WHATEVER IT TAKES

Annual report 2014

Save the Children

2014 IN NUMBERS

REACHING MORE CHILDREN THAN EVER BEFORE

REACHING CHILDREN

17.4 MILLION

Target: 15 million*

children helped directly through our work on the ground

70 MILLION

more children and adults reached**

EMERGENCIES

5.5 MILLION

people helped during emergencies, including 2.6 million children

97

emergency responses in 54 countries †

SAVING CHILDREN'S LIVES

9.6 MILLION

Target: 8.8 million

children helped through our health and nutrition programmes, including:

3 MILLION

Target: 1.6 million

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

836,000

Target: 1 million

children helped to gain access to nutritious food

EDUCATION

5.9 MILLION

Target: 2.4 million

children reached through our education programmes

CHILD PROTECTION

350,000

Target: 165,000

children helped to stay safe from harm and abuse

* Targets are taken from our Annual Report 2013.
** For a definition of 'reach' see page 39.
† Includes new emergency responses and ongoing responses started before 2014.

Cover photo: A health worker in Sierra Leone dons specialist clothing to protect against Ebola. (Photo: Louis Leeson/Save the Children)

Some names have been changed to protect identities.

ENDING UK POVERTY

53,000

Target: 25,000

children helped through our education programmes and our work to provide families with the basics they need

INCOME

£370 MILLION

Income in 2013: £343 million

Our direct work with children is focused on six thematic areas – our 'breakthroughs' – which we report on here:

- saving children's lives
- tackling global child poverty
- education
- child protection
- tackling UK child poverty
- children's participation.

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COURAGE, SKILL AND COMPASSION

PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

As President of Save the Children, I had the opportunity to visit Ethiopia last year, a country I first visited 40 years ago. In the last two decades Ethiopia has made impressive progress in reducing child mortality, in providing basic healthcare to millions of people, and in ensuring many more children have the opportunity to go to school.

These achievements are the results of a great deal of work undertaken by many committed people. The Save the Children projects that I visited in Ethiopia, and where I met field staff, children and families, are prime examples.

While there is cause for optimism, many children around the world nevertheless face huge challenges. 2014 was a busy year, in which Save the Children responded to a significant number of emergencies around the world. The humanitarian workers who demonstrated great courage, skill and compassion in helping others in desperate need, deserve particular thanks.

The important work that Save the Children undertakes in countries around the world, including in the UK, is made possible by the dedication and generosity of a large number of volunteers and supporters. It is a pleasure to meet many of those people whose unstinting efforts have benefited the lives of children around the world. I would like to express my thanks to everyone who has contributed to the achievements of Save the Children in 2014.

Anne

HRH The Princess Royal
President, Save the Children

TRUSTEES' REPORT

AT FULL STRETCH

Last year was one of the toughest years Save the Children has had. We were responding to a record number of emergencies around the world.

The war in Syria continues to create the greatest humanitarian disaster of our time with more than 4 million people becoming refugees, 2 million of them children. Our teams in the region are operating under enormous pressure, particularly those in Jordan, Lebanon and Iraq.

In total we have responded to 97 emergencies, from Somalia and South Sudan to Guinea and Guatemala, and while all these brought terrible suffering to children, few made the headlines. One that did, and again stretched us to the limit, was responding to the Ebola crisis in Sierra Leone.

If ever we needed an example of the whole organisation having to rise to a huge and terrifying challenge by going to the help of children and families in the most horrific conditions, the Ebola epidemic was it. From the great courage and resilience of the teams on the ground, to the way our people everywhere freed up resource and delivered the vital support needed, it left me humbled and proud to be associated with Save the Children. As I write, our teams are continuing their work on the ground.

Our mission remains threefold: protecting children in the terrible situations I have mentioned above; fighting to bring an end to the unnecessary deaths of children from treatable diseases; and trying to deliver significant sustainable change through education.

So these huge humanitarian challenges have come on top of our dedicated commitment to running mainstream programmes such as those aiming to tackle child mortality. It is a tragedy that so many children still die from utterly preventable diseases like pneumonia, malaria and diarrhoea.

We have not just been trying to increase the reach of our programmes in child mortality but crucially we are working to increase their impact and efficiency. Save the Children staff and their partners have to work in some of the most difficult places on the planet. We are resolutely determined not just to improve what we do but also to demonstrate that effectiveness and value to our donors.

This is also the case in our education programming where again we are investing so that the quality of what we do continues to improve, because if we are going to have any sustainable change and break the cycle of suffering and death, education has to be central to the change we are trying to achieve.

Not everything is easy and not everything works the way we want it to, but Save the Children has some very determined people and the progress in all these areas is genuinely inspiring.

The challenges seem huge and the suffering of every single child is heart-breaking, but the opportunity to deliver real and lasting change over the next 20 years is incredibly important and exciting. It is extraordinary to think that we could be the generation to end children dying of preventable deaths and ensure every child receives a basic education.

So while we are at full stretch, it is clear to see the enormous progress that has been made and a huge amount of this is due to the support of people and organisations that have put their trust in us to try to do our best to deliver real change and improvement for children in countries around the world, including here in the UK.

Refugee Syrian children living in the Za'atari camp in Jordan at a pre-school centre run by Save the Children

PHOTO: HANNAH MAULE-FFINCH/SAVE THE CHILDREN

To everyone who has been part of Save the Children's achievements over the last year, whether you work in or with the organisation, I thank you. And for those not currently involved with us, I urge you to find out more about what we are seeking to achieve and whether you can find a way of joining us and supporting us in whatever way you can. There is tremendous need but there is also tremendous opportunity.

Thank you for your interest and, I hope, your support.

Sir Alan Parker
Chair of Trustees, Save the Children

DOING WHATEVER IT TAKES

When I met Emma, 17, in an abandoned school in Sierra Leone, the tragedy of the Ebola epidemic hit home. Emma's whole family – her mum, dad, brothers and sister – were killed by Ebola. They died in terrible pain.

Emma was the sole survivor of her family and felt completely alone. Her family's home was burned down – out of the mistaken fear that it might infect others. Now she doesn't even have a photo to remember her family. She has been shunned, out of fear, by many people in her community. "Ebola has really hurt me," she says.

We sat on the steps of a deserted school with tears running down our cheeks. It confirmed my conviction that we must do whatever it takes to defeat this terrible disease.

Thousands of children like Emma in Sierra Leone, Liberia and Guinea have been orphaned and others made destitute by Ebola. Last year, we provided support, healthcare and education to children across the region. Emma herself has joined the Children's Forum Network, an amazing group run by children, and which Save the Children supports, that gives practical and emotional help to vulnerable boys and girls.


Justin Forsyth at the Ebola Treatment Centre in Sierra Leone run by Save the Children

In Sierra Leone we went further. We put ourselves in the frontline of the global effort to stop the spread of the disease, taking the bold step of running one of the country's most important Ebola treatment centres in Kerry Town, which has admitted 458 people.

This pioneering work has demonstrated the importance of making the right strategic choices in being more ambitious for children. At the start of our current strategy in 2010, we made a choice to build our frontline humanitarian health capacity and because of this and by joining with health charity Merlin we were able to work in some of the toughest places – Syria, South Sudan, Iraq, Central African Republic – responding to a record number of 97 emergencies. The Ebola response in particular stretched us beyond our comfort zone.

In 2014 we increased our impact and reached 17.4 million children – more than in any other year in our history. Part of that progress is attributable to the choice we made to develop a portfolio of large-scale 'signature programmes'. These innovative, evidence-based programmes, designed to transform the lives of millions of children, are forged through powerful partnerships with governments, multinational companies such as GSK, RB and Unilever, donors such as the Gates Foundation and the UK Department for International Development, and local organisations, communities and children themselves.

Alongside our life-saving work on the ground, we decided also to take our campaigns to another level by developing more integrated marketing, fundraising and advocacy campaigns. In 2014, we saw a real step-change, from our No Child Born to Die 'saving newborn lives' launch in Nimule hospital in South Sudan with the BBC – which helped bring about the first-ever global action plan to end preventable deaths of newborn babies – to speaking out for the children

Emma, 17, from Sierra Leone. She lost her entire family – her mother, father, three brothers and sister – to Ebola.

of Gaza, to Christmas Jumper Day. We also took more decisions to combine forces and work in coalition, thereby increasing our impact and actively engaging a wider audience, whether it was the national reading campaign Read On. Get On. or our push to enshrine the 0.7% aid bill in law.

In a challenging year, we're proud of what we achieved, meeting and surpassing many of the stretching goals we set ourselves. But these achievements are only possible thanks to the choices we made – from signature programmes to Merlin to pioneering new partnerships with the private sector – that focused our energy and resources where we felt they would have the most impact for children. We didn't always get everything right. And not everything went according to plan. We have struggled to raise the funds needed for our growing UK work. We also need to take an honest look at how we contact the public.

But the interests of children were our first and overriding concern. Combined, all these choices allowed us to reach more children than ever before raise a record level of income, and enlist hundreds of thousands of people to support our cause. Thank you to everyone – our staff, volunteers, supporters and donors – who made this possible.

Our achievements last year are part of a wider, global story of progress. The number of children under five dying each year has almost halved since 1990. Millions more children are now in school. That progress heralds a historic opportunity. Our vision – of a world where no child dies of preventable causes and every child has the chance to learn – is within our grasp.

But we won't achieve that unless we increase our efforts. 'Business as usual' will not be enough to reach our goal. And 2015 will be a critical year.

This year, global targets are to be agreed for the next 15 years. It's a once-in-a-generation opportunity. Together, we can help set the world on course to achieve a better future for children. I hope you will join us.

Justin Forsyth
Chief Executive, Save the Children

STRATEGIC REPORT
STRIVING FOR GREATER IMPACT

The whole focus of Save the Children is to have more positive impact for children. We are unapologetically ambitious.

We are proud that in 2014 we reached more children than in any other year in our history. Carried out more emergency responses than ever before. Engaged millions of people in our cause. And raised a record level of income.

Those achievements are inspired by a bold ambition: that our generation will be the one to end preventable child deaths, and ensure every child goes to school and has the chance to fulfil their potential.

But we are not complacent. We know that, to realise our vision, we need to go further. Business as usual won't be enough. We need to work in different, innovative ways.

Our Ambition 2015 strategy mapped out the pathway over four years to get us closer to our goal. And in 2014 we identified five top priorities from that strategy – areas where we know we need to do more in order to achieve everything we want to for children. Our performance against each of these priorities is reported here.

OUR TOP FIVE PRIORITIES IN 2014

1 Delivering signature programmes

As part of our Ambition 2015 strategy, we aim to accelerate progress towards achieving dramatic change for children – from saving millions of children's lives to ensuring access to life-changing high-quality education. To help achieve this, we're developing a portfolio of signature programmes that are higher quality, reach more children and capture evidence of what works so we can replicate best practice on a bigger scale.

The goals of signature programmes are ambitious – for example, assisting the government of Rwanda to realise its vision of ensuring every child leaves

When Febi's parents lost their livelihood and couldn't afford to send her to school any more, she was sent to an orphanage. Our Families First programme in Indonesia has reunited Febi with her family.

PHOTO: CJ CLARKE/SAVE THE CHILDREN

primary school able to read or working with the government of Indonesia to ensure children whose parents are still alive are not placed in orphanages because their parents cannot afford to send them to secondary school.

Signature programmes embody our 'theory of change' through:

- a focus on addressing **a complex and challenging national issue** that is preventing children from surviving, thriving or realising their potential
- strong evidence collection and evaluation and value-for-money frameworks to test **what works, how it works and how much it costs** per child or adult to implement
- **partnership** with communities, national and local governments, business, international development agencies and other civil society partners
- the use of impact **evidence** to influence governments and other partners to replicate what works to **scale.**

Although our signature programmes are focused on national solutions, we will use the evidence to inform global scale-up through replication in other countries. For example, in 2014 we initiated discussions with experts in China and India about replicating proven elements of the Indonesia signature programme.

By the end of 2014 we had nine signature programmes in eight countries, including one in the UK. Details on individual signature programmes can be found in the different thematic sections of this report.

Delivering our theory of change

Our theory of change – our core strategy – underlies everything we do. It incorporates a three-tier approach: directly helping millions of children through our **programmes** on the ground; collecting the **evidence** of what works to convince others to **replicate** this at scale; and **mobilising** mass support for change. It is supported by building strong partnerships with communities, governments, businesses and other organisations.

2 Increasing our humanitarian impact

The number of humanitarian crises is growing, due to the changing nature of conflict and an increasing number of environmental disasters. 2014 was no exception. We responded to 97 emergencies, from Syria to West Africa to South Sudan.

