8,767) | (8,293) |
| Surplus | 1,192 | 77 | 1,269 | 1,459 |

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £395,000 (2016: £371,000) of donations raised in shops, and £534,000 (2016: £36,000) of property income, totalling £929,000 (2016: £407,000).

4. OTHER TRADING ACTIVITIES (CONTINUED)

(b) Lottery income

During the year Save the Children UK received net proceeds of lotteries held by the People's Postcode Lottery. As noted in the accounting policy in note 1d, the net proceeds are recognised as income, which are determined as follows:

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---------------------|-------------------------------|-------------------------------|
| Ticket value | 8,204 | — |
| Prize fund | (3,282) | — |
| Management fee | (2,379) | — |
| Net proceeds | 2,543 | — |

5. INVESTMENT INCOME

| | Unrestricted funds £000 | Restricted funds £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
| Dividends on investments listed on a recognised stock exchange | 714 | — | 714 | 818 |
| Interest on bank deposits and other investments | 117 | 34 | 151 | 133 |
| | 831 | 34 | 865 | 951 |

6. OTHER INCOME

| | Unrestricted funds £000 | Restricted funds £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|----------------------------------|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
| Rental income | 1,657 | — | 1,657 | 1,811 |
| Gain on disposal of fixed assets | 498 | — | 498 | — |
| Other income | 89 | 826 | 915 | 1,544 |
| | 2,244 | 826 | 3,070 | 3,355 |

7. EXPENDITURE

(a)

| Expenditure on raising funds | Grant funding of activities (note 7b) £000 | Activities undertaken directly | | | Allocation of management and admin costs (note 7e) £000 | Allocation of programme support costs (note 7e) £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|--|--------------------------------|-------------------------|--------------------|---|--|-------------------------|-------------------------|
| | | Staff costs (note 8) £000 | Other direct costs £000 | Gifts in kind £000 | | | | |
| Expenditure on raising donations and legacies (note 7d) | 115 | 10,422 | 16,035 | 90 | 2,441 | – | 29,103 | 26,634 |
| Expenditure on other trading activities | – | 2,538 | 5,699 | 20 | 510 | – | 8,767 | 8,293 |
| Investment management costs | – | – | 173 | – | 7 | – | 180 | 127 |
| | 115 | 12,960 | 21,907 | 110 | 2,958 | – | 38,050 | 35,054 |
| Charitable activities | | | | | | | | |
| Nutrition | 51,991 | 398 | 901 | 1,175 | 2,829 | 3,916 | 61,210 | 48,528 |
| Livelihoods | 52,698 | 854 | 1,222 | 272 | 2,845 | 3,645 | 61,536 | 47,987 |
| Health | 56,303 | 611 | 1,025 | 1,397 | 3,095 | 4,075 | 66,506 | 78,689 |
| Protection | 17,156 | 164 | 441 | 63 | 926 | 1,388 | 20,138 | 11,785 |
| Rights | 558 | 21 | 33 | 2 | 32 | 30 | 676 | 781 |
| Education | 27,913 | 2,255 | 1,330 | 219 | 1,715 | 2,198 | 35,630 | 50,013 |
| Rapid onset emergencies | 72,427 | 11,461 | 10,377 | 1,604 | 5,391 | 8,363 | 109,623 | 111,294 |
| | 279,046 | 15,764 | 15,329 | 4,732 | 16,833 | 23,615 | 355,319 | 349,077 |
| Campaigning and awareness (note 7c) | 2,792 | 7,388 | 2,598 | 21 | 1,670 | 737 | 15,206 | 24,503 |
| Total charitable activities | 281,838 | 23,152 | 17,927 | 4,753 | 18,503 | 24,352 | 370,525 | 373,580 |
| Support costs | 172 | 17,588 | 27,612 | 420 | (21,440) | (24,352) | – | – |
| Other expenditure ¹ | – | – | (491) | – | (21) | – | (512) | 1,466 |
| Total expenditure | 282,125 | 53,700 | 66,955 | 5,283 | – | – | 408,063 | 410,100 |
| Prior year | 277,887 | 53,089 | 68,971 | 10,153 | – | – | 410,100 | |

¹ Costs relating to the sub-let of certain floors of the headquarters building at St John's Lane have been identified as a separate activity of the group. During 2017 there has been a £2m release of the provision relating to the onerous lease on these premises and this resulted in a negative cost for the year.

(b) Grant funding of activities

During the year ended 31 December 2017, Save the Children UK made grants to partner organisations carrying out work to help children. A list of grants is made available at www.savethechildren.org.uk/about-us/who-we-are/annual-report.

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

These have several objectives, including:

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

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

7. EXPENDITURE (CONTINUED)

(d) Costs of raising donations and legacies

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|-------------------------|-------------------------------|-------------------------------|
| Individual giving | 16,677 | 15,397 |
| Trusts and major donors | 2,312 | 2,031 |
| Community fundraising | 6,558 | 6,315 |
| Corporate fundraising | 2,084 | 1,995 |
| Legacies | 1,472 | 896 |
| | 29,103 | 26,634 |

During the year management have re-analysed brand marketing costs between those that support campaigning and awareness activities and those that support fundraising activities. This has resulted in an increase in the brand marketing allocated to raising donations and legacies by £4.3m in 2017.

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

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

| | | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|------------------------------------|-------------------------------|-------------------------------|
| Management and administration costs | Basis of apportionment | | |
| General management | Pro-rata by expenditure | 2,199 | 1,716 |
| Governance | Pro-rata by expenditure | 1,155 | 1,179 |
| Human resources | Pro-rata by salary costs | 2,026 | 2,300 |
| Financial management | Pro-rata by expenditure | 3,437 | 3,348 |
| Premises and facilities | Pro-rata by building usage | 3,555 | 4,254 |
| Information systems | Pro-rata by expenditure | 6,832 | 6,639 |
| Gifts in kind (pro-bono professional services) | Pro-rata by expenditure | 420 | 395 |
| Losses/(Gains) on foreign exchange | Pro-rata by expenditure | 869 | (2,637) |
| Net interest cost ¹ | Pro-rata by expenditure | 947 | 918 |
| | | 21,440 | 18,112 |
| Programme support costs | | | |
| Programme support | Pro-rata by charitable expenditure | 9,138 | 10,098 |
| Central and regional operating costs to SCI | Pro-rata by charitable expenditure | 7,556 | 7,574 |
| Core contributions to SCI | Pro-rata by charitable expenditure | 2,742 | 2,341 |
| Contribution to growth of other Save the Children members | Pro-rata by charitable expenditure | 1,000 | 1,330 |
| SCI strategic investment funding | Pro-rata by charitable expenditure | 3,916 | 2,914 |
| | | 24,352 | 24,257 |
| Total support costs | | 45,792 | 42,369 |
| Financed by unrestricted funds | | 24,851 | 23,092 |
| Charged to restricted awards | | 2,941 | 1,760 |
| Indirect cost recovery ² | | 18,000 | 17,517 |
| | | 45,792 | 42,369 |

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

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

7. EXPENDITURE (CONTINUED)

(f) Total resources expended include the following amounts:

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|-------------------------------------|-------------------------------|-------------------------------|
| Group auditor's remuneration | | |
| Audit of charity | 96 | 107 |
| Audit of subsidiaries | 23 | 19 |
| Total audit | 119 | 126 |
| Audit-related assurance services | 4 | 10 |
| Total assurance services | 4 | 10 |
| Other non-audit services | – | 46 |
| Total non-audit services | – | 46 |
| Total fees | 123 | 182 |

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| Lease rentals: land and buildings | | |
| Retail | 2,545 | 2,388 |
| Programme offices | 239 | 300 |
| Headquarters | 3,886 | 3,775 |
| | 6,670 | 6,463 |

Ex-gratia payments

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

8. STAFF COSTS

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|-------------------------------|-------------------------------|
| (a) | | |
| Wages and salaries | 42,968 | 42,099 |
| National Insurance | 4,587 | 4,317 |
| Pension costs defined contribution scheme | 2,149 | 2,132 |
| Pension costs defined benefit scheme | 318 | 301 |
| Other staff costs | 3,678 | 4,240 |
| | 53,700 | 53,089 |

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

Included within other staff costs is £373,871 of termination costs, primarily as a result of the elimination of positions that are no longer required following a structural review.