Against this backdrop of growing threats, global humanitarian response capacity is desperately inadequate. That's why one of our key strategic objectives is building emergency capacity in Save the Children and beyond.

In 2014 we set up an emergency health unit that will build teams of specialist staff able to deliver life-saving health services anywhere in the world within 72 hours' notice. Our emergency response personnel and logistics team expanded to more than 150 people. Almost 500 people undertook one of our six- and 12-month capacity building programmes accredited by Oxford Brookes University. We also ran health and nutrition diplomas, accredited by the Liverpool School of Tropical Medicine, and technical response training. We provided media, information and communications training to local staff in emergency situations. Our voluntary emergency income in 2014 was £17.3 million, exceeding our target, with donations from 98,000 people.

While we respond resolutely to emergencies as they happen, we are also investing in the future. The Humanitarian Leadership Academy is an innovative and transformational initiative to train the next generation of humanitarians, primarily in countries affected by crisis, to lead responses in their own countries. While its official launch was delayed until 2015 pending funding decisions, in 2014 we laid the foundations of the Academy by building and strengthening partnerships with national-level organisations, and developing relationships with donors in order to develop funding commitments. We welcomed former UN Under-Secretary-General for Humanitarian Affairs Jan Egeland as Chair of the Academy's Board of Trustees.

3 Innovative strategies to inspire support for our cause

We're passionate about inspiring the public to engage with our cause. Public engagement – the cornerstone of our influence, funding and legitimacy – is critical to what we're seeking to achieve. In 2014 we used innovative strategies to reach new audiences and involve millions of people – through developing mass supporter campaigns, using new media and digital technologies, and building coalitions and partnerships.

A record 4 million people took part in our Christmas Jumper Day – to 'make the world better with a sweater'. Our YouTube Syria film, which had more than 45 million hits, and our Christmas charity partnership with the *Sunday Times* raised public awareness of the plight of Syria's children.

In September our nationwide Read On. Get On. coalition – which aims to ensure every child in the UK is able to read well by the age of 11 by 2025 – brought together teachers, parents, MPs, footballers, children's authors, *The Sun* newspaper, and Costa and other businesses. On the high street, our partnership with retail guru Mary Portas is breathing new life into the charity shop sector, with four new Mary's Living and Giving shops opening in 2014.

4 Investing in and engaging with our people

In order to achieve our ambitious goals, we need to build and develop an outstanding organisation of engaged, motivated staff who are committed to achieving lasting change for children. Recognising that we need to increase staff engagement, we made this a top priority in 2014.

The action plans that make up our employee engagement project are a direct response to staff feedback received from individuals, through focus groups, or via our annual staff engagement survey. In 2014, we created opportunities for staff and senior leaders to talk openly about a broad range of topics and to drive improvements in key areas: open, transparent communication; establishing a more productive and flexible working environment; and improved two-way dialogue.

We created monthly Directors' Roundtables where groups of staff are able to talk to directors about the issues that matter most to them and established a forum for staff with the Global Programmes Director. Staff were able to feed into the emerging Save the Children future strategy through all-staff discussions and divisional events on key themes. All-staff Q&A sessions were held on issues of interest or concern. We also kicked off an initiative to demonstrate how we apply all our values across our work. This will be developed further in the year ahead.

Finally, we initiated a major project to improve our efficiency and effectiveness, and to meet the varying needs of our teams, through modernising the workspace in our head office. Access to desks, meeting spaces and amenities will increase, with appropriate provision for future growth. To support this, we have updated our policies and practices to allow for greater collaboration across departments, and for more flexible working enabled by technology.

5 Strengthening the Save the Children movement

Save the Children UK is part of a global movement, with 30 national member organisations around the world and Save the Children International, the body we created to help deliver our programmes and increase our collective impact. We believe that we can achieve more for children by acting together: aligning behind a common strategy and building our capacity in key countries.

2014 saw us make significant steps towards strengthening our Save the Children movement. We worked closely with colleagues across the movement to develop our shared future strategy, aligning behind a long-term ambition for children and a set of strategic priorities to help us deliver it. This global framework will form the basis for each member organisation's strategic plans, ensuring we are multiplying the impact of our individual efforts.

We worked with Save the Children International to deliver high-quality programmes in countries around the world. We provided support to a number of members, particularly in India, China, South Africa and


PHOTO: JONATHAN HYAMS/SAVE THE CHILDREN

Essential aid is loaded onto boats to reach isolated communities after Typhoon Hagupit struck the Philippines in December 2014

Brazil. Having a strong presence in these countries is increasingly critical for our impact for children – in terms of our direct programming, our advocacy and campaigning work, and our fundraising – and so it is vital that we invest now in strengthening members' capacity. In 2014, we helped carry out 'peer reviews' of Save the Children India and Save the Children Brazil, creating an action plan to help accelerate their progress to becoming lead members within the movement.

Our Ambition 2015 Strategy: How are we doing?

2014 was the third year of our four-year Ambition 2015 strategy. We are on course to meet or exceed our reach targets in our 'breakthrough areas' of saving children's lives, tackling global child poverty, providing education, and tackling child poverty in the UK. We are also on track to meet our goals on income and supporter growth.

THE CHALLENGES WE FACE

The nature of our work and ambition – including our focus on the poorest and hardest-to-reach children – mean we work increasingly in some of the world's most dangerous places.

That presents huge challenges – such as ensuring the safety of children and staff in volatile situations, and how we deliver aid in places where extremists also operate.

We also face considerable challenges in recruiting and retaining high-calibre staff, particularly at senior level, to deliver high-quality programmes in very tough environments.

Given these challenges, we know we need to strengthen the operating platform of our overseas programmes, particularly in conflict-affected fragile states. It's vital we continue to improve our processes on child safeguarding, award management, logistics, financial controls and fraud prevention.

Vital support

Our support services – in finance, human resources, IT, donor engagement and other specialisms – are critical to our capacity to work effectively in countries around the world. Here's a flavour of the vital support given by three teams:

Our large-scale, life-saving programmes are underpinned by multi-million pound contracts with donors. Our **finance team** plays a key role in meeting complex and varying donor requirements – ensuring donors get the performance and financial information they need when they need it.

Strengthening our expert and committed workforce is vital to achieving our objectives – including finding the right people to take on challenging roles in high-risk environments. Senior recruiters in our **human resources team** help us bring in the exceptional individuals we need to manage our programmes in some of the world's toughest places.

Our **technical operations team** is on hand 24 hours a day to provide expert IT support to staff that is critical to help us deliver our ambition for children – from communicating with colleagues around the world, to sending images for our public communications.

NO CHILD BORN TO DIE

Saving children's lives – it's what we do. Our core business. Our *raison d'être*. And the clarion call of our ground-breaking campaign No Child Born to Die.

Our campaign, launched in 2011, is part of an inspirational story of progress. The number of children dying each year has fallen by 1.3 million over the last three years. Since 1990 child mortality has nearly halved to the current level of 6.3 million.

Those advances have ushered in a historic opportunity: ending preventable child deaths within a generation is now within reach.

But further progress is not assured. 17,000 children still die each day, many from causes that could be prevented. Rates of newborn babies' deaths are not coming down fast enough, and malnutrition remains a stubborn challenge. Despite the impressive progress made there is a danger we are leaving many children behind – because they are poor, girls or because of their ethnicity.

We know that it will take a concerted global effort to reach our goal. We need to help galvanise global action to ensure no child dies from preventable or treatable causes. That's the momentous challenge we're addressing through our campaign and our life-saving work on the ground.

ENDING FIRST DAY DEATHS

Every year, 1 million babies die on their first – and only – day of life.

Yet most of these deaths are preventable, with the help of a well-equipped midwife. Each year 40 million women – more than 100,000 a day – give birth without trained assistance. Women and babies are deprived of life-saving care precisely when they're at their most vulnerable. Those who are poorest are the most likely to miss out.

The death of one baby is a tragedy. The death of a million is an outrage.

Deaths of newborn babies make up a growing proportion of the deaths of children under five: two out of five child deaths are of babies less than a month old. There's a real danger that progress in tackling child mortality will stall unless we tackle the scandalously high number of newborn babies dying every day.

That's why we chose saving newborn lives as the focus of our campaign in 2014.

In March we launched a global campaign, spearheaded by our *Ending Newborn Deaths* report, calling for countries to sign up to the Every Newborn Action Plan – a blueprint for life-saving healthcare for every newborn baby, everywhere.

Three months later we got the result we wanted. At a global summit in May, 194 countries endorsed the first-ever global action plan to end preventable newborn deaths. It's a historic commitment: the potential catalyst to end preventable deaths among newborn babies.

It gave us a platform for further advocacy and campaigning in target countries. In Kenya, Liberia and Nigeria – countries with high rates of newborn deaths – governments strengthened national plans for newborn healthcare.

Nigeria, Africa's most populous country, made further historic progress in healthcare. More than a decade of advocacy and campaigning by Save the Children and others came to fruition when, at the end of 2014, the President signed the Health Bill, making health a constitutionally guaranteed right for all citizens in Nigeria. In a country where one child in eight dies before their fifth birthday, it's a huge step forward.

Vaccines for all

Alongside our push to save newborn lives, we continued our campaign to ensure every child gets life-saving vaccines.

One child in five today doesn't get routine immunisations – leaving them exposed to deadly

Sarah's newborn baby, born in March 2014 at Nimule hospital, South Sudan

illnesses. The children most likely to miss out are those who are poorest and hardest-to-reach.

In 2014 we campaigned for the UK government to take the lead in a new global vaccinations drive. In November the government did just that. International Development Secretary Justine Greening announced a pledge of £1 billion over five years towards global vaccines. That commitment could save 1.4 million children's lives and sent out a powerful message to other donors.

Following the UK's announcement, other donors followed suit. At the global pledging conference in January 2015, a total of $7.5 billion was promised – enough to vaccinate 300 million more children and avert up to 6 million premature deaths over five years.

Change is possible, even in the poorest places

When Sarah arrived, heavily pregnant, at Nimule hospital in South Sudan, she had fled an outbreak of fighting and walked for two days to reach the hospital. During the birth there were severe complications, but thanks to the expert help of the midwives present, Sarah now has a beautiful little girl.

In a country where one mum in 48 dies in childbirth and one child in 26 dies within a month of being born, stories such as this don't always have a happy ending. But in spite of huge challenges, Nimule hospital– which is run by Save the Children International – is making real progress. In 2014, the maternal mortality rate here had fallen to less than a third the national average. It shows the impact of the life-saving work of our team here.

And it embodies a wider story of hope: Nimule is proof that change is possible on a global scale.

OUR WORK ON THE GROUND

Boresha, Kenya (signature programme)

In Kenya far too many parents suffer the heartbreak of losing their newborn child. Each year more than 40,000 babies die here within a month of being born. Most die from causes we know how to prevent or treat – from complications in labour, from infection, or because they're born prematurely and don't get specialist help.

Many women give birth without professional help. One woman in 250 dies in labour or soon after birth.

Last year we launched an ambitious signature programme that aims to help drive down the number of deaths of newborn babies and mothers over the next four years.

Boresha (meaning 'improve' in Swahili) will focus on three counties with high rates of newborn and maternal mortality – Bungoma and Bursia on the Ugandan border, and Wajir in the north-east. The programme will help deliver a comprehensive, life-saving service for mothers and babies through a three-pronged approach:

- working at the community level to train community health workers and volunteers in support for women and newborn babies
- equipping health clinics and hospitals, training medical staff, and helping ensure the supply of medicines
- monitoring health budgets and human resources, and, in partnership with UNICEF, advocating to the national government.

In 2014 we launched the first phase of the programme in Bungoma county in partnership with GSK and the Kenyan Ministry of Health. GSK has invested £4.2 million in this programme as well as providing vital healthcare expertise on the ground. Last year the programme's achievements included:

- providing 30 clinics with life-saving equipment and medicines for newborn and maternal care
- working in partnership to develop a phone 'app' to support re-stocking of vital medical supplies
- training 129 health workers from 30 clinics in emergency obstetrics and newborn care and 60 health workers in infection control measures
- setting up 33 'community units' where we trained 330 community health workers and established 130 mother-to-mother support groups
- supporting 40 traditional birth attendants to change their role from conducting deliveries to acting as birth companions, ensuring they're well informed about the importance of accessing maternal and newborn healthcare and understand that pregnant women in remote areas are able to get to a health clinic.

In 2015 the Boresha programme will also become operational in Bursia and Wajir counties, with £5 million support from UK Aid. Overall, the programme aims to help reduce newborn and maternal deaths in the three counties by more than a fifth over four years – saving the lives of more than 16,000 newborn babies and more than 22,000 pregnant women. The whole community will benefit from improved health services at 90 health centres.

TRANSFORMING NUTRITION IN NORTHERN NIGERIA

Each year 800,000 children under five in Nigeria die, most from preventable diseases. It's estimated that malnutrition contributes to more than 40% of those deaths.

In northern Nigeria, in particular, the scale of the nutrition challenge is huge. In rural areas of the north, over half of the population cannot afford a minimum healthy diet and it's reported that half of all children under five are stunted. That's why we've launched two major long-term programmes designed to tackle child hunger and malnutrition.

PHOTO: OIWOJA ODIHI/SAVE THE CHILDREN

A mother and her newborn baby at a government hospital in northern Nigeria that Save the Children supports

Child Development Grants Programme (signature programme)

In partnership with the UK Department for International Development (DFID), Action Against Hunger and others, we're leading an innovative project to support mothers and young children during their critical first 1,000 days – from conception, through pregnancy, up to a child's second birthday. To help ensure children get the vital nutrients they need from the start, we're giving grants of £14 per month, coupled with dietary advice, to 60,000 pregnant women and mothers.

By piloting the Child Development Grants Programme on a large scale in the states of Jigawa and Zamfara, we aim to develop the evidence, networks and resources needed for the Nigerian government and local authorities to expand this approach across the north of the country.

In 2014, we laid the groundwork, developing educational resources, setting up a secure payment mechanism and enrolling the first 11,000 beneficiaries onto the scheme. By the end of the programme in 2018, we anticipate that more than 420,000 people will have benefited from increased food security and protection from extreme poverty.

Working to Improve Nutrition in Northern Nigeria

Over six years, our Working to Improve Nutrition in Northern Nigeria programme will reach 6 million children across five states. Funded by DFID we're helping build the capacity of state and local governments to make nutrition support and advice part of existing healthcare services.

In 2014, we reached more than 2.5 million children with vitamin supplements to support their growth and boost their immune systems. We supplied iron supplements to more than a million pregnant women and gave more than 130,000 mothers advice on feeding and nutrition and 62,333 children under five were treated for severe acute malnutrition. We also helped two states strengthen structures to deliver the programme themselves.

LIKE NOTHING WE'VE FACED BEFORE

The world's worst outbreak of Ebola; the Middle East torn apart by violence; silent emergencies ravaging countries from Guatemala to the Central African Republic: 2014 stretched us to breaking point.

In doing so, it brought out the best in us. It has taken us into a whole new area of humanitarian work and sharpened our ability to respond to all-too-familiar crises.

We've been there for children when they've needed us most and we've been there on an unprecedented scale.

In 2014 we reached 5.5 million people caught up in emergencies, including 2.6 million children – more than in any other year in our history.

In 97 emergencies in 54 countries across the world, our teams were on the ground, delivering life-saving food, shelter and medical supplies, protecting children from abuse and violence, getting them back to school and giving them the hope of a future.

Ebola, Syria and Gaza were seared into the public's consciousness. But so many other emergencies – like those engulfing Iraq, South Sudan, the Central African Republic and Central America – have either slipped from the headlines or been entirely ignored.

EBOLA RESPONSE: DOING WHATEVER IT TAKES

"As soon as I felt sick I was afraid," says Annalita, who's from a remote village in Sierra Leone. Her worst fears were confirmed. Annalita and her young boy, William, had both contracted Ebola. They were taken to a clinic.

"William and I were in the same booth," says Annalita. "He fell from the bed to the floor. I was too weak to get up. I just had to lie there looking at him. The nurses came and checked, and he had died. When I think of him I cry."

The challenge of Ebola pushed Save the Children beyond anything we had done before. The epidemic coursed through West Africa, killing more than 10,000 people.

Fear of the disease and its horrific symptoms had even wider implications. Fear was sometimes stronger than the desire of communities to look after the estimated 16,600 children left without one or both of their parents. Fear stopped some families visiting health clinics, leaving deadly cases of malaria and diarrhoea to go untreated. Fear of the disease and of the scale of the task confronting them is a factor for our teams on the ground too. "I don't think I've ever faced anything quite as daunting as this," said Rob Holden, our Emergencies Team Leader.

We supported children who had lost their parents, and helped provide education after schools were forced to close. We helped ensure that health workers were equipped and trained so that clinics were safe to go to. And we harnessed the power of information in the war against Ebola. In Liberia we've reached more than 3,650 people with psychosocial support and provided 270 survival kits – including safe water, food and soap – to affected families. In Guinea and Mali we recorded radio broadcasts to promote better hygiene and let people know what to do if they suspected they, or someone they know, has the virus. And in Sierra Leone we reached approximately 25,000 people through a street awareness campaign.

In total, our teams in West Africa risked their lives to reach more than 180,000 people affected by Ebola in 2014, including 60,000 children.

Uncharted territory

On 5 November 2014, we took a brave but vital step in the fight against Ebola. On that day we opened the Ebola Treatment Centre in Kerry Town, near Sierra Leone's capital Freetown. The specialist centre was funded by the UK government and designed and built by British Army Royal Engineers.

PHOTO: CHRIS DE BODE/SAVE THE CHILDREN

Mary, aged one, from Liberia, is carried by a health worker in protective clothing. Mary had contracted Ebola and was taken to a treatment centre. She made a full recovery.

The clinic's staff – more than 500 volunteers from all over the world – had to learn how to treat this deadly and highly contagious disease while protecting themselves from infection. They had to get used to wearing layers of bulky protective clothing while working in tropical conditions. They needed rigorous training, which took time and meant we could only gradually increase the number of beds in use. Nevertheless, by Christmas Day, bang on schedule, all 80 beds were operational, and the clinic has admitted 458 people in total.

In Liberia, we set up two community care centres – designed to make sure that anyone showing symptoms had somewhere they could be safely assessed and tested before referral for treatment if necessary – and distributed essential supplies to hospitals.

Just a year earlier none of this would have been possible. Our bold decision in 2013 to join with health charity Merlin gives us the frontline healthcare capability we need for a response like this.

Ebola is unlike anything we've ever faced before. It took Save the Children – and the whole development sector – into uncharted waters. But our response has broken new ground and by the end of the year there were signs this horrific killer may be beginning to be brought under control.

In a highly publicised case, Scottish nurse and Save the Children volunteer Pauline Cafferkey contracted Ebola. Thankfully she survived and we learned valuable lessons about how to better protect our staff. By the end of 2014 Ebola had killed at least 375 health workers in countries where they're already far too scarce.

SYRIA: A LOST GENERATION

Syria's civil war is the worst humanitarian disaster in the world today. With no end in sight, an entire generation of children is under threat.

Since the conflict began four years ago, over half the population has been forced from their homes. More than a million children are living desolate half-lives outside Syria with no prospect of returning. Many are in squalid, overcrowded camps or crammed into rooms of strangers – far from home, their friends, and everything that was familiar. What hope do they have of enjoying a normal childhood, finishing their education, pursuing a career?

For those still trapped inside Syria things are even worse. Thousands of children have already been killed. Indiscriminate shelling, appalling abuse and even torture have left many traumatised. Millions of children and families – some living in communities under siege – are in desperate need of life-saving supplies such as food, clean water and healthcare. To reach them we need to be able to cross conflict lines and work safely wherever children need us.

Access all areas

In February 2014, after years of intense lobbying, the UN unanimously agreed to demand humanitarian access to all parts of Syria. It was a crucial political breakthrough.

But this long-overdue resolution has yet to be properly implemented. Humanitarian access is actually shrinking and the numbers of people in urgent need of relief are growing. We are now campaigning for a clear commitment by the warring parties to uphold their obligations to grant humanitarian access to all areas.

Even without full access, this is Save the Children's largest-ever humanitarian response. Since the conflict began we have reached more than 1 million children – 473,500 in 2014 alone. We:

- helped more than 19,000 children inside Syria go to school despite the conflict and ran a back-to-school campaign (see page 27).
- distributed food and food vouchers in Jordan, reaching almost 200,000 people
- provided more than 1,000 vulnerable refugee households in Lebanon with cash payments to help meet basic needs.

Ashour and his daughter, Nesma, in a hospital in Gaza. Nesma broke her arm when she fell while fleeing shelling.

Keeping Syria on the world's agenda

In such a protracted conflict there is the danger that the camera crews move on and the plight of Syria's children moves down the world's agenda. That's why, in 2014, we worked to make sure they were not forgotten.

In March, many thousands of people in more than 40 countries stood together in candle-lit vigils to mark the third anniversary of the start of the war in Syria. We also produced a powerful short film showing, through the eyes of one young girl, what the conflict might look like if it happened in the UK. The film – which ended with the message 'Just because it isn't happening here doesn't mean it isn't happening' – had a staggering 45 million YouTube views. In December, the *Sunday Times* made our work in Syria their Christmas appeal for the second year running.

As long as this appalling conflict continues, we'll continue to push for it to be high on the political agenda. The world must not turn away from what is happening in Syria – it is children who pay the highest price for the political failure to find a solution.

ISRAEL–GAZA CONFLICT

They were some of the most deeply distressing images to hit our televisions screens last year: four young boys playing football on a beach just before a missile strike killed them; children lying stricken in makeshift hospital beds, their terrible wounds covered by bandages; children's bodies being pulled out of the ruins of a bombed school building.

The Israel–Gaza conflict in July and August – launched on 8 July 2014 following rocket attacks from Gaza – left 502 children dead, including one Israeli child.

Appalled by the indiscriminate killing of civilians on both sides, we took a strong stand. We launched a major campaign demanding an end to the violence with the message: Stop Killing Children. We called on the UN Secretary-General Ban Ki-moon and the UK government to push for:

- an immediate ceasefire
- an end to the use of explosive weapons in populated areas
- the lifting of the blockade of Gaza.

As part of our campaign, we ran full-page advertisements in national newspapers listing the names of all 373 children and babies who had been killed by that stage of the conflict. "To see the names of the children, some as young as a few months, written in stark black and white brings home the tragedy that has befallen Gaza's children," said Justin Forsyth, our Chief Executive.

The ads urged people to sign our online petition – it won significant public support, with 63,350 signatures. It helped to win a ceasefire, but not an end to the use of explosive weapons in populated areas or the lifting of the blockade. We continue to campaign on both counts.

On the ground

With an estimated 260,000 children forced to flee their homes, hospitals and clinics shut down, and food and water supplies running out, we delivered food to 30,000 people and medicines to 5,000. And we've now helped 5,000 children get expert psychological support to help them deal with the terrible things they've witnessed.

Ultimately, though, only a permanent negotiated peace settlement will end the suffering on both sides. In the words of Osama Damo, who works for Save the Children in Gaza: "No child – Palestinian or Israeli – should have to live through rocket attacks and military conflict. For our children's sake, let the violence end."

We are on the side of children

Our campaign received some criticism – claims that we had taken sides. This is untrue. We utterly condemn the indiscriminate firing of rockets into Israel, just as we condemn the killing of children in Gaza, and we have consistently called for a permanent ceasefire on both sides. We speak out against the catastrophic impact of the conflict on both Israeli and Palestinian children.

CENTRAL AFRICAN REPUBLIC: FORCED TO FIGHT

Children are being maimed and killed as violence continues to engulf the Central African Republic. Girls and boys have been subjected to rape and other forms of sexual violence. As many as 10,000 children have been recruited into armed groups – boys and girls as young as eight, forced to fight.

Hundreds of thousands of people are still living in makeshift camps without access to clean water or enough food after fleeing the violence. Farming has been disrupted by looting and insecurity, and more than 1.5 million people now face a food crisis. "Children with distended abdomens – a tell-tale sign of acute malnutrition – are an all-too-common sight here," says Mark Kaye, from our Emergencies Response Team.

Our teams are on the ground delivering life-saving medicines and treating severely malnourished children. Our mobile clinics are getting vital healthcare to areas without a functioning health system. We're reuniting children with their families, and helping them leave armed groups. We're rebuilding schools and setting up safe spaces for children. In all we reached over 250,000 people in the Central African Republic in 2014.

IRAQ: 1 MILLION HOMELESS

More than one million people were forced to flee their homes as fighting erupted suddenly in Iraq last summer. Many had a matter of minutes to escape, leaving on foot with only what they could carry.

"I have never known such a rapid moment of displacement," said our Iraq Country Director, Tina Yu. "We're seeing children who've fled, often in the middle of the night, fearing for their lives and with nothing but the clothes on their backs."

Exposed to the intense summer heat, people took refuge wherever they could – in schools, mosques, parks, vacant buildings – many without basic necessities such as food and water.

We already had teams working in the worst affected areas when the crisis struck. They were able to act rapidly, providing water, shelter, food and hygiene basics like soap and toothbrushes. We also started up education activities – such as catch-up classes – to limit the damage the conflict will do to children's

The food crisis in South Sudan left five-year-old Doctor severely malnourished. Thankfully his mother brought him to a Save the Children-funded centre for treatment. He recovered within two weeks.