Certain costs have been re-categorised between other staff costs and pension costs, with no impact on the overall staff costs.

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

| | Average headcount | | Average FTE headcount | |
|-----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Year to 31/12/2017 number | Year to 31/12/2016 number | Year to 31/12/2017 number | Year to 31/12/2016 number |
| Charitable activities | 839 | 924 | 819 | 902 |
| Raising funds | 325 | 285 | 318 | 279 |
| | 1,164 | 1,209 | 1,137 | 1,181 |

Figures above include average staff numbers of 0 (2016: 58) relating to Merlin.

8. STAFF COSTS (CONTINUED)

(c) At 31 December 2017 the number of staff was as follows:

| | Headcount ¹ number | Headcount equivalent ² number |
|---------------|----------------------------------|--|
| UK HQ | 912 | 890 |
| UK non-HQ | 146 | 140 |
| International | 102 | 102 |
| | 1,160 | 1,132 |

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.

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

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

| | Year to 31/12/2017 number | Year to 31/12/2016 number |
|-------------------|---------------------------------|---------------------------------|
| £60,001–£70,000 | 36 | 27 |
| £70,001–£80,000 | 22 | 14 |
| £80,001–£90,000 | 7 | 6 |
| £90,001–£100,000 | 3 | 2 |
| £100,001–£110,000 | 4 | 2 |
| £110,001–£120,000 | – | 1 |
| £120,001–£130,000 | 2 | 1 |
| £130,001–£140,000 | – | 2 |
| £140,001–£150,000 | 1 | – |
| | 75 | 55 |

(e) 2017 Executive Director remuneration

The trustees delegate the day-to-day running of the organisation to the executive directors who are considered to be the key management personnel. Emoluments for all permanent Executive Directors employed at Save the Children UK for the year ending 31 December 2017 are detailed below.

| Position | Name | Actual gross salary* 2017 | Full-time equivalent annual salary 2017 | Full-time equivalent annual salary 2016 |
|--|----------------------------------|---------------------------------|--|--|
| Chief Executive Officer (CEO) | Kevin Watkins | £145,145 | £145,860 | £143,000 |
| Chief Operating Officer (COO) ¹ | Jennifer Geary (to 28 Apr 2017) | £74,183 | £132,549 | £132,549 |
| Global Programmes Director | Fergus Drake (to 15 Sep 2017) | £90,402 | £124,985 | £122,534 |
| Chief Financial Officer (CFO) | Sam Sharpe | £122,631 | £123,235 | £120,819 |
| Director of Fundraising and Marketing ² | Claire Rowney (from 13 Mar 2017) | £105,000 | £130,000 | – |
| Director of Brand Marketing | Jonathan Morley (to 17 Nov 2017) | £117,083 | £110,000 | – |
| Director of Policy, Advocacy and Campaigns | Kirsty McNeill | £101,500 | £102,000 | £100,000 |
| Human Resources Director | Clare Conaghan | £100,000 | £100,000 | £100,000 |
| | | £855,944 | | |

* Differences between full-time annual salaries and actual gross salary and emoluments arise due to annual pay rises that take effect in April each year, individuals joining or leaving Save the Children during the reporting period, payments in lieu of notice and redundancy payments. Interim appointments are excluded. In addition to the gross salary, £149,485 was paid for employer's national insurance, pension contributions and life insurance in respect of the above individuals.

¹ The position of Chief Operating Officer was discontinued following the departure of Jennifer Geary in April 2017.

² Claire Rowney joined on 13 March as Director of Fundraising but following the departure of Jonathan Morley became Director of Fundraising and Marketing, effective from 20 November 2017.

9. TRUSTEES' REMUNERATION

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

Out-of-pocket expenses were reimbursed to trustees or paid directly on their behalf as follows:

| | Year to 31/12/2017 number of trustees | Year to 31/12/2016 number of trustees | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|--|--|-------------------------------|-------------------------------|
| Expenses including travel and subsistence | 3 | 3 | 1 | 2 |

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

Save the Children has purchased indemnity insurance at a cost of £15,680 (2016: £15,330) that provides cover:

- (i) to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents.
- (ii) to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

10. RELATED PARTY TRANSACTIONS

In accordance with the provisions of Financial Reporting Standard 102, the related party transactions entered into by the charity are detailed below. All transactions that arose were in the normal course of business.

As well as donating their time and expertise during 2017 the trustees made unconditional donations of £241,141 (2016: £275,631) to the charity.

Two trustees on the Save the Children UK board in 2017 were also trustees for Save the Children International during 2017 (Sir Alan Parker and Anne Fahy)

Fiona McBain is also a trustee on the board of the Humanitarian Leadership Academy.

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

| Income and expenditure items | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|---|-------------------------------|-------------------------------|
| Funds transferred for programme delivery | 241,021 | 232,778 |
| Country operating costs | 6,448 | 6,157 |
| Central and regional operating costs | 7,556 | 7,574 |
| Core contributions | 2,742 | 2,341 |
| Member growth | 1,000 | 1,330 |
| Strategic investment funding | 3,916 | 2,914 |
| Reimbursements | (559) | (921) |
| | 262,124 | 252,173 |
| Balance sheet items | As at 31/12/2017 £000 | As at 31/12/2016 £000 |
| Prepayment for programme activity | 6,396 | 10,762 |
| Cost of services incurred by Save the Children UK/(SCI) to be settled in the future | 335 | (122) |
| Programme related investment | 955 | 955 |

11. INTANGIBLE FIXED ASSETS

Group and Charity

| | Computer software £000 | Assets under construction £000 | Total £000 |
|---|---------------------------|-----------------------------------|---------------|
| Cost at 1 January 2017 | 11,303 | 651 | 11,954 |
| Additions | 318 | 219 | 537 |
| Transfers of assets available for use | 632 | (632) | – |
| Cost at 31 December 2017 | 12,253 | 238 | 12,491 |
| Accumulated amortisation at 1 January 2017 | 6,372 | – | 6,372 |
| Charge for the period | 1,543 | – | 1,543 |
| Impairment | 97 | – | 97 |
| Accumulated amortisation at 31 December 2017 | 8,012 | – | 8,012 |
| Net book value at 31 December 2017 | 4,241 | 238 | 4,479 |
| Net book value at 31 December 2016 | 4,931 | 651 | 5,582 |

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

12. TANGIBLE FIXED ASSETS

(a) Group and Charity

| | Freehold property £000 | Leasehold property improvements £000 | Computer equipment £000 | Total £000 |
|---|---------------------------|---|----------------------------|---------------|
| Cost at 1 January 2017 | 1,272 | 6,041 | 62 | 7,375 |
| Additions | 141 | 580 | 2 | 723 |
| Disposals | (186) | – | – | (186) |
| Cost at 31 December 2017 | 1,227 | 6,621 | 64 | 7,912 |
| Accumulated depreciation at 1 January 2017 | 534 | 3,661 | 21 | 4,216 |
| Charge for the period | 27 | 633 | 13 | 673 |
| Disposals | (64) | – | – | (64) |
| Accumulated depreciation at 31 December 2017 | 497 | 4,294 | 34 | 4,825 |
| Net book value at 31 December 2017 | 730 | 2,327 | 30 | 3,087 |
| Net book value at 31 December 2016 | 738 | 2,380 | 41 | 3,159 |

(b) Capital expenditure contracted for but not provided in the financial statements was £nil (2016: £nil).