PHOTO: DAN STEWART/SAVE THE CHILDREN

futures. Overall, we reached more than 250,000 people, including almost 150,000 children.

SOUTH SUDAN: HIDDEN EMERGENCY

The bitter conflict in South Sudan has brought the world's youngest country to the brink of famine. Around 2.5 million children face severe hunger, and an estimated 235,000 children are already suffering from acute malnutrition.

Children like Nyabal's five-year-old son, Doctor (above). "Doctor was crying from the pain in his stomach," says Nyabal. "He was always asking for food but I didn't have any."

Fortunately, Doctor was admitted to one of our specialist centres for malnourished children. "I am very happy because he got better so fast," says Nyabal. He was one of 100,000 children we reached in South Sudan last year with life-saving healthcare, nutrient-rich foods, psychological support and emergency education.

It was estimated that without an immediate increase in aid 50,000 children could have died. The world needs to wake up to what is happening in South Sudan before it is too late.

CENTRAL AMERICA: THE COFFEE PLAGUE

A plague of fungus – known as 'coffee rust' – has spread across Central America, destroying the livelihoods of almost two million people. Coffee rust has wiped out half of the coffee harvest in El Salvador and 70% in Guatemala.

To make matters worse, a severe drought has devastated the corn and bean crop. With their family incomes lost and no food from the ruined harvest, thousands of children are being eaten away by hunger.

In 2014, we reached more than 26,200 of the worst-affected people. We provided emergency food rations, and seeds and tools so they could start growing crops again. And we helped families find new and sustainable ways of making a living.

THE STRUGGLE TO SURVIVE

Every day millions of families in extreme poverty struggle to survive – let alone afford a nutritious diet, medicine or to pay for children's education. And when the unexpected happens – if food prices go up or the harvest fails – disaster looms.

We work in some of the poorest regions of the world to identify the most vulnerable families and help them build sustainable livelihoods – for example, through start-up grants for small businesses, access to credit and savings, and cash or food at times of crisis.

Our work on the ground shows that extreme poverty isn't inevitable. In 2014, our livelihoods programmes helped 836,000 children and 114,000 families gain access to nutritious food.

Globally, extreme poverty has reduced significantly. The proportion of people living on less than $1.25 a day now is half what it was in 1990.

That remarkable progress is proof that the world can end the scourge of abject poverty. With world leaders set to agree new long-term global development goals in 2015, we're calling for a commitment to eradicate extreme poverty by 2030.

EARLY WARNING IN THE SAHEL

Save the Children's Household Economy Approach (HEA) is helping to change how we predict and respond to food and nutrition crises.

This unique approach analyses typical families' food and income sources, as well as their spending and ways of coping when a crisis occurs. By understanding households' livelihoods during a 'normal' year, the analysis can project the geographic areas and types of households that are most vulnerable to different types of shocks, such as droughts and fluctuations in food prices.

Landmark moment on overseas aid

In December, following years of campaigning by Save the Children and many others, MPs in the UK voted to enshrine in law the government's commitment to spend 0.7% of national income on aid.

This will save millions of children's lives and help give millions more the chance to fulfil their potential. The British public should be proud.

Save the Children supporters played a key part in making this happen – emailing, tweeting, phoning and visiting their MPs to urge them to turn up and support Michael Moore MP's Private Member's Bill. The vote in favour of the bill was overwhelming.

The 0.7% target has been the development aid benchmark for the world's richest countries for over 40 years, though only a handful of them have got there.

Across Africa's fragile Sahel region we're training networks of government and NGO staff in the HEA. Since 2011, our project has trained around 400 people to collect, analyse and interpret data on families' nutrition and livelihoods, and HEA information is now systematically used in national and regional food security and nutrition early warning systems in the Sahel. This enables more accurate planning and decision making to prevent future food crises.

This work has the potential to respond before a shock can have an impact on households' fragile food security situation – increasing the resilience of almost 35 million people across Burkina Faso, Chad, Mali, Mauritania, Niger, Nigeria and Senegal.

THE COST OF A NUTRITIOUS DIET

Our experience working with families in poverty shows the reason many lack a nutritious diet – and why children are malnourished – is less a lack of knowledge, and more down to cost. That's why we created our Cost of the Diet software.

PHOTO: OLI COHEN/SAVE THE CHILDREN

Women from households living in severe poverty in the Tessaoua region of Niger, who have been given goats by a Save the Children programme to help them improve their livelihoods. Women are trained in looking after goats, and are encouraged to feed their children with goat's milk because of its high nutritional values.

This innovative method and computer programme can be used in any country to estimate the combination and cost of the local foods needed to provide a nutritious diet in terms of energy, protein and micronutrients.

In 2008, it showed us that the cost of a nutritious diet in Bangladesh had increased by 55% in two years. We used this data to call for protection for vulnerable households. In 2013, the software helped us identify how much money pregnant mothers in Myanmar needed to help them stay healthy. Last year, we upgraded the software to make it even more reliable, accurate and flexible, and trained 40 staff from around the world in how to use it.

YEMEN: ACTING EARLY TO PREVENT DISASTER

Political instability, economic crisis and rising prices mean that half the population of Yemen is affected by food insecurity.

But here, as elsewhere, when a new crisis hits it can take weeks to mobilise emergency funding and get urgent aid to children in remote areas. Emergency donors often need to wait for a declaration of an emergency prior to releasing funds. Tragically, by the time it arrives, it may be too late for many.

We've developed an approach to tackle this that involves building contingency plans – including funding mechanisms – into existing projects in fragile countries. We piloted it in Yemen, setting aside 10% of the budget of a two-year programme for potential early action work in the face of a shock or crisis.

In November 2014, our approach proved its worth. Our assessments showed that increased food prices and lack of casual labour opportunities threatened to push the poorest families closer to disaster. In response, we immediately activated the early action fund to assist more than 2,000 additional children and their families with financial and practical support. Support reached people before they had to take drastic measures, meaning that the disaster for these households was prevented:

- 7,200 people on the brink of crisis were given cash transfers and livelihood assets in 2014.
- US$130 per family was given to help prevent hunger and malnutrition.

"WHEN WE HAD NOTHING WE'D EAT WHAT LITTLE RICE WE HAD WITH WILD VEGETABLES WE'D FORAGED. MY HUSBAND AND I WOULD OFTEN GO WITHOUT MEALS SO AT LEAST THE CHILDREN COULD HAVE ENOUGH."

Hamida, Bangladesh

POOR FUTURES

In spite of the UK being one of the richest countries on the planet, many children here are growing up in poverty, with devastating impact on their life chances. One child in five lives below the official poverty line, with some missing out on essentials like a warm home or nutritious meals. One in three of our poorest children leaves primary school without the core skill of being able to read confidently.

The economy may be recovering but for millions of children, their futures are far from secure.

Education should be a ladder out of poverty. Yet too many children are missing out on the opportunity to fulfil their potential. The attainment gap between the poorest children and their better-off classmates is narrowing – but at a painfully slow rate.

Poverty makes it much harder for a child to achieve their potential at school, and for their parents to support their learning. Families struggling on a low income – the majority of them in work – are not getting the support they need to enable them to work their way above the poverty line. The cross-party commitment to end child poverty by 2020 is becoming little more than window-dressing.

We believe every child should have a fair chance to succeed. Despite the rhetoric from across the political spectrum, the reality is that too many children in the UK are denied that opportunity. That's why we'll continue to stand up for children here at home who are facing poverty – just as we always have.

READ ON. GET ON.

Reading is the key to a child's future: it unlocks their potential and opens up a world filled with possibilities. But every year in England alone, 120,000 children leave primary school unable to read as well as they should. Among them are one third (36%) of our poorest children – a shockingly high proportion.

We're determined to change the story for children. In September 2014, we helped launch Read On. Get On. Its mission: to get every child in the UK reading well by the time they're 11.

We've already secured strong cross-party support for our goal. But this is far more than just another campaign to demand government action. Read On. Get On. is a historic national mission aiming for nothing short of a culture shift in this country.

We're building a powerful coalition across the UK to get everyone – charities, faith leaders, businesses, sportspeople, parents and children themselves – talking about the importance of reading. Whether through celebrities such as David Walliams, working with *The Sun*, or in events across the country, we're spreading the joy of reading to millions of children.

We're working directly with children and families too. Born to Read, our innovative programme for disadvantaged children run with literacy charity Beanstalk, trains volunteers to give primary school children one-to-one reading support twice a week. The difference this small addition makes to a child's schooling is huge: so far 93% of all children made progress in their reading attainment.

A volunteer reading helper read with Jade, 10, twice a week for an entire school year. "Before, I couldn't read and everyone else could, and they laughed at me," says Jade. "It made me feel useless, embarrassed and dreadful."

Now, after the support she's received from our volunteer, Jade is much more confident. "There's a book I've got at home called *Sticky Endings*. I can read it all and don't get stuck on hard words."

"BEFORE FAST, CORY WOULD HAVE SHIED AWAY, HE WOULDN'T HAVE SPOKEN. NOW HE'S CONFIDENT. HE RUNS INTO THE SCHOOL AND TALKS AWAY TO ALL THE TEACHERS. YOU HAVE TO DO IT TO BELIEVE IT. FAST HAS CHANGED MY WHOLE LIFE."

Geraldine, mother of Cory, six, west Belfast

By 2018, we will provide almost 8,000 more reading helper placements to support 23,000 primary school pupils.

We'll support parents to make time to read too. Just ten minutes a day reading with a child can help them fall in love with reading.

It's ambitious, but by 2025, we believe that every child in this country can leave primary school reading well. We can't afford to fail: for our most disadvantaged children, reading is one of the best routes out of poverty.

FAST [SIGNATURE PROGRAMME]

Families and Schools Together (FAST), our award-winning partnership with Middlesex University, is transforming the lives of thousands of children across the UK. The eight-week programme builds stronger relationships between parents, schools and communities. It helps children improve their reading, writing and maths; and helps parents give their children the support they need to do well at school.

We know it works, we've seen the results.

In 2014 we reached 7,672 children through FAST. Among children who took part in the programme in the 2013/14 school year:

- behaviour difficulties at school dropped by 26% and at home by 18%
- mutual support between parents was up 31%.

Last year FAST was awarded the CANParent Quality Mark – independent confirmation of the difference the programme is making.

EAT, SLEEP, LEARN, PLAY!

Poverty ruins childhoods and destroys futures. Too many of our children have to sleep on a mattress on the floor because their parents can't afford a bed; or wear dirty clothes to school because their parents can't pay for a washing machine; or eat cold meals because there's no money to replace the broken cooker.

Our Eat, Sleep, Learn, Play! programme provides families in crisis with just these kinds of essentials. "When the fridge came we were so excited, we could have cried," said one mum. "Now we can function. It means we're able to eat decent food. It's been a life-saver."

In 2014 we helped more than 14,000 children through Eat, Sleep, Learn, Play! But there are many more who need our help – and the numbers are growing. We'll continue to meet families' immediate needs and to push for a fair chance for every child.

Ella, aged three, from Manchester

PHOTO: ELENA HEATHERWICK/SAVE THE CHILDREN

LEARNING TO CHANGE THE WORLD

We believe every child should be able to go to school and have the chance to fulfil their potential. But for millions of children that's little more than a dream.

Globally, 58 million children are out of primary school. For many more who do go to school, the quality of education is so poor they fail to learn the basics. The global education crisis is destroying children's futures. Those most at risk are children from disadvantaged groups.

No child should be robbed of the chance to learn simply because they're a girl or from a poor family or live in a rural area. And for a child whose world has been turned upside down by conflict or environmental disaster, education is more of a priority than ever. In 2014, our education programmes reached 5.9 million children around the world – including in some of the poorest, hardest-to-reach and most dangerous places.

GIRLS' EDUCATION

Education doesn't just give girls vital knowledge and skills, it gives them a lifeline. Girls who are in education are less likely to become child brides. They're likely to have more confidence and opportunities, to be more productive and to earn more money as adults. In turn, their children are more likely to survive and thrive. Education gives girls the tools to shape their own futures.

In 2014, our projects in Afghanistan, Ethiopia, Mozambique and the Democratic Republic of Congo gave thousands of girls the chance to get into education.

In DRC, our Vas-y Fille (You Go Girl!) project last year supported the education of 5,360 vulnerable primary school girls through the launch of a new scholarship programme. And it supported 12 accelerated learning centres, enabling more than 1,200 girls to catch up on missed education so they can enrol at school. Over three years this partnership project aims to improve the life chances of more than 30,000 marginalised girls in two provinces.

In 2014, the project also rolled out Save the Children's Literacy Boost programme, which has been shown to significantly increase the likelihood that girls stay on in school to gain vital skills and knowledge. We trained and supported teachers in activities to promote literacy. And we supported parents and communities to promote girls' education, particularly reading. Parent committees we set up to raise awareness in local communities of the importance of girls' education reached 22,000 people through door-to-door campaigns, meetings and radio broadcasts.

ADVANCING THE RIGHT TO READ, RWANDA [SIGNATURE PROGRAMME]

While school attendance rates are high in Rwanda, our research found that literacy levels are worryingly low. Our Advancing the Right to Read programme, a partnership with the government of Rwanda, is aiming to transform children's reading abilities – and their opportunities. In 2014, the first full year of the programme, we reached 120,000 children. By 2017 we aim to reach 200,000.

Last year we helped more than 2,000 teachers improve how they teach reading and use books in the classroom, and established community-run reading clubs for more than 7,500 children. We supported 15,000 parents to develop their children's literacy and learning at home. "Parents are discovering they are their children's first and best teachers," says Lambert, who runs local parenting sessions as part of the programme.

Direct support for children, teachers and parents is vital. But it's not the whole story. Our signature programme is looking to transform children's wider reading opportunities through improving the

"LET US REMEMBER: ONE BOOK, ONE PEN, ONE CHILD AND ONE TEACHER CAN CHANGE THE WORLD."

Malala Yousafzai

PHOTO: COLIN CROWLEY/SAVE THE CHILDREN

Children in Burera, Rwanda are read to from a book that was provided through our Rwandan Children's Book Initiative..

availability of reading materials and creating a rich literate environment for children. We're starting from a low base: traditionally a predominantly oral culture, Rwanda has a dearth of local books for young readers.

Last year our Rwandan Children's Book Initiative provided training and support to local publishers, resulting in more than 40 new storybooks in Kinyarwanda, the official language of Rwanda, as well as books for toddlers and very young children. We've supported the establishment of nearly 1,000 classroom or school book collections, set up book banks in communities, and given books to families of children under the age of three. We're now looking to replicate the Children's Book Initiative in other countries, beginning with Bhutan.

EDUCATION IN EMERGENCIES

To children in the grip of disaster or conflict, school isn't just a ticket to a brighter future: it's a chance to keep hold of a sense of normality at a time when everything else seems insecure. Education has become a key part of Save the Children's emergencies programme. In 2014 it was a component in 70% of all our emergency responses. From South Sudan to Syria, Iraq to the countries affected by Ebola, we were on hand to make sure children's futures were not forgotten in the midst of a crisis.

We ensured 440,000 children in conflict-affected and fragile states enrolled in primary education, including 170,000 children who gained access to education for the first time.

As the conflict in Syria grinds on, children missing out on an education are increasingly at risk of being dragged into armed groups, early marriage or child labour. Last year we gave children an alternative. We supported 59 schools in the north of Syria, helping children who had been forced to drop out of school to get back into education. We repaired and rebuilt classrooms that had been damaged by conflict and provided water and sanitation facilities, as well as thousands of school bags, textbooks, teaching materials and recreational kits, containing sports equipment, art supplies, games, musical instruments and story books.

In camps in Jordan and in host communities in Lebanon we helped train teachers and ensured Syrian refugee children have the chance to learn from the same curriculum and to gain vital qualifications. Last year we also developed a partnership with leading global education firm Pearson to deliver education services to Syrian refugee children. The programme will be launched in 2015.

In 2014, in emergencies around the world we coordinated education responses by NGOs, UN agencies and others, as co-leader, with UNICEF, of the UN's 'education cluster'. Among key donors we continued to push for education to be a core element of the response to all humanitarian crises.

"SAVE THE CHILDREN HAS TAUGHT US [TEACHERS] TO BE MORE LIKE GUIDES, WITH THE CHILDREN AT THE CENTRE OF THE LEARNING PROCESS. I'M SEEING SHARP CHILDREN WHO ARE MORE OPEN AND CAN READ BETTER THAN ANY OF THE CHILDREN IN THE PREVIOUS YEARS."

Olive, teacher, Rwanda

INNOCENCE UNDER ATTACK

"When I was 11, soldiers knocked me to the ground in my family's cassava field. They held me down and took turns assaulting me. They took me away and held me captive. I was sexually abused as a slave and remained part of the armed group for four years."

Foreign ministers from across the world heard the shocking testimony of Faida, from the Democratic Republic of Congo, as they gathered in London for the Global Summit on Sexual Violence in Conflict – the largest-ever event of its kind.

The extent of sexual violence against children in war had long remained hidden. Yet in some conflicts, girls make up the majority of rape survivors.

Through Faida's participation and our own multimedia event, we made sure children's voices were centre stage at the summit. Faida later met the hosts – the then Foreign Secretary William Hague and Angelina Jolie, Special Envoy for the UN High Commissioner for Refugees – to present our campaign petition calling for action to end sexual violence against children in conflict.

Throughout 2014 – from speaking out against sexual violence to pushing for wholesale reforms to a damaging system of institutional care – we lobbied for fundamental political change to make sure our children are better protected. At the same time, in some of the world's toughest places, our teams on the ground last year helped keep 350,000 children safe from harm.

EBOLA CRISIS PUTS GIRLS AT RISK

"Teenage pregnancy is higher in our district because of this Ebola situation," said Fatou, a child protection worker in Kailahun district, Sierra Leone. "And more children are being abused."

For many girls, consequences of the Ebola crisis – school closures, the illness or death of parents, loss of livelihoods, stigma, being sent away from their local community to stay with relatives – increased the risk of

Faida, a survivor of sexual violence from the Democratic Republic of Congo, presents our campaign petition at the Global Summit to End Sexual Violence in Conflict. Faida is pictured here with Save the Children Chief Executive Justin Forsyth and the summit hosts, Foreign Secretary William Hague and Angelina Jolie, Special Envoy for the UN High Commissioner for Refugees.

violence and exploitation. It also led to drastic cuts in the availability and take-up of health and child protection services.

Last year we supported children in Sierra Leone who had lost their parents to Ebola or whose parents were being treated for Ebola. We traced relatives who were able to look after children whose parents had died, provided counselling support, and supplied packs that included food, clothing, mosquito nets, plates and cups. Our child protection programme in Sierra Leone supported 1,780 children in 2014.

INDONESIA: FAMILIES FIRST [SIGNATURE PROGRAMME]

Indonesia has one of the highest rates of child institutionalisation in the world. Half a million children grow up cut off from their families and communities. Nine out of ten have one or both parents alive. Yet they're often forbidden family contact. Some are forced to work and endure abusive conditions. All too often, the standard of schooling is poor.

Our Families First programme is seeking to help bring about a wholesale cultural shift: away from putting children in institutions and towards making sure as many children as possible are brought up in a nurturing family environment. The programme embodies our theory of change, partnering with the Indonesian government and institutional providers to pilot an innovative project and scale it up, and advocating for – and achieving – change in national policy.

Ten years of intense work are starting to pay off. In 2014, the Ministry of Social Affairs increased its funding for family-based care to 30% – from 20% in 2013 – meaning £16.8 million will be directly allocated to keeping children safe in their families. Quite an achievement in a culture where childcare institutions have traditionally been identified by both families and the government as the only means of providing assistance to struggling families, with the government giving modest allowances to institutions for each child they accommodate.

On top of this, institutions are reforming their role, minimising the number of children entering institutions and maximising, in a safe and controlled way, the number who go home. These are the principal aims of the National Standards of Care, developed by Save the Children, which are being rolled out in institutions across the country. In 2014 alone, we ensured these standards were adopted by 14 more provinces – taking the total to 30 of Indonesia's 34 provinces. The government invested £72,000 in acheiving this aim.

By improving the quality and quantity of social workers supporting families, and developing a parenting programme to help create a more protective environment for children with their families, we're ensuring that more and more children live and thrive at home.

CHINA: BUILDING A NATIONAL CHILD PROTECTION SYSTEM

In China, we're applying the lessons we have learned in Indonesia. We've developed a comprehensive training programme on child protection for 80 social workers so far. We've raised awareness nationally and locally of the risks facing vulnerable children. And we've organised study tours for Chinese government officials to our signature programme in Indonesia and to the UK to consider strengths and weaknesses of other child protection systems.

An estimated 61 million children in China – about one fifth of the country's children – are not cared for by their parents. Around 10% of them are growing up on their own; many are vulnerable to emotional distress, violence and sexual abuse.

In partnership with the Chinese government, we're establishing child protection systems in four provinces – Jiangsu, Hubei, Guizhou and Sichuan. We've given 'relief centres' – traditionally a temporary refuge for children without appropriate care – a far more comprehensive child protection role. They will now act as a central hub for prevention, reporting, intervention and rehabilitation services in the community. If the protection systems we're piloting prove effective, they have the potential to be replicated throughout the country.

ASKING THE EXPERTS

We know we can only change the world for children by finding out from them what needs to change – and how. And empowering them to make changes themselves. In every aspect of our work – from individual projects to campaigns – we aim to listen to children and work with them to achieve change.

"Children are key stakeholders in our work, not simply beneficiaries," says Bharti Mepani, Save the Children's Global Child Participation Adviser.

Children's participation has wider implications too. When children understand that they have the right to be heard by adults on issues that affect them, they're empowered to fight for their rights to health, education and protection – and to hold decision-makers to account.

CHILDREN SHAPING OUR WORK ON THE GROUND

In Sierra Leone, the Ebola crisis seeped into every area of children's lives: the dread of agonising sickness and death; the loss of parents, siblings and friends; the eight-month school shut-down; a reported rise in teenage pregnancy.

Our staff on the ground listened to children to understand their experiences. They then worked with children to design successful funding proposals to meet the needs and priorities children themselves had identified: support for girls who had become pregnant, counselling for children whose parents had died from Ebola, and safe spaces for children to come together and play together.

In Nepal we helped give a voice to children working in hazardous brick kilns in Kathmandu Valley. We set up a children's advisory committee to help guide our child protection project there in advocating for safer working conditions, better protective legislation and greater access to education.

In Somaliland, our education and protection project last year won a national award for children's participation. A children's research group was set up to evaluate the impact of the three-year project, based in a camp for displaced people. After being given training, young people designed the research project and held interviews and focus group discussions with children, community leaders and agency officials. Their findings and recommendations were included in the project donor evaluation report.

GIVING CHILDREN A VOICE

In countries around the world we support networks of local children's groups to raise their issues and push for change, from the community level right up to national government.

In South Sudan, the world's youngest state, children held successful face-to-face meetings with parliamentarians to persuade them to ratify the United Nations Convention on the Rights of the Child and the African Charter for the Rights and Welfare of the Child.

On last year's Day of the African Child, we supported children living on the streets in South Sudan to speak in the media and directly to officials in government and humanitarian agencies about the horrific conditions they face. In December the government announced on national television it will spend 6 million South Sudanese pounds (£680,000) to set up rehabilitation centres for street children.

In Zimbabwe, children's groups we support wrote a report last year on threats to children's rights – including the situation of street children and child labourers, and the risk of sexual abuse. The report

“WE CHILDREN NEED OUR DIGNITY AND OPINIONS RESPECTED WHENEVER ADULTS MAKE A DECISION ON MATTERS THAT AFFECT US. WE KNOW OUR PRIORITIES AND NEEDS MORE THAN ADULTS DO. NOTHING FOR CHILDREN WITHOUT CHILDREN.”

Samuel, 16, South Sudan

was taken up by the Committee of Experts on the African Charter on the Rights and Welfare of the Child in its questions to the government.

In Nepal, along with partners, we supported the national network of more than 17,000 children's clubs involving more than 400,000 children. Last year child representatives reported to the Committee on the Rights of the Child, highlighting violations of children's rights including child marriage, labour and abuse.

PHOTO: SUZANNE LEE/SAVE THE CHILDREN

A children's club in Nepal, supported by Save the Children, where children discuss issues affecting their lives, such as child marriage, labour and abuse.

THANK YOU

Save the Children's amazing supporters might range from schoolchildren to global brands, but they all have one thing in common: the desire to make life better for children in this country, and around the world. Together, they helped us achieve an overall income of £370m in 2014 – higher than any other year in our history – to transform children's lives around the world.

Wherever you looked in 2014, there was another story to inspire – from offices and schools popping on pullovers to raise funds for Christmas Jumper Day, to volunteer campaigners making their voices heard in the local community and on the national stage, and global brands like GSK, RB and Unilever lending their backing to innovative projects in some of the world's toughest countries.

SHARING THE JUMPER JOY

Friday 12 December saw the nation go knitwear nuts for the day – the event raised a record £4 million, with schools and workplaces nationwide donning festive knits to help make the world better with a sweater.