13. INVESTMENTS

| | Notes | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|--------------------------|-------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Fixed asset investments | 13a | 37,691 | 34,518 | 37,641 | 34,518 |
| Investment in SCI | | 955 | 955 | – | – |
| Investment in subsidiary | 13b | – | – | 250 | 250 |
| Total Investments | | 38,646 | 35,473 | 37,891 | 34,768 |

| (a) Fixed asset investments | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Market value at start of year | 34,518 | 26,084 | 34,518 | 26,084 |
| Acquisitions | 9,250 | 16,675 | 9,200 | 16,675 |
| Sales proceeds | (7,988) | (11,885) | (7,988) | (11,885) |
| Net movement in cash balances | (208) | 152 | (208) | 152 |
| Net realised investment gains | 273 | 1,734 | 273 | 1,734 |
| Net unrealised investment gain | 1,846 | 1,758 | 1,846 | 1,758 |
| Market value at end of year | 37,691 | 34,518 | 37,641 | 34,518 |

| The market value is represented by: | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Equities | 22,199 | 21,005 | 22,199 | 21,005 |
| Bonds | 4,904 | 3,799 | 4,904 | 3,799 |
| Cash and cash equivalents | 10,588 | 9,714 | 10,538 | 9,714 |
| | 37,691 | 34,518 | 37,641 | 34,518 |

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

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

14. GROUP MEMBERS

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

Associate undertakings

| | | | | |
|--------------------------------|----------|----|----------------------|--------|
| William Belmer Rush Foundation | 00307079 | UK | Grant-making charity | 31 Mar |
|--------------------------------|----------|----|----------------------|--------|

Lead Consortium member

| | | | | |
|-------------------|---------|----|-------------------------------|-----|
| The Start Network | 9286835 | UK | Humanitarian response charity | N/A |
|-------------------|---------|----|-------------------------------|-----|

For entities with non co-terminous year ends, results for the 12-month period to 31 December 2017 have been consolidated.

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

14. GROUP MEMBERS (CONTINUED)

(a) Subsidiary financial results

| | Save the Children (Sales) | | Merlin | | HLA | |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
| Income | 1,896 | 1,859 | 242 | 759 | 9,089 | 6,433 |
| Expenditure | (765) | (844) | 237 | (848) | (9,007) | (6,433) |
| | 1,131 | 1,015 | 479 | (89) | 82 | – |
| Donation to parent charity | (1,131) | (1,015) | – | – | – | – |
| | – | – | 479 | (89) | 82 | – |
| | As at 31/12/2017 £000 | As at 31/12/2016 £000 | As at 31/12/2017 £000 | As at 31/12/2016 £000 | As at 31/12/2017 £000 | As at 31/12/2016 £000 |
| Assets | 917 | 337 | 2,007 | 2,158 | 2,305 | 1,607 |
| Liabilities | (667) | (87) | (568) | (1,199) | (1,923) | (1,307) |
| Net assets | 250 | 250 | 1,439 | 959 | 382 | 300 |

(b) Associate undertakings

During the year, Save the Children UK received £28,000 (2016: £36,000) as grant funding and £1,000 (2016: £1,000) as an administration fee from the William Belmer Rush Foundation.

| | Group Year to 31/12/2017 £000 | Group Year to 31/12/2016 £000 |
|--|--|--|
| Investment in associates | | |
| At 1 January | 472 | 1,392 |
| Reclassified as programme related investment | – | (955) |
| Share of retained profit for the year | 36 | 35 |
| At 31 December | 508 | 472 |

15. STOCKS

| | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Gift in kind stock for distribution ¹ | 659 | 1,147 | 659 | 1,147 |
| Emergency | 510 | 409 | 510 | 409 |
| Goods for resale | 112 | 107 | – | – |
| Head office | 27 | 27 | 27 | 27 |
| | 1,308 | 1,690 | 1,196 | 1,583 |

¹ Gift in kind stock for distribution comprises mainly food aid and pharmaceuticals and is held by SCI at year end.

16. DEBTORS

(a) Grant debtors

| | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| UK central government | 10,100 | 10,090 | 10,100 | 10,090 |
| European Commission including European Commission Humanitarian Organisation | 13,354 | 8,305 | 13,039 | 8,003 |
| Disasters Emergency Committee | 212 | 108 | 212 | 108 |
| United Nations | 4,780 | 7,269 | 4,780 | 7,269 |
| World Bank | 2,390 | 2,162 | 2,390 | 2,162 |
| Other | 2,930 | 538 | 2,930 | 538 |
| Total government and multilateral organisations | 33,766 | 28,472 | 33,451 | 28,170 |
| Comic Relief | – | 245 | – | 245 |
| Corporate partners | 1,508 | 1,717 | 1,508 | 1,717 |
| Trusts | 176 | 169 | 176 | 169 |
| Other | 416 | 3,360 | 416 | 3,360 |
| Total other | 2,100 | 5,491 | 2,100 | 5,491 |
| Total grant debtors | 35,866 | 33,963 | 35,551 | 33,661 |

Grant debtors above include amounts both billed and unbilled.

(b) Other debtors

| | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors | 253 | 458 | 133 | 338 |
| Legacy debtors | 11,639 | 11,213 | 11,511 | 11,182 |
| Amount owed by subsidiary undertakings | – | – | 616 | – |
| Taxes recoverable | 1,433 | 2,335 | 1,433 | 2,335 |
| Prepayments and accrued income | 6,928 | 7,531 | 7,093 | 7,485 |
| Save the Children International | 6,731 | 10,640 | 6,731 | 10,640 |
| Other debtors | 540 | 746 | 519 | 739 |
| | 27,524 | 32,923 | 28,036 | 32,719 |

All debtors are falling due within one year.

Debtor balance with Save the Children International represents prepaid funding for future programmatic activity.

17. CREDITORS

(a) Amounts falling due within one year

| | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade creditors | 5,104 | 3,685 | 4,382 | 3,380 |
| Taxes and social security | 1,202 | 1,404 | 1,153 | 1,198 |
| Amount owed to subsidiary undertakings | – | – | 1,107 | 1,118 |
| Accruals | 3,750 | 3,657 | 3,422 | 3,188 |
| Deferred income ¹ | 61,149 | 74,392 | 61,141 | 74,392 |
| Operating lease incentives ² | 179 | 179 | 179 | 179 |
| Grant obligations | 200 | 2,195 | 114 | 1,972 |
| Other creditors | 108 | 114 | 62 | 64 |
| | 71,692 | 85,626 | 71,560 | 85,491 |

(b) Amounts falling in more than one year

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Operating lease incentives ² | 1,515 | 1,454 | 1,515 | 1,454 |
| | 1,515 | 1,454 | 1,515 | 1,454 |

¹ The deferred income represents cash received from donors prior to entitlement under our income recognition policy. Deferred income of £43,094k arose in the year and £56,337k brought forward from 2016 was released.

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

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group

| | At 01/01/2017 £000 | Provision created/ (released) £000 | Provision utilised £000 | Total 31/12/2017 £000 |
|-------------------------------|--------------------------|---|-------------------------------|-----------------------------|
| Terminal grants and severance | 423 | (34) | (178) | 211 |
| Dilapidations | 1,727 | (126) | – | 1,601 |
| Grants | 6,306 | 141 | (2,077) | 4,370 |
| Tax | 521 | 190 | – | 711 |
| Onerous lease | 3,348 | (2,000) | (390) | 958 |
| Other | 597 | 11 | (433) | 175 |
| | 12,922 | (1,818) | (3,078) | 8,026 |

Charity

| | At 01/01/2017 £000 | Provision created/ (released) £000 | Provision utilised £000 | Total 31/12/2017 £000 |
|-------------------------------|--------------------------|---|-------------------------------|-----------------------------|
| Terminal grants and severance | 423 | (34) | (178) | 211 |
| Dilapidations | 1,727 | (126) | – | 1,601 |
| Grants | 5,868 | 237 | (2,077) | 4,028 |
| Tax | 300 | 411 | – | 711 |
| Onerous lease | 3,348 | (2,000) | (390) | 958 |
| Other | 431 | (3) | (368) | 60 |
| | 12,097 | (1,515) | (3,013) | 7,569 |

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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

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

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

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

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

19. FINANCIAL COMMITMENTS: OBLIGATIONS UNDER OPERATING LEASES

Group

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

| Total payments due: | Total 31/12/2017 £000 | Total 31/12/2016 £000 |
|----------------------|-----------------------------|-----------------------------|
| Within one year | 6,159 | 5,609 |
| In years two to five | 19,844 | 17,749 |
| After five years | 21,990 | 24,479 |
| | 47,993 | 47,837 |

Charity

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

| Total payments due: | Total 31/12/2017 £000 | Total 31/12/2016 £000 |
|----------------------|-----------------------------|-----------------------------|
| Within one year | 6,145 | 5,609 |
| In years two to five | 19,843 | 17,749 |
| After five years | 21,990 | 24,479 |
| | 47,978 | 47,837 |

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

20. FINANCIAL COMMITMENTS: GRANT COMMITMENTS

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

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

| | Group 31/12/2017 £000 | Group 31/12/2016 £000 | Charity 31/12/2017 £000 | Charity 31/12/2016 £000 |
|----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Within one year | 198,335 | 267,754 | 198,335 | 267,754 |
| Between two and five years | 127,931 | 118,202 | 127,931 | 118,202 |
| After five years | – | 2,392 | – | 2,392 |
| | 326,266 | 388,348 | 326,266 | 388,348 |

(b) Save the Children UK has entered into a number of grants, where we are required to find additional funding for the remainder of the project. Donors have already been found for many of these grants but at year end there were still several grants in progress for which no donor had been found; these amounted to £1.9m (2016: £4.3m). A provision of £0.3m (2016: £1.7m) has been recognised as at 31 December 2017 in respect of grants where Save the Children does not expect to be able to find donors for these over the remaining life of the projects.

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

(d) Save the Children UK has future commitments in respect of Save the Children International:

The International Programming (IP) contracts provide for those members of Save the Children Association (SCA) for whom SCI delivers international programmes to provide a share of an indemnity capped at USD \$20 million in the event that the members choose to cease SCI's programming activity. At 31 December 2017, Save the Children UK's share of this was approximately USD \$6.2 million (2016: \$6.3 million). Save the Children UK is confident that SCI will continue to provide programming services into the future and that the possibility of it ceasing to operate is so remote that it is not disclosed as a contingent liability.

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

At the date of signing the accounts, no material pre-transition issues relating to the normal course of business had been identified. Accordingly no provision has been made in relation to these indemnities. Additional tax provisions have been made in relation to employees transferring to SCI. See note 18 for details.

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

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

This standby letter of credit is provided by Standard Chartered. As at 31 December 2017 no amounts had been drawn down on this facility.

(e) Save the Children UK also has guarantees with Standard Chartered Bank totalling €4.5 million (2016: €2.7 million) at the year end in relation to grant prefinancing. It is not anticipated that any claims will arise from these guarantees and as a result no liability has been recognised in the balance sheet.

21. STATEMENT OF FUNDS

| (a) Group | At 01/01/2017 £000 | Income £000 | Expenditure £000 | Other gains/losses £000 | Transfers £000 | At 31/12/2017 £000 |
|--|--------------------------|----------------|---------------------|-------------------------------|-------------------|--------------------------|
| Unrestricted funds | | | | | | |
| General reserve | 35,210 | 93,010 | (83,360) | 236 | (3,311) | 41,785 |
| Revaluation reserve | 4,031 | – | – | 1,582 | – | 5,613 |
| Designated funds: | | | | | | |
| Tangible fixed assets reserve | 8,126 | – | – | – | (1,123) | 7,003 |
| Programme related investment | 955 | – | – | – | – | 955 |
| Associates (note 14) | 472 | – | – | 36 | – | 508 |
| St John's Lane reserve fund | 345 | – | – | – | (54) | 291 |
| Total unrestricted funds excluding pension reserve | 49,139 | 93,010 | (83,360) | 1,854 | (4,488) | 56,155 |
| Pension reserve (note 25) | (38,720) | – | (1,265) | 19,041 | 5,065 | (15,879) |
| Total unrestricted funds | 10,419 | 93,010 | (84,625) | 20,895 | 577 | 40,276 |
| All restricted and endowed funds | | | | | | |
| Restricted income funds (note 22) | 27,916 | 313,548 | (323,438) | – | (577) | 17,449 |
| Endowment funds | 3,676 | – | – | 301 | – | 3,977 |
| Total restricted funds | 31,592 | 313,548 | (323,438) | 301 | (577) | 21,426 |
| Total funds | 42,011 | 406,558 | (408,063) | 21,196 | – | 61,702 |

| (b) Charity | At 01/01/2017 £000 | Income £000 | Expenditure £000 | Other gains/losses £000 | Transfers £000 | At 31/12/2017 £000 |
|--|--------------------------|----------------|---------------------|-------------------------------|-------------------|--------------------------|
| Unrestricted funds | | | | | | |
| General reserve | 34,404 | 92,020 | (82,850) | 236 | (3,311) | 40,499 |
| Revaluation reserve | 4,031 | – | – | 1,582 | – | 5,613 |
| Designated funds: | | | | | | |
| Tangible fixed assets reserve | 8,126 | – | – | – | (1,123) | 7,003 |
| Programme related investment | – | – | – | – | – | – |
| Associates (note 14) | – | – | – | – | – | – |
| St John's Lane reserve fund | 345 | – | – | – | (54) | 291 |
| Total unrestricted funds excluding pension reserve | 46,906 | 92,020 | (82,850) | 1,818 | (4,488) | 53,406 |
| Pension reserve (note 25) | (38,720) | – | (1,265) | 19,041 | 5,065 | (15,879) |
| Total unrestricted funds | 8,186 | 92,020 | (84,115) | 20,859 | 577 | 37,527 |
| All restricted and endowed funds | | | | | | |
| Restricted income funds (note 22) | 27,495 | 313,250 | (323,255) | – | (577) | 16,913 |
| Endowment funds | 3,676 | – | – | 301 | – | 3,977 |
| Total restricted funds | 31,171 | 313,250 | (323,255) | 301 | (577) | 20,890 |
| Total funds | 39,357 | 405,270 | (407,370) | 21,160 | – | 58,417 |

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

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

The **tangible fixed assets reserve** represents the net book value of tangible fixed assets originally funded from general reserves. The transfer into the fund represents capital additions less disposal proceeds and depreciation. An adjustment is made for operating lease incentives in relation to fixed assets purchased by the landlord for our headquarters.

The **programme related investment** represents the value of Save the Children UK's investment in SCI.

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

The **St John's Lane reserve fund** represents funds set aside for potential future refurbishment of the headquarters building and the eventual replacement of large capital items. Save the Children UK is responsible for this expenditure on headquarters under its lease with Standard Life which runs until 2028. In addition, Save the Children UK has responsibilities towards its sub-tenants who occupy part of the headquarters building. The transfer of £54,000 represents spend on refurbishments that were originally paid from the general reserve.

21. STATEMENT OF FUNDS (CONTINUED)

The **pension reserve** represents the reported liability on the defined benefit pension scheme under FRS 102 (see note 25 for details). Transfers to the pension reserve represent payments into the scheme during the year for both the defined benefit plan (£4,925,000) and the growth plan (£140,000).

The **restricted income funds** represents unexpended balances on donations and grants given for specific purposes (see note 22 for details). Transfers are for projects that were funded by general reserves but can now be funded by donors.