The #xmasjumperday hashtag trended throughout the day on Twitter, while more than 70,000 people texted in donations to our Woolly Wonderboard, and our cheeky spoof ad, featuring Harry Enfield, had hundreds of thousands of views.

Save the Children Ambassador Samantha Cameron held a woolly reception for competition winners at 10 Downing Street, while stars from the music world

Children at a Jumper Jumble sale hosted by Samantha Cameron at 10 Downing Street

PHOTO: JACK TAYLOR/SAVE THE CHILDREN

Little Red Riding Hood at Save the Children's Secret Winter Gala

joined forces for a celebration of pullovers and perfect pop at our Christmas Jumper Jam event, and leading names in fashion donated unique designs to our Secret Jumper Sale.

We were also grateful for strong support from our corporate partners, including George at Asda, who raised over £750,000 selling jumpers, Arsenal, who sold a range of knits themselves, Beyond Retro, and Costa, who launched a special Christmas Jumper Day-themed book for kids.

SECRET WINTER GALA

The stars were out in force for a fairytale evening at our second Secret Winter Gala. Samantha Cameron, Helena Bonham Carter, Damian Lewis and Poppy Delevingne were among the 380 guests who ventured into London Guildhall's 600-year-old Crypts for a theatrical experience in which characters from Philip Pullman's *Grimm Tales* came to life. The event, which also featured a performance from critically acclaimed singer-songwriter Laura Mvula, raised a total of over £1 million, including match funding from the UK government (see page 36), and received coverage in the pages of *The Sunday Times* Style section.

A NIGHT OF REGGAE

London's iconic Roundhouse played host to some lions of reggae's musical heritage in March, with Harder They Come singer Jimmy Cliff and legendary rhythm section Sly and Robbie taking to the stage to celebrate fifty years of ska, rocksteady and reggae in aid of Save the Children. The unique event, which was co-hosted by Helena Bonham Carter and Sir Alan Parker, raised an incredible £1.4 million.

RETAIL

Last year the income from our shops rose to £9.3 million. We also celebrated the opening of four new Mary's Living and Giving shops, bringing boutique style with added heart and soul to the shoppers of Wandsworth Town, Highgate, Islington and Pinner. There are now 15 Mary's Living and Giving Stores across the country, with each store specially designed to reflect the area's history and offer a unique experience to local shoppers. Mary Portas herself was on hand in July to open the doors of our Highgate store, which was designed by Central Saint Martin's graduate and former Living and Giving volunteer Delia Covezzi who looked to the area's period homes for creative inspiration.

Mary's Living and Giving Shop, Primrose Hill, London

PHOTO: JEFF MOORE/STC

Around the country, our community shops lent their backing to our Ebola and Syria emergency campaigns, and also got behind our Read On. Get On. initiative and Christmas Jumper Day. Behind the scenes, we've also been carrying out an in-depth review of our entire retail portfolio, staff procedures and processes, and created a dedicated human resources retail role, to ensure our staff and volunteers get all the support they need.

OUR AMAZING VOLUNTEERS

Our 15,193 volunteers are the backbone of Save the Children, their endless reserves of generosity, energy and enthusiasm ensuring we can deliver real change for children, both in this country and around the world. In 2014, our fundraising and retail volunteers raised an incredible £6 million, while helping us reach over 2.5 million people.

Volunteers lent their expertise to a host of activities in 2014. They offered specialist advice on subjects like brand and digital gaming, acted as ambassadors, lent their voice to campaigns, and played a vital role supporting the launch of our Read On. Get On. campaign at the heart of their communities, helping children learn the vital skill of reading.

Volunteer campaigners also made their voices heard, lobbying their MPs to vote in favour of enshrining in law the government's commitment to spend 0.7% of our national income on development aid (see page 22). It's a decision that will reap dividends for generations to come.

WORKING TOGETHER TO CHANGE LIVES

We're ambitious in wanting to increase our impact: to save more children's lives and to give more children the chance to fulfil their potential. But we also know we can't achieve this on our own.

That's why we've developed ambitious, strategic partnerships with some of the world's leading companies – including with GSK, RB, Unilever and Prudential. By harnessing the power of their core business – fostering innovation, and leveraging our joint knowledge and expertise – together we're able to deliver life-saving support to millions more children.

Our partnership with **RB** saw the launch in 2014 of an ambitious programme to dramatically cut the number of children dying from diarrhoea in Pakistan. The Stop Diarrhoea initiative entails a comprehensive approach to prevent and treat diarrhoea in children under five. RB is investing £23.5 million in the Stop Diarrhoea programmes in Pakistan, Nigeria and India.

That's not all. RB is harnessing its core business in support of these programmes, developing and piloting with target groups two hygiene products – a low-cost disinfectant multi-purpose soap and a toilet powder – that will help reduce the prevalence of diarrhoea. Profits from sales of the products will be reinvested in the programme. The products will be manufactured locally, creating jobs and helping stimulate the local economy.

Finally, our thanks to the remarkable efforts of RB's staff, who in 2014 raised an incredible £3.25 million for our partnership.


Schoolchildren in Ethiopia celebrate our partnership with GSK's Orange United programme

PHOTO: COLIN CROWLEY/STC

Our groundbreaking partnership with **GSK** aims to help save 1million children's lives by combining our skills, resources and expertise. Together we're delivering two large-scale, comprehensive healthcare programmes in DRC and Kenya, contributing to a reduction in maternal and newborn deaths (see page 14). Through the partnership GSK is developing life-saving, low-cost, child-friendly medicines – including reformulating an antiseptic found in mouthwash into a gel to help prevent serious infection of the umbilical cord, a common cause of death for newborns.

2014 saw the establishment of a new area of the partnership, with GSK focusing on humanitarian response. This has already led to increased commitments from GSK in support of our emergency responses globally, enabling us to respond even faster when crises hit. We will also utilise the skills and expertise from within GSK's business to help support and build our capacity in response and preparedness work in the future.

Our second joint Healthcare Innovation Award last year gave $1 million in grants to groundbreaking initiatives that improve survival among newborn babies in the developing world. One of the prize winners was ColaLife, based in Zambia. ColaLife brings affordable diarrhoea treatment to families in remote rural areas using the supply and distribution networks normally used to transport soft drinks.

Since the partnership launched in 2013, GSK staff have raised more than £1.3 million. During 2014, 18 GSK employees, with skills and experience in areas such as business analysis, supply chain and digital strategy, were seconded to Save the Children offices around the world to support our work.

Consumer goods giant **Unilever** has committed to working with us to improve the lives of 2 million children by 2015, by providing more people with access to health workers and life-saving vaccines. In 2014, we continued working together in five key countries: Bangladesh, China, Kenya, Nigeria and Pakistan, and developed more local partnerships than ever before in the 17 other countries where Unilever supports our work. The growth of these local partnerships has meant that we've been able to help an additional 207,133 children, families, schools and community members over the three years of our partnership.

Unilever also supported our emergency responses in the Central African Republic, Gaza, South Sudan and the West African countries affected by Ebola, as well as supporting our Emergency Fund, ensuring that children suffering in emergencies away from the media spotlight are not forgotten.

As a key emergency response partner, **Prudential** continued its long-term commitment to supporting our Emergency Fund in 2014, enabling us to respond immediately whenever and wherever disaster strikes. In addition, last year Prudential provided vital funds to support our life-saving work in the fight against Ebola in West Africa.

Alongside this, Prudence Foundation, the community investment arm of Prudential Corporation Asia, increased its investment in our disaster risk reduction programmes in the Philippines, Indonesia and Vietnam. With a primary focus on schools, these projects aim to support children and local communities to increase their preparedness and resilience in the face of disasters.

Prudence Foundation also continued to support First Read, an innovative early childhood education programme in Cambodia and the Philippines, which to date has directly reached more than 60,000 children and more than 70,000 adults. The programme works with parents of pre-school children, providing them with skills and materials to engage their children in educational activities to support literacy and numeracy development.

OUR INSTITUTIONAL PARTNERS

Increasing the strength and depth of our partnerships with institutional donors is key to our strategy to accelerate progress for children. In 2014, our income from multilateral, national and local government institutions was £228 million.

Our partnership with the UK Department for International Development (DFID) has a key strategic importance to us, both financially and in our work as global advocates for change. Last year we worked closely with DFID to benefit millions of children – saving young lives, tackling poverty and giving children the chance to fulfil their potential.

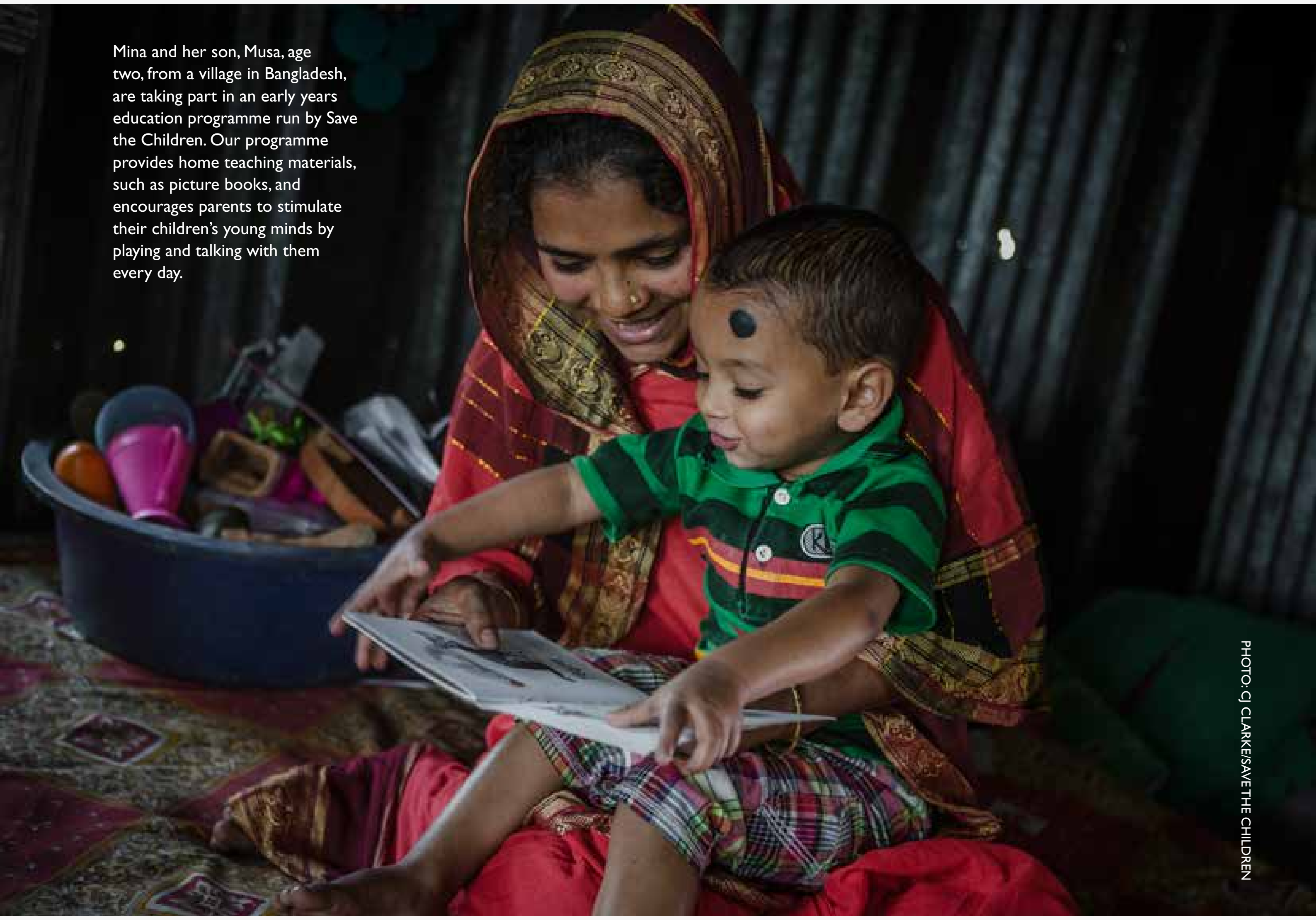
The UK government gave £120 million to support our work in 2014. DFID supported many of our programmes around the world including our nutrition programmes in northern Nigeria (see page 14), our support for children in Syria and other countries in the region (see page 18), the Rwandan Children's Book Initiative (see page 26), and our child survival programme in Kenya (see page 14). Our child survival Christmas appeal for Kenya benefited from a hugely successful match-funding arrangement with DFID: the UK government agreed to double all donations from individual UK supporters over a three-month period. This initiative (which ran until 28 February 2015) enabled us to raise an additional £5 million.