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

Prior Period Comparatives:

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

22. RESTRICTED FUNDS

(a) Group

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

| | At 01/01/2017 recategorised ¹ £000 | Income £000 | Expenditure £000 | Transfers £000 | At 31/12/2017 £000 |
|--|--|----------------|---------------------|-------------------|--------------------------|
| Regions | | | | | |
| East Africa | 172 | 93,493 | (98,253) | 3,775 | (813) |
| Southern Africa | 675 | 32,851 | (34,009) | 133 | (350) |
| West and Central Africa | 2,841 | 26,918 | (28,647) | 369 | 1,481 |
| Asia | 735 | 39,680 | (40,899) | 1,215 | 731 |
| Latin America and Caribbean | 4 | 873 | (1,213) | 206 | (130) |
| Middle East and South-East Europe | 910 | 29,920 | (32,779) | 4,037 | 2,088 |
| United Kingdom | 2,078 | 5,152 | (7,240) | 924 | 914 |
| Multi-region | 32 | 5,430 | (5,403) | – | 59 |
| Emergency Appeals | | | | | |
| Child Refugee Crisis | 3,142 | 1,987 | (2,108) | (1,945) | 1,076 |
| Nepal | 914 | 3,872 | (4,698) | (6) | 82 |
| Syria | 3,785 | 1,001 | (2,392) | (1,022) | 1,372 |
| East Africa Food Crisis | – | 12,059 | (7,459) | (3,861) | 739 |
| Yemen | 593 | 4,542 | (4,175) | 317 | 1,277 |
| Rohingya | – | 2,033 | (1,126) | (373) | 534 |
| Other | 1,493 | 1,333 | (678) | (710) | 1,438 |
| Other Funds | | | | | |
| Children's Emergency Fund ² | 2,503 | 4,715 | (3,063) | (2,913) | 1,242 |
| Thematic/Country Funds ³ | 230 | 1,290 | (70) | (985) | 465 |
| START | 6,512 | 26,200 | (28,505) | (66) | 4,141 |
| HLA | 300 | 9,700 | (9,618) | – | 382 |
| ELRHA | (10) | 8,719 | (8,408) | 48 | 349 |
| Other | 1,007 | 1,780 | (2,695) | 280 | 372 |
| | 27,916 | 313,548 | (323,438) | (577) | 17,449 |

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

There is no impact on total restricted reserves brought forward.

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

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

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

22. RESTRICTED FUNDS (CONTINUED)

(b) Charity

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

| | At 01/01/2017 recategorised ¹ £000 | Income £000 | Expenditure £000 | Transfers £000 | At 31/12/2017 £000 |
|--|--|----------------|---------------------|-------------------|--------------------------|
| Regions | | | | | |
| East Africa | 172 | 93,493 | (98,253) | 3,775 | (813) |
| Southern Africa | 675 | 32,851 | (34,009) | 133 | (350) |
| West and Central Africa | 2,835 | 26,918 | (28,647) | 369 | 1,475 |
| Asia | 651 | 39,680 | (40,899) | 1,215 | 647 |
| Latin America and Caribbean | 4 | 873 | (1,213) | 206 | (130) |
| Middle East and South-East Europe | 890 | 29,920 | (32,779) | 4,037 | 2,068 |
| United Kingdom | 286 | 4,987 | (7,240) | 924 | (1,043) |
| Multi-region | (23) | 5,430 | (5,403) | – | 4 |
| Emergency Appeals | | | | | |
| Child Refugee Crisis | 3,142 | 1,987 | (2,108) | (1,945) | 1,076 |
| Nepal | 914 | 3,872 | (4,698) | (6) | 82 |
| Syria | 3,785 | 1,001 | (2,392) | (1,022) | 1,372 |
| East Africa Food Crisis | – | 12,059 | (7,459) | (3,861) | 739 |
| Yemen | 593 | 4,542 | (4,175) | 317 | 1,277 |
| Rohingya | – | 2,033 | (1,126) | (373) | 534 |
| Other | 1,493 | 1,333 | (678) | (710) | 1,438 |
| Other Funds | | | | | |
| Children's Emergency Fund ² | 2,536 | 4,715 | (3,096) | (2,913) | 1,242 |
| Thematic/Country Funds ³ | 202 | 1,270 | (70) | (985) | 417 |
| START | 6,505 | 26,176 | (28,505) | (66) | 4,110 |
| HLA | – | 9,402 | (9,402) | – | – |
| ELRHA | (10) | 8,719 | (8,408) | 48 | 349 |
| Other | 2,845 | 1,989 | (2,695) | 280 | 2,419 |
| | 27,495 | 313,250 | (323,255) | (577) | 16,913 |

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

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

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

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

22. RESTRICTED FUNDS (CONTINUED)

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

| | At 01/01/2017 £000 | Income £000 | Expenditure £000 | At 31/12/2017 £000 |
|--|--------------------------|----------------|---------------------|--------------------------|
| Big Lottery Fund | | | | |
| Building Sustainable Livelihoods and Resilient Communities | – | 1,200 | (1,200) | – |
| Protection for Children on the Move in Serbia | – | 500 | (500) | – |
| Supporting 21st Century Life – FAST in Scotland | – | 19 | (19) | – |
| | – | 1,719 | (1,719) | – |

23. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year

| | At 01/01/2017 £000 | Other gains/losses £000 | Transfers £000 | At 31/12/2017 £000 |
|----------------------------|--------------------------|-------------------------------|-------------------|--------------------------|
| The Oliver Children's fund | 3,676 | 301 | – | 3,977 |
| | 3,676 | 301 | – | 3,977 |

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

| Fund balances at 31 December 2017 are represented by: | General funds £000 | Revaluation reserve £000 | Designated funds £000 | Pension reserve £000 | Restricted funds £000 | Endowment funds £000 | Total 31/12/2017 £000 |
|--|--------------------------|--------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|--------------------------------------|
| Tangible and intangible fixed assets | 563 | – | 7,003 | – | – | – | 7,566 |
| Fixed asset investments | 28,101 | 5,613 | 1,463 | – | – | 3,977 | 39,154 |
| Current assets | 33,274 | – | 291 | – | 78,529 | – | 112,094 |
| Current liabilities | (10,612) | – | – | – | (61,080) | – | (71,692) |
| Non-current liabilities | (1,515) | – | – | – | – | – | (1,515) |
| Provisions for liabilities and charges | (8,026) | – | – | – | – | – | (8,026) |
| Pension liability | – | – | – | (15,879) | – | – | (15,879) |
| | 41,785 | 5,613 | 8,757 | (15,879) | 17,449 | 3,977 | 61,702 |

(b) Charity

| Fund balances at 31 December 2017 are represented by: | General funds £000 | Revaluation reserve £000 | Designated funds £000 | Pension reserve £000 | Restricted funds £000 | Endowment funds £000 | Total 31/12/2017 £000 |
|--|--------------------------|--------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|--------------------------------------|
| Tangible and intangible fixed assets | 563 | – | 7,003 | – | – | – | 7,566 |
| Fixed asset investments | 28,301 | 5,613 | – | – | – | 3,977 | 37,891 |
| Current assets | 31,104 | – | 291 | – | 78,088 | – | 109,483 |
| Current liabilities | (10,385) | – | – | – | (61,175) | – | (71,560) |
| Non-current liabilities | (1,515) | – | – | – | – | – | (1,515) |
| Provisions for liabilities and charges | (7,569) | – | – | – | – | – | (7,569) |
| Pension liability | – | – | – | (15,879) | – | – | (15,879) |
| | 40,499 | 5,613 | 7,294 | (15,879) | 16,913 | 3,977 | 58,417 |

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

Prior Period Comparatives:

(c) Group

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

(d) Charity

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

25. PENSION COSTS

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

(b) – (c) Defined Benefit Triennial valuation

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

(l) Save the Children UK has a Group Personal Pension (GPP), provided by Legal and General as its workplace pension scheme and to meet its automatic enrolment obligation. From October 2013 all staff may join a retirement savings scheme, either the GPP for UK-based staff or a long-term savings plan for overseas staff. Staff of the Humanitarian Leadership Academy also participate in the GPP, as did Merlin staff. Merlin also operated a separate group personal pension scheme with Aegon, which closed to new members in May 2014. Prior to October 2013 Save the Children UK used an occupational pension scheme which was provided by Prudential; Save the Children UK triggered wind-up of this scheme in May 2017 and the scheme trustees advise this should be complete by the end of 2018.

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

| Net movement in pension liability | Defined benefit scheme £000 | Pension Trust growth plan £000 | Year to 31/12/2017 £000 | Defined benefit scheme £000 | Pension Trust growth plan £000 | Year to 31/12/2016 £000 |
|--|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|
| Net pension liability at start of year | 37,425 | 1,295 | 38,720 | 25,532 | 1,347 | 26,879 |
| Current service cost | 318 | — | 318 | 301 | — | 301 |
| Net interest expense | 930 | 17 | 947 | 886 | 32 | 918 |
| Contributions by employer | (4,925) | (140) | (5,065) | (4,738) | (142) | (4,880) |
| Net actuarial (gains)/losses in the year | (19,043) | 2 | (19,041) | 15,444 | 58 | 15,502 |
| Net pension liability at 31 December | 14,705 | 1,174 | 15,879 | 37,425 | 1,295 | 38,720 |

25. PENSION COSTS (CONTINUED)

(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 and to future accrual on 1 January 2018.

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

The triennial valuation also reported that there were 27 active members at 30 September 2014 and 1,888 deferred/pensioner members, a total of 1,915 members.

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

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

(c) Triennial valuation: assumptions

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

| | |
|---|----------------|
| Average rate of return on investments pre-retirement | 5.9% per annum |
| Average rate of return on investments post-retirement | 3.3% per annum |
| Average rate of salary increases for active members | 4.1% per annum |
| Retail Price Index assumption | 3.1% per annum |
| Consumer Price Index assumption | 2.2% per annum |

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

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

The pension reserve amount shown on the balance sheet and the actuarial losses shown in the SOFA are valued in accordance with the accounting policy in note 1j. The assets of the scheme are valued at their market value on the balance sheet date. This value may therefore fluctuate materially from year to year in response to market conditions. It follows that any surplus or deficit of assets over discounted liabilities reported at a particular balance sheet date under FRS 102 will not necessarily reflect whether there will be sufficient assets available to meet the actual pension obligations that will have to be satisfied over a long period of time in the future.

The present value of the liability to meet future pension obligations of members is arrived at by applying a discount rate equivalent to the return expected to be derived from a Class AA corporate bond as at the balance sheet date. In the 2014 triennial actuarial valuation referred to above, the discount rate used was that as at 30 September 2014 and applied to the scheme's actual investments, making a cautious estimate of long-term expected returns. The different timings and thus discount rates and bases on which these rates are applied then explain any difference between the amount of the deficit valued under either the triennial or FRS 102 methods. Furthermore:

- (i) the scheme assets do not include investments issued by the sponsoring employer nor any property occupied by the sponsoring employer;
- (ii) the scheme holds quoted securities and these have been valued at bid-price.

25. PENSION COSTS (CONTINUED)

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| (e) Net movement in pension liability | | |
| Net pension liability at start of year | 37,425 | 25,532 |
| Current service cost ¹ | 318 | 301 |
| Net interest expense | 930 | 886 |
| Contributions by employer | (4,925) | (4,738) |
| Net actuarial (gains)/losses in the year | (19,043) | 15,444 |
| Net pension liability at 31 December | 14,705 | 37,425 |

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).

| | Notes | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------|-------------------------------|-------------------------------|
| (f) Amounts recognised in the balance sheet | | | |
| Present value of funded obligations | 25h | 175,968 | 183,160 |
| Fair value of scheme assets | 25i | (161,263) | (145,735) |
| Net pension liability | | 14,705 | 37,425 |

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| (g) Amounts recognised in the statement of financial activities | | |
| Interest income | 3,856 | 4,655 |
| Interest expense | (4,786) | (5,541) |
| Net interest expense | (930) | (886) |
| Current service cost | (318) | (301) |
| Total decrease in net income | (1,248) | (1,187) |
| Net actuarial gains/(losses) in the year | 19,043 | (15,444) |
| Total increase/(decrease) in net funds | 17,795 | (16,631) |

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| (h) Change in the present value of the defined benefit obligation | | |
| Opening defined benefit obligation | 183,160 | 147,870 |
| Service cost | 318 | 301 |
| Interest cost | 4,786 | 5,541 |
| Contributions by employees | 33 | 38 |
| Actuarial (gains)/losses | (6,883) | 33,878 |
| Net benefits paid (including expenses) | (5,446) | (4,468) |
| Closing defined benefit obligation | 175,968 | 183,160 |

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|-------------------------------|-------------------------------|
| (i) Change in the fair value of scheme assets | | |
| Opening fair value of the scheme assets | 145,735 | 122,338 |
| Interest income | 3,856 | 4,655 |
| Actuarial gains | 12,160 | 18,434 |
| Contributions by employer | 4,925 | 4,738 |
| Contributions by employees | 33 | 38 |
| Net benefits paid (including expenses) | (5,446) | (4,468) |
| Closing fair value of the scheme assets | 161,263 | 145,735 |
| Actual return on scheme assets | 16,016 | 23,089 |

25. PENSION COSTS (CONTINUED)

| (j) The assets at 31 December 2017 are represented by: | At 31/12/2017 Fair value £000 | At 31/12/2016 Fair value £000 |
|---|--|--|
| Equities | 94,542 | 87,163 |
| Property | 10,536 | 9,697 |
| Government bonds | 55,364 | 47,809 |
| Other | 821 | 1,066 |
| Scheme assets | 161,263 | 145,735 |

(k) Actuarial assumptions

In the above, investments have been valued at fair value and liabilities have been determined by a qualified actuary using assumptions consistent with the requirements of FRS 102, namely:

| Financial assumptions | Year to 31/12/2017 % p.a | Year to 31/12/2016 % p.a |
|--|---|---|
| Discount rate | 2.45 | 2.65 |
| Rate of revaluations for career averaged earnings (RPI related) | 3.10 | 3.20 |
| Rate of increase of pensions (CPI related): | | |
| Limited Price Indexation 5% | 2.30 | 2.40 |
| Limited Price Indexation 2.5% | 1.75 | 1.80 |
| Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI related) | 3.25 | 3.35 |
| Inflation assumption | | |
| Retail Price Index | 3.25 | 3.35 |
| Consumer Price Index | 2.25 | 2.35 |

Demographic assumptions

Mortality

| | |
|---------------------|---|
| Year to 31/12/2017: | 60% before retirement, 89% after retirement S2PXA All Pensioners; year of birth; CMI 2015 projections long term improvement rates 1.25% p.a. males and 1.00% p.a. females |
| Year to 31/12/2016: | 60% before retirement, 89% after retirement S2PXA All Pensioners; year of birth; CMI 2015 projections long term improvement rates 1.25% p.a. males and 1.00% p.a. females |

(l) Defined contribution scheme

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

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|-----------------------------------|--|--|
| Pension contributions | 2,149 | 2,132 |
| | At 31/12/2017 £000 | At 31/12/2016 £000 |
| Outstanding pension contributions | — | 1 |

These are included within creditors in note 17a.

25. PENSION COSTS (CONTINUED)

(m) The Pensions Trust Growth Plan

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan that has final salary and money purchase arrangements – a proportion of which have some guarantees. This scheme has been treated as a multi-employer scheme as it is not possible to separately identify the assets and liabilities of participating employees.

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

The last formal triennial valuation of the plan was performed at 30 September 2014 by a professionally-qualified actuary. The valuation revealed that the assets of the plan fell short of the accrued liabilities as at the valuation date. This resulted in a solvency funding level of 76%.

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

The actuary advises that the deficit in the scheme, on an FRS102 basis is £1.2m (2016: £1.3m). The deficit includes Save the Children's share of any 'orphan' liabilities in respect of previously participating employers. Save the Children UK started to make deficit contributions in April 2013. In 2017 Save the Children UK paid £140,000 (2016: £142,000). Contributions in 2018 are £144k and increase annually by an inflation factor; it is estimated that this should reduce the potential debt to zero by September 2025. Under FRS 102 Save the Children UK is required to recognise a liability for the deficit funding arrangement that has been agreed relating to past service. However, Save the Children UK has no current intention to leave the plan and trigger the contingent liability.

| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
|--|--------------------------------|--------------------------------|
| Net movement in the pension liability | | |
| Provision at the start of year | 1,295 | 1,347 |
| Unwinding of the discount factor (interest expense) | 17 | 32 |
| Deficit contribution paid | (140) | (142) |
| Remeasurements – impact of any change in assumptions | 2 | 58 |
| Provision at the end of year | 1,174 | 1,295 |
| Amounts recognised in the statement of financial activities | | |
| | Year to 31/12/2017 £000 | Year to 31/12/2016 £000 |
| Interest expense | 17 | 32 |
| Remeasurements – impact of any change in assumptions | 2 | 58 |
| | 19 | 90 |
| Financial assumptions | Year to 31/12/2017 % p.a | Year to 31/12/2016 % p.a |
| Rate of discount | 1.39 | 1.44 |