DFID also provides us with critical strategic support via the longer term Programme Partnership Arrangement. In 2014, under a DFID-funded grant, we provided vital assistance (including food, shelter, water and sanitation and cash transfers) to families in Syria and to Syrian refugees in Turkey and Lebanon. In Malawi, with funding from DFID, we began a programme to improve education services at scale and incentivise girls to sustain their education with cash transfers. In Kenya, on behalf of DFID, we began researching what works for adolescent girls' economic and social empowerment.

We continued to build on our strong partnership with the Humanitarian Aid and Civil Protection department of the European Commission (ECHO), which gave us £27.6 million in 2014. We also worked with ECHO on the development of its flagship EU Aid Volunteers initiative. Following three rounds of pilot projects, the initiative goes live in 2015. Save the Children was a key partner for the pilot phase and worked closely with ECHO and other partners to help shape the future of humanitarian assistance and develop close links with our Humanitarian Leadership Academy.

We continued working with ECHO to bring education to children affected by humanitarian crises through the Children of Peace initiative. Our report, *Hear it from the Children*, developed with support from ECHO, was launched at the EU Delegation in Geneva in May. ECHO's Director General recognised the critical importance of ensuring "that children do not miss school due to a lack of continuity between short term emergency assistance and longer-term development assistance". We worked with ECHO and EuropeAid to put this commitment into action across the European Commission's Humanitarian and Development Aid mandates.

Our anchor grant from the Bill & Melinda Gates Foundation, supports advocacy work on vaccines, nutrition and health workers in 13 of our offices around the world, as part of our global campaign to save children's lives. Last year that work contributed to a number of key accomplishments that the partnership had set out to address. In Nigeria the passing into law of the National Health Bill – one of the objectives of our global campaign, and which we and other organisations had lobbied for over a number of years – represents a significant step forward that has the potential to save the lives of millions of children and mothers (see page 12). Our advocacy efforts helped achieve an acknowledged shift in the priorities of Gavi, the Vaccines Alliance, to improve immunisation coverage and access for the poorest and most marginalised children (see page 12). Through



Mina and her son, Musa, age two, from a village in Bangladesh, are taking part in an early years education programme run by Save the Children. Our programme provides home teaching materials, such as picture books, and encourages parents to stimulate their children's young minds by playing and talking with them every day.

PHOTO: CJ CLARKE/SAVE THE CHILDREN

developing strong relationships with high-level decision makers, we have also helped shape the post-2015 development agenda to incorporate an explicit commitment to end preventable child, maternal and newborn deaths, and to the principle that 'no target be considered met unless met for all social and economic groups'. We have successfully secured a new $20 million grant from the Foundation to continue and expand this over the next three years.

We have also begun to work more closely with the World Bank, the Children's Investment Fund Foundation and others to find new ways to save and improve more children's lives. In 2014 we secured a number of grants across the world from the World Bank, including for work in Mozambique, DRC and Bangladesh. Partnership efforts are progressing on several fronts, including collaboration with the World Bank's Strategic Impact Evaluation Fund, and between our Humanitarian Leadership Academy and the World Bank's Learning Leading and Innovation team. In November, a successful engagement meeting in Myanmar between World Bank representatives and Save the Children country directors opened up potential funding opportunities for 2015.

2015: A HISTORIC OPPORTUNITY

2015 is no ordinary year. With world leaders set to meet in September at the UN to agree global targets for the next 15 years, it presents a once-in-a-generation opportunity. We want 2015 to be the year we help secure a commitment to ending preventable child deaths.

The world has made dramatic progress in recent years in cutting child deaths and getting more children into school. We're proud of the role we've played in driving this impact for children – including the achievements described in this report.

In this momentous year, we aim to help accelerate the pace of change for children by going further in all areas of our work. Through our world class programmes, we plan to deliver direct help to more children than ever before. We aim to mobilise more support for our cause and push world leaders to commit to transform children's chances. And we'll continue to build an agile, innovative and accountable organisation primed to deliver our ambitious goals for children.

We know we can't achieve everything we want to in 2015 on our own. That's why we've helped kick-start action/2015 – a global coalition of more than 1,000 member organisations that have come together to engage and mobilise the global public to demand ambitious agreements on poverty, inequality and climate change in 2015.

Save the Children's vision is of an end to preventable child deaths and the chance for every child to go to school and to fulfil their potential. We set out our plan to accelerate progress towards realising that vision in our four-year Ambition 2015 strategy. Now in its final year, to make sure we achieve our strategic goals we have set ourselves five top priorities for 2015 – set out in the table below.

AMBITION 2015 GOALS	2015 PRIORITIES
Delivering world-class programmes for children	
Accelerate progress to save more children's lives, protect children from harm and help them fulfil their potential in development and humanitarian contexts in the UK and internationally	Develop two stand-out signature programmes that are fully funded and communicated, and that have strong mechanisms for gathering evidence of their impact. Increase our frontline emergency health capability, including the establishment of the Emergency Health Unit
Mobilising millions of people to support our cause	
Become a mainstream cause for millions of people raising £500 million non-institutional income over four years, recruiting and retaining 1 million supporters and campaigning to help save 15 million lives across the world	Secure a commitment to ending preventable child deaths, through our No Child Born to Die and action/2015 campaigns Recruit 100,000 more supporters and begin to deliver our new supporter and digital strategy to recruit and retain 1 million supporters and increase unrestricted income
Building an outstanding organisation to deliver our ambition	
Build an agile, innovative and accountable organisation that inspires our people, supports our organisational strategies and maximises our impact for children	Deliver our people strategy to improve staff engagement and retention

Children at a well built by Save the Children in their village in Ethiopia. Before the well brought clean water to the village, families had to walk a long way to collect water and children often got sick from water-borne diseases.

2015 TARGETS

We will directly reach 16 million children with high quality evidence-based interventions and transformative programmes. We will:

- treat 1.5 million cases of malaria, pneumonia and diarrhoea and 160,000 young children for severe acute malnutrition and directly reach up to 9.1 million children with health and nutrition services
- reach 3.3 million children directly through our education programmes, ensuring 222,000 children in conflict-affected and fragile states enrol in primary education, including first-time access to education for 55,000 children
- reduce child malnutrition and hunger, reaching 750,000 children and 150,000 households who will benefit from cash, asset and food transfers, enabling them to eat more nutritious foods and escape extreme poverty
- reach 180,000 children through our child protection programmes and ensure that tackling violence against children is explicitly included in the post-2015 development framework
- reach 20,000 children through our UK programmes, FAST, Eat, Sleep, Learn, Play! and Born to Read.

Defining 'reach'

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

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

FINANCIAL PERFORMANCE IN 2014

INCOME

Our income in 2014 was £370 million, a record in our 95-year history and an increase of 8% on the previous financial year. While the economic environment in the UK remains challenging, we have a diversified income base which includes voluntary income, retail income and government grants.

- Our number of individual givers rose, helping to drive individual giving up 5% to £53 million.
- Income from corporate partnerships grew by 1% to £27 million.
- Community fundraising grew to £8 million, driven by our successful Christmas Jumper Day on 12 December.
- Excluding the £8 million donation of net assets from Merlin in 2013, and the decline of £8 million in returns from historic investments in global member development following the creation of SCI, overall voluntary income rose by £4 million.
- Our retail income was £9 million, a 6% increase on 2013.
- Our income from governments and international organisations has increased by £41 million to £228 million. This increase is primarily driven by DFID and the EU, which contributed £120 million and £47 million respectively in 2014.

EXPENDITURE

In 2014 we spent £348 million to help improve the lives of children across the world.

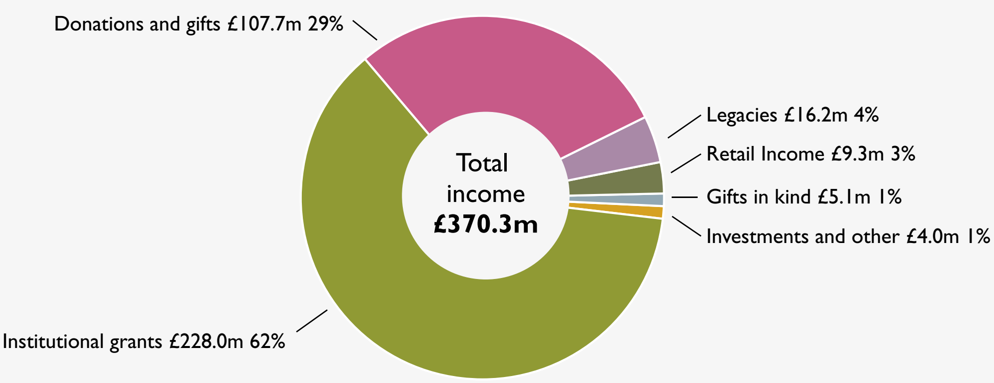
Expenditure on our charitable activities was up 15% to £308 million. Our achievements with this expenditure are set out throughout this report.

On average over the last five years, 88% of our total expenditure has been on charitable activities. For 2014, that was 88% (86% in 2013).

In addition, we invested £31 million in activities to generate funds, such as recruiting new supporters and organising innovative new fundraising events.

A key distinction in the charity sector is between unrestricted income, which may be used by Save the Children for its general purposes to fulfil its charitable

WHERE OUR INCOME CAME FROM IN 2014



objectives, and restricted income, which must be used only for the purpose specified by the donor. Restricted income goes towards financing particular programmes or elements of our humanitarian responses agreed in advance with the donor. We use unrestricted income where flexible funding is needed most, for example by:

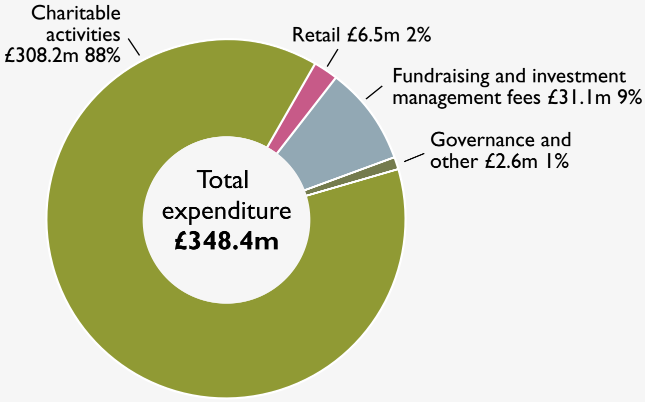
- developing, testing and demonstrating the effectiveness of new approaches;
- piloting new programmes and using the evidence of their success to secure funding for scale-up;
- reacting fast to emergencies, before we receive dedicated appeal funding.

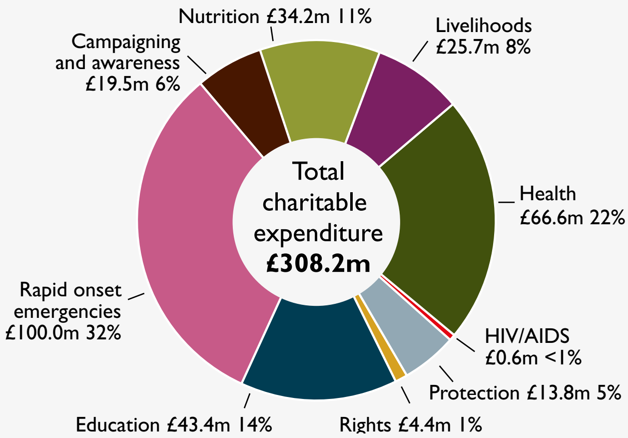
We also use unrestricted income to support new initiatives like the Humanitarian Leadership Academy, to finance our policy work and campaigns, and to meet essential running costs. These include our contribution to the global network of offices managed by Save the Children International, which are vital to delivering our programmes and humanitarian responses. To strengthen our capability to deliver on our ambitions for 2015, we have continued to invest in the key support services of finance, human resources and information technology. These services play a crucial role in providing core organisational support to our overall delivery for children. In the diagram below, the costs of these services are allocated across the areas of work they support. More information on these and their basis of allocation are included in note 10 to the accounts.

In 2014, we spent £350,000 of unrestricted income to further develop our Families First child protection programme in Indonesia. This investment leveraged £1.5m from a range of institutional and foundation donors in Australia, Korea and UK. The Government of Indonesia spent £15.3 million to scale components of the programme and committed £16.8m for 2015.

In 2013 and 2014 we spent £378,000 to develop and test solutions to address malnutrition in Bangladesh. In 2015 we secured £20 million to further develop and scale-up the concept from DFID.