26. SAVE THE CHILDREN UK CHARITY – STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2017

| | Unrestricted funds £000 | All restricted and endowment funds £000 | Total funds year to 31/12/2017 £000 | Unrestricted funds £000 | All restricted and endowment funds £000 | Total funds year to 31/12/2016 £000 |
|--|-------------------------------|--|--|-------------------------------|--|--|
| Income and endowments from: | | | | | | |
| Donations and legacies | 76,986 | 31,462 | 108,448 | 80,183 | 39,228 | 119,411 |
| Charitable activities | – | 280,982 | 280,982 | – | 269,190 | 269,190 |
| Other trading activities | 11,959 | – | 11,959 | 9,184 | – | 9,184 |
| Investments | 828 | 34 | 862 | 932 | 20 | 952 |
| Other | 2,247 | 772 | 3,019 | 2,351 | 988 | 3,339 |
| Total income | 92,020 | 313,250 | 405,270 | 92,650 | 309,426 | 402,076 |
| Expenditure on: | | | | | | |
| Raising funds | 36,480 | 805 | 37,285 | 34,160 | 62 | 34,222 |
| Charitable activities | | | | | | |
| Nutrition | 5,460 | 55,812 | 61,272 | 4,876 | 43,487 | 48,363 |
| Livelihoods | 5,891 | 55,645 | 61,536 | 4,961 | 43,026 | 47,987 |
| Health | 5,304 | 61,326 | 66,630 | 7,203 | 70,861 | 78,064 |
| Protection | 2,261 | 17,877 | 20,138 | 1,793 | 9,992 | 11,785 |
| Rights | 232 | 444 | 676 | 349 | 432 | 781 |
| Education | 5,253 | 30,377 | 35,630 | 5,544 | 44,469 | 50,013 |
| Rapid onset emergencies | 13,901 | 96,013 | 109,914 | 14,501 | 96,733 | 111,234 |
| Campaigning and awareness | 9,843 | 4,958 | 14,801 | 18,459 | 5,612 | 24,071 |
| Total charitable activities | 48,145 | 322,452 | 370,597 | 57,686 | 314,612 | 372,298 |
| Other | (510) | (2) | (512) | 1,464 | 2 | 1,466 |
| Total expenditure | 84,115 | 323,255 | 407,370 | 93,310 | 314,676 | 407,986 |
| Net gains on investments | 1,818 | 301 | 2,119 | 3,060 | 432 | 3,492 |
| Net income/(expenditure) | 9,723 | (9,704) | 19 | 2,400 | (4,818) | (2,418) |
| Transfers between funds | 577 | (577) | – | (799) | 799 | – |
| Actuarial gains/(losses) on defined benefit pension scheme | 19,041 | – | 19,041 | (15,502) | – | (15,502) |
| Net movement in funds | 29,341 | (10,281) | 19,060 | (13,901) | (4,019) | (17,920) |
| Fund balances brought forward | 8,186 | 31,171 | 39,357 | 22,087 | 35,190 | 57,277 |
| Fund balances carried forward | 37,527 | 20,890 | 58,417 | 8,186 | 31,171 | 39,357 |

27. INCOME FROM UK AND IRISH GOVERNMENTS

(a) Income from the Department for International Development in the year ended 31 December 2017

| Countries Supported | Project | £000 |
|-------------------------------|---|-------|
| Afghanistan | Steps Towards Afghan Girls' Educational Success (STAGES) | 580 |
| Afghanistan | Steps Towards Afghan Girls' Educational Success (STAGES) phase II | 1,483 |
| Afghanistan | Strengthening the Resilience of Afghanistan's Vulnerable Communities Against Disasters | 1,299 |
| Bangladesh | Health, WASH and Nutrition support for Rohingya response in Ukhiya and Teknaf, Cox's Bazar | 286 |
| Bangladesh | Shiree Nutrition Innovation Fund | (2) |
| Bangladesh | SHIREE Strengthening safety-net linkages and resilience of BHHs | 4 |
| Bangladesh | Suchana – Ending the Cycle of Undernutrition in Bangladesh | 6,177 |
| Central African Republic | Emergency assistance to crisis affected communities in Central African Republic | (10) |
| Central African Republic | Empowering Communities to reduce poverty through improved Maternal and Child Health for 93,599 people in Nana Mambere | 8 |
| Congo, Democratic Republic of | Girls' Education Challenge | 558 |
| Congo, Democratic Republic of | Girls' Education Challenge Transition | 73 |
| Congo, Democratic Republic of | UK Aid Match Round 4 | 1,151 |
| Ethiopia | Drought Response in BASES-PDP Woredas | 811 |
| Ethiopia | Pastoralists Afar Girls' Education Support Project (PAGES) | 1,038 |
| Ethiopia | Peace and Development in the Somali Region of Ethiopia | 881 |
| Ethiopia | Support to the delivery of basic services in the Somali Region of Ethiopia | 11 |
| Kenya | Accelerating Reduction in Maternal and Newborn Mortality in vulnerable and marginalised counties in Kenya | 1,334 |
| Kenya | Adolescent Girls Initiative Kenya (AGI-K) Implementation Phase | 618 |
| Kenya | Adolescent Girls Initiative Action Research Programme (AGIARP) | 13 |
| Kenya | Evidence on Cash Transfers for Education in Garissa | (66) |
| Kenya | Delivering Increased Family Planning Across Rural Kenya – Phase 2 | 220 |
| Kenya | Increasing access to quality care for preterm and low birthweight babies | 504 |
| Lebanon | DFID Multi Sector Programme | 4,219 |
| Malawi | Breaking the Cycle of Humanitarian Assistance through Enhancing Resilience and Shock Responsive Capacity | 3,190 |
| Malawi | Cash Transfer Intervention for Keeping Girls in School (KGIS) – Implementation Phase | 2,995 |
| Malawi | Improving the school experience and environment for adolescent girls (SE) – Implementation Phase | 550 |
| Malawi | INGO Consortium Emergency and Resilience Building Response to the 2016-2017 Food Crisis in Malawi | 5,816 |
| Malawi | Malawi Vulnerability Assessment Committee Cash Consortium | 4 |
| Mozambique | Linking Agribusiness and Nutrition | 112 |
| Mozambique | Humanitarian Response in Mozambique – 2017/18 Lean Season Recovery Response Phase 2 | 4 |
| Mozambique | Citizens' Engagement Programme | 250 |
| Mozambique | COSACA Emergency Rapid Response and Disaster Resilience | 59 |
| Mozambique | Girls' Education Challenge | 311 |
| Mozambique | Drought Response COSACA | 8,941 |
| Mozambique | Influencing Strategy for Africa Climate Change Resilience Alliance-ACCRA II 2014-2016 | 37 |
| Mozambique | Influencing Strategy for Africa Climate Change Resilience Alliance-ACCRA I | (12) |
| Mozambique | El Niño Drought Response in Mozambique DFID 3 Phase1: Learning and Evaluation Phase | 181 |
| Mozambique | Programme for Advancement of Girls' Education in Mozambique | 1,181 |

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

| | | |
|---------------|--|--------|
| Multi-country | Refugee Children Fund for Europe | 2,140 |
| Myanmar | Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence In Rakhine State, Myanmar (Phase 6 via HARP) | 3,371 |
| Myanmar | Supporting children in the first '1000' days of life and beyond, to reduce child mortality and stunting in high burden states and regions of Myanmar | 46 |
| Myanmar | Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence in Rakhine State, Myanmar | 6 |
| Myanmar | Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence In Rakhine State, Myanmar (Phase 5) | 679 |
| Nepal | Nepal Quick-win WASH intervention and rehabilitation of water resources | 778 |
| Niger | Urban Africa: Risk and Capacity-URBAN ARC | 86 |
| Nigeria | Child Development Grant Programme, Northern Nigeria | 7,284 |
| Nigeria | Education Sector Support – ESSPIN | 109 |
| Nigeria | Northern States Maternal & Newborn Initiative in Nigeria – MNCH | (96) |
| Nigeria | Protection Project in Northeast Nigeria | 696 |
| Nigeria | Women for Health Initiative | 252 |
| Nigeria | Working to Improve Newborn and Child Nutrition in Northern Nigeria | 2,131 |
| Rwanda | Burundi Refugee Influx Response | 2 |
| Rwanda | Improving and Scaling-Up ECD Interventions: IDS research | 3 |
| Rwanda | Integrated Protection, Health, Nutrition, Education, Livelihood and Youth Empowerment Services for Burundian Refugees in Mahama Camp | 830 |
| Rwanda | Rwandan Children's Book Initiative | 13 |
| Serbia | NFI Distribution Winterisation Needs | 147 |
| Sierra Leone | Comprehensive Program for Ebola Survivors | 67 |
| Sierra Leone | DFID Education consortium | 380 |
| Sierra Leone | DFID Freetown WASH Consortium (FWC) 3b | 759 |
| Sierra Leone | DFID Resilient Zero | 144 |
| Sierra Leone | Education Consortium for Sierra Leone | 1 |
| Sierra Leone | Inter-Agency Research on Strengthening Community-Based Child Protection for Children in Sierra Leone | 1 |
| Sierra Leone | Strengthening WASH Infrastructure in Government Hospitals | 2 |
| Sierra Leone | Support to WASH activities in Community Health Centres (CHCs) | (7) |
| Somalia | Community Health and Nutrition through Local Governance and Empowerment (CHANGE) programme | 1,172 |
| Somalia | Emergency Food Assistance and WASH Programme for Drought Affected Populations in Somalia | 1,372 |
| Somalia | Harmonised Support for Somali Maternal and Child Health HSSMCH Programme | 10 |
| Somalia | Increasing Women's Participation in Decision Making & Challenging Social Norms (SNaP) | 1,406 |
| Somalia | Integrated WASH and EFSL emergency drought response | 4,984 |
| Somalia | IRF 5 Sustaining life-saving and humanitarian relief to communities affected by drought | 6,669 |
| Somalia | Providing emergency health and nutrition services to drought-affected communities in Somalia | 15,047 |
| Somalia | Strengthening Nutrition Security in South Central Somalia: combining life-saving treatment and prevention. | 2,053 |
| Somalia | Supporting Sustainable Approaches Towards Building Resilient Communities in Somalia | 611 |
| South Sudan | Alternative Education for All in Southern Sudan | (10) |
| South Sudan | Equitable Access to Quality BPHNS in Kapoeta North | (8) |
| South Sudan | Health Pooled Fund I Torit County | 2,597 |
| South Sudan | Health Services in EES – Lopa Lafon County | 2 |
| South Sudan | Health Services in EES – Torit County | (3) |

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

| | | |
|------------------------------|---|----------------|
| South Sudan | Health Services in Lakes – Rumbek Centre | (104) |
| South Sudan | Health Pooled Fund Bridging Fund 2016 – Torit | (7) |
| South Sudan | Health Pooled Fund II – Kapoeta | (17) |
| South Sudan | Integrated Community Case Management for Diarrhoea, Malaria, Pneumonia and SAM | 344 |
| START Network | START Fund Tranche 2 DFID | 7,789 |
| START Network | BGD START Monsoon Flood Response 2017 | 95 |
| START Network | DEPP Innovation Programme – Start Network | 1,773 |
| START Network | Ebola Preparedness Activities | 4 |
| START Network | START Alert Bangladesh Cyclone Mora | 81 |
| START Network | START Ebola preparedness and health system strengthening | 72 |
| START Network | START Network DEPP | 8,894 |
| START Network | Start Network DEPP Coordination Budget | 275 |
| START Network | Start Network ERR bridge funding | 47 |
| START Network | Talent 1 | 2,091 |
| START Network | UKH DFID START Fund Model Bangladesh | 1,322 |
| START Network | UKH DFID START Fund Model Bangladesh – Phase 2 | 7 |
| Syrian Arab Republic (Syria) | Humanitarian Relief for children and their families affected by conflict in Syria | 142 |
| UK | DFID Preparation of SUN CSN Publications | (2) |
| UK | ELRHA GAHI-DFID Contribution | 202 |
| UK | ELRHA Global Prioritisation Exercise Phase 1 | 150 |
| UK | ELRHA HiF – Strengthening Innovations in International Humanitarian Action | 33 |
| UK | GBR DFID SUN CSO Support 2017 | 52 |
| UK | GBR DFID SUN CSO Support 2017/18 | 40 |
| UK | Humanitarian Innovation Fund Phase 3 | 2,395 |
| UK | HLA Contribution 2015-2020 | 3,939 |
| UK | Humanitarian Passport Initiative | 105 |
| UK | R2HC Phase 2 Research for Health in Humanitarian Crisis | 2,450 |
| UK | UKH Evidence Synthesis of Protection Outcomes for Interventions with UASC | 2 |
| Uganda | Africa Climate Change Resilience Alliance | 9 |
| Uganda | Multi-sectoral Emergency Assistance to South Sudanese refugees in West Nile | 546 |
| Yemen | Yemen Multisector Response Programme | 2,548 |
| Yemen | Improved food security in Lahj and Taiz | 1,178 |
| Zambia | Addressing Food Insecurity in Western and Southern Provinces, Zambia | 1,825 |
| Zimbabwe | Strengthening Voice and Accountability for Improved MNCH Services in Zimbabwe | 347 |
| Zimbabwe | Upper Zambezi Valley Integrated Livelihoods Project | 23 |
| | | 139,185 |

27. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

(b) Income from the Irish government in the year ended 31 December 2017

| Countries Supported | Project | £000 |
|---------------------|---|--------------|
| Ethiopia | Ethiopian Civil Society Coalition for Scaling up Nutrition (ECSC-SUN) | 80 |
| Malawi | INGO consortium food crisis response | 29 |
| Malawi | Malawi Vulnerability Assessment Committee Cash Consortium | (56) |
| Malawi | 2016/2017 Cash transfer and Resilience Programme | 1,313 |
| Multi-country | Hunger Reduction Commitment Index (HANCI) | (3) |
| Sierra Leone | Fambul Welbodi Programme | 20 |
| Sierra Leone | SLE Fambul Welbodi 3 | 500 |
| START Network | UKH 2017 Start Network Business Plan | 1,040 |
| Tanzania | Harnessing Agriculture for Nutrition Outcomes | 171 |
| UK | GBR Irish Aid SUN CSO Support 2017/18 | 101 |
| UK | Supporting the transition to a global humanitarian fund for NGOs | 2 |
| Vietnam | Improving the Nutrition Status of Ethnic Minority Children in Thanh Hoa Province, Vietnam | 58 |
| | | 3,255 |

Negative figures relate to adjustments made on the closeout of awards, including where amounts are being returned to donors where Save the Children UK has not been able to spend the funds in accordance with donor wishes.

28. POST BALANCE SHEET EVENTS

Elrha is a humanitarian charity focused on research and innovation and whose activities were hosted by Save the Children UK. In 2018, Elrha became a separate registered charity and a subsidiary company of Save the Children UK. On 30th April SCUUK agreed to transfer to Elrha all assets, employees and contracts relating to Elrha activities.

The assets were provided at nil consideration and included IT equipment, 22 employee contracts and 60 donor contracts. The donor contracts will be managed by and sub-contracted to Elrha but Save The Children UK will remain as the lead contractor with the donor.

Save the Children fights for children every single day.

We stand side by side with children in the toughest places to be a child. We do whatever it takes to make sure they survive, get protection when they're in danger, and have the chance to learn.

Because every child should be able to make their mark on the world and build a better future for us all.

In 2017 Save the Children fought for children in the toughest situations. In East Africa we contributed to global efforts to avert a famine that threatened millions of lives. We supported children affected by conflict in Yemen, Syria, South Sudan, Myanmar and the Democratic Republic of Congo. And we launched a global campaign to tackle the world's biggest infectious killer of children – pneumonia.

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Save the Children

COVER PHOTO: Sajida, 12, was forced to flee her village in Myanmar in 2017 into Bangladesh, along with more than half a million refugees from the Rohingya community. (Photo: Hanna Adcock/Save the Children)

Some names in this report have been changed to protect identities.