HOW WE SPENT IT IN 2014





Percentages do not add up to 100 due to rounding

THE FUNDS OF SAVE THE CHILDREN AT 31 DECEMBER 2014

The overall results show a £14.3 million surplus for the year (2013: £38.9 million), comprising:

- an unrestricted surplus of £3.6 million (2013: £6.8 million)
- a surplus of £10.7 million (2013: £32.1 million) restricted programme funds where these funds have been received in advance of activity on projects.

The total funds of £108.1 million as at 31 December 2014 fall into three categories:

Restricted income funds (£91.6 million) are grants or donations received for defined projects that will be spent in future years.

Restricted endowment funds (£3.3 million) are donations given by individuals specifically for us to invest, and then use the income derived from these investments to benefit children.

Unrestricted funds (£13.2 million) are principally made up of general funds (£32.7 million), designated funds (£8.7 million), a revaluation reserve (£3.7 million) and the pension reserve (a negative reserve of £32 million). The negative pension reserve represents the calculated deficit on the defined benefit pension scheme and is explained further in the pension section below and in note 27 to the financial statements.

RESERVES POLICY

Our general reserves enable us to ensure our long-term financial viability – protecting our work against adverse financial events. A formal review of our reserves was carried out in 2014 in accordance with our strategy to review the reserve policy at least every three years.

The review considered the impact of the financial risk associated with our income and expenditure streams and balance sheet items and concluded that the appropriate target reserve range continues to be between £24 million and £29 million. Currently our general reserves stand at £32.7 million due to an exceptionally strong fundraising performance in December 2014. These additional funds will allow us to deliver even greater change for children. Our reserves are backed by our £19.7 million unrestricted investment portfolio, which is held for the long term.

PENSIONS

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

A professional actuary carried out a triennial valuation of the defined benefit scheme at 30 September 2011. This showed a deficit of £33.6m and that the scheme assets were sufficient to cover 71% of the accrued benefits. A valuation as at 30 September 2014 is currently being finalised. The preliminary valuation shows an increase in the deficit on an actuarial basis.

We are discussing with the Pension Trust whether it is appropriate to adjust the funding plan in the light of the revised valuation.

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

The actuary carries out a separate annual valuation in line with Financial Reporting Standard (FRS) 17. This is conducted using different assumptions and results in a different funding deficit. The FRS 17 valuation at 31 December 2014 showed a deficit of £32 million or a funding level of 79%, compared with a deficit of £27.8 million and funding level of 79% as at 31 December 2013. The details are shown in full in note 27 to the accounts.

GOING CONCERN

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

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

TRUSTEES' ANNUAL RISK STATEMENT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

How we manage risk

Effective management of risk is essential for:

- keeping the children we work with, and the people who work with us, safe;
- protecting and growing our funding and reputation; and
- meeting the expectations of our supporters and donors.

Our Risk Management Accountability Framework sets out key roles and responsibilities for managing risk:

- The Board of Trustees is responsible for overseeing our risk management, and delegates elements of the process to Executive Directors and staff.
- The Audit Committee is appointed by the Board of Trustees to advise on financial control, effectiveness of governance and risk management. It is responsible for reviewing the strategic and operational risks identified by Save the Children UK, taking into account other reports, eg, from internal and external auditors.
- The CEO and the Executive Directors support, advise and implement the policies approved by the Board of Trustees.
- The Executive Directors and senior managers are responsible for encouraging good risk management practice within their divisions.
- Our Risk Manager ensures that we have robust methods to identify emerging risks, and appropriate procedures in place to manage them.

As a charity, we must ensure that we balance the cost of risk mitigation with the cost of the risks themselves. We ask all employees, partners and volunteers to manage the risks within their area of responsibility

We work closely with Save the Children International and other Save the Children members to help us identify and manage the risks that we collectively face, including those which affect our international programmes, delivered by Save the Children International on our behalf.

RISK PROCESS

Our approach to risk management helps us decide which risks we take, and how those risks are managed. We always consider the impact risks could have on the children we wish to help, our staff and those who work with us, the income we receive from our supporters and donors, and our assets, including our brand and reputation.

We consider all types of risk, including internal risks (eg, financial, operational, reputational, governance, compliance) and external risks (eg, political, environmental, social, technical, legal, economic).

Our risk register comprises the top risks and is reviewed and updated with input from:

- Executive Directors and senior staff, who identify and manage risks as an integral part of their daily work; and
- a risk assurance network of key staff who identify and manage risks and find ways to address them.

Each risk is owned by an Executive Director, who is responsible for regularly reassessing the likelihood of the risk, the severity of its consequences, the effectiveness of current mitigation and any further mitigation required.

We divide our risks into a short list of top strategic risks and a longer list of operational risks. The Audit Committee reviews both the strategic risk dashboard and operational risk register at each of its meetings throughout the year.

The strategic risk dashboard is reviewed at every Board meeting and mitigation plans for any risks assessed as critical are also presented to the Board.

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

In 2014, we:

- continued to improve our risk management processes and to embed risk identification and mitigation into our daily work;

- continued to use our organisational risk appetite, agreed in 2012, to assess opportunities for the benefit of children against the risks those opportunities posed;
- maintained a set of triggers to help us identify when a strategic risk may be close to crystallising and to alert us when additional mitigation is required.

We manage risk to the best of our ability. Our risk management process aims to provide reasonable, but not absolute, assurance that the organisation is protected. We have a robust crisis management plan to ensure we manage incidents effectively.

PRINCIPAL RISKS AND UNCERTAINTIES

We define key strategic and operational risks as those that, without effective mitigation, are highly likely to occur and would have a severe impact on our work, our reputation or our ability to achieve our ambitions.

In 2014, the Executive Directors and Trustees identified the charity's most significant risks as follows:

Failure to keep the children we work with safe

We have adopted a safeguarding approach aimed at ensuring that preventative measures and systems are in operation, and that if abuse or exploitation occurs, appropriate action is taken to protect those affected.

The charity complies with the requirements of Save the Children's child protection protocol, which sets out procedures and standards for ensuring that the children we work with are kept safe. These requirements include Disclosure and Barring Service checks for all staff that have frequent contact with children and young people, and training for all our staff on child protection measures. Our child safeguarding processes were audited by Internal Audit in 2014. Weaknesses were found in our pre-employment checks, which have been addressed. We are continuing to review and upgrade our procedures to ensure we are in line with best practice.

Failure to keep our people safe

As we strive to reach children in the hardest to reach places, 2014 saw Save the Children working in increasingly dangerous locations. For the third consecutive year, Save the Children responded to a category one level emergency in Syria, an active conflict zone. In November 2014, as part of our increasing emergency frontline medical work, we opened an Ebola Treatment Centre in Kerry Town, Sierra Leone.

We worked closely with Save the Children International as well as our staff health and wellbeing providers, insurers and other experts to ensure appropriate processes and procedures to keep our people safe while delivering this challenging, life-saving work.

Unfortunately, one of the NHS volunteers working with us in Kerry Town, contracted Ebola. She made a full recovery after treatment in London's Royal Free Hospital. An independent expert panel conducted a full review into the incident. The panel found that Save the Children procedures, equipment and protocols at the ETC were safe and met all required standards but that working under such intense and challenging conditions cannot be without risk. As a result of the panel findings we further tightened our protocols and procedures.

Failure to attract, recruit and retain high performing staff

Drawing on staff feedback, including through our annual Employee Engagement survey, in 2014 we launched a multi-strand approach to improving staff engagement and retention. This included:

- a review of our working arrangements, which led to the 'Smart Working' project. The project comprised modernising the workspace in our head office in Farringdon to allow more people to work in a smarter, safer, more flexible way.
- improved open dialogue with our staff, delivered through all staff meetings, Directors' Round Tables and open staff Question & Answer sessions.

Our people are a key priority for us and this work will continue in 2015.

Failure to effectively deliver world class programmes in complex operating environments

To achieve the change we want for children, we increasingly work in the hardest places to reach the children most in need. As well as risks to safety and security for our staff (see above), we focus on the risk of unintentionally working with, or assisting, prohibited parties, as well as the risk of failing to deliver programmes to the high quality standards expected by our beneficiaries and donors. Save the Children International delivers the international programmes on behalf of all Save the Children Association members. We recognise that in difficult and risky operating conditions, it is critical that risk management systems are effective, both in design and implementation, and that all reasonable steps are taken to mitigate the underlying risks. We work closely with Save the Children International to:

- introduce and embed a quality framework for effective programme delivery, which also incorporates clear policies on operating in complex environments. This is part of a three-year platform-strengthening initiative which also involves staff development and capacity building, and focuses on 11 of our most challenging countries.
- ensure that all our staff, suppliers, and people we work with are vetted to detect any links to prohibited parties.
- introduce reporting mechanisms for beneficiaries and staff to use if they identify any concerns or areas for improvement.

Operating in the toughest countries, it is not always possible to deliver a 100% successful programme every time, but if something does go wrong we apply our crisis management process and endeavour to learn from our mistakes. We recognise that challenges exist in a range of countries where Save the Children International operates. In 2015, we are investing heavily in improving the capacity of our overseas operations to address these challenges and to improve programme quality. We will report on this again in 2015.

Failure to effectively manage risks to our reputation

As we continually strive to increase our impact for children, we risk criticism of our decisions. Our reputation can sometimes be impacted by decisions made by others.

We maintain an in-house supporter care team who are experts in our work and at handling supporter questions and complaints.

We have a robust, tested crisis management process which enables us to proactively respond to any incidents which could threaten our reputation.

In 2014, we responded to public concern in the UK about the decision made by Save the Children US to award Tony Blair a Global Legacy Award in recognition of his leadership and commitment to development in Africa.

In 2014 we published our second annual Accountability and Transparency report. We are committed to being fully accountable and transparent to our staff, the children we work with, and to our supporters and donors.

Our third annual Accountability and Transparency report is published alongside this Annual Report for the first time.

Failure to successfully transfer the Merlin programmes and head office functions into those of Save the Children

Save the Children UK joined forces with Merlin in 2013. Throughout 2014 we transitioned Merlin's country programmes to Save the Children. By the end of the year, only two country programmes remained under Merlin operation (Myanmar and Pakistan). The Transition was overseen by a sub-committee of our Board of Trustees. A team of Executive Directors and key staff managed all aspects of the transition with a key focus on retaining Merlin's expertise and knowledge.

Failure to manage our financial stability

We are ambitious, but we have finite resources and funding which we must carefully manage to achieve the most we can for children.

Throughout 2014, we:

- ran a disciplined budget process, re-allocating resources in favour of our defined strategic priorities.
- worked with Save the Children International to adapt to changing donor funding models and new ways of working.
- restructured our finance teams and invested in a new finance system, Agresso, to bring us into line with Save the Children International and other Save the Children members; Agresso went live on 1 January 2015.

We utilise proactive planning to predict any reductions in sources of income, and are making concerted efforts to increase the number of supporters and to diversify our institutional and corporate donor base, within the confines of the 'home donor rules' applied by the Save the Children movement, which outlines the appropriate geographic parameters for Save the Children members to build global partnerships.

INTERNAL AUDIT AND CONTROLS

Following the transition of our country programmes to Save the Children International, in 2013 Save the Children UK outsourced its Internal Audit function. Following competitive tender, Grant Thornton was appointed as our Internal Auditor on 1 April 2014.

Based upon the key risks identified on our risk registers, Grant Thornton prepared and delivered eight audits across the organisation in 2014. Internal Audit recommendations were systematically followed up throughout the year, and reports on implementation were reviewed by the Audit Committee.

For assurance about our interests in the country programmes which have transitioned to Save the Children International, as well as our donors' money invested in those programmes, the Trustees relied on Save the Children International's global assurance and fraud reporting mechanisms, and joint Trustee appointments to the Save the Children International Board.

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

The Trustees gained assurance over Merlin's operations through Merlin's own internal audit and fraud reporting mechanisms, and through joint Trustee appointments to Merlin's board.

In 2013, we embarked on a significant project to update the control frameworks in place throughout Save the Children UK and to review the training we provide to staff. In 2014, we rolled out a new Code of Conduct online training session for all staff.

At the end of 2014, we agreed that a priority for 2015 was to better identify, document and test the three 'lines of defence' we have in place to help us manage risk. We will report on progress in our 2015 annual report.

FINANCIAL RISK MANAGEMENT

Goods and services purchased are subject to contracts with suppliers based on market prices. Market risk is dealt with in the investment management policy section on page 52. Amounts due from donors overwhelmingly relate to major institutional and corporate donors, and the associated credit risk is therefore considered to be low. There are no external borrowings, and processes are in place to monitor cash flows in order to minimise liquidity risk, in conjunction with our reserves and investment policies described above.

We are managing a deficit of some £32m in the Pensions Trust Defined Benefit scheme; and are contributing £4m per annum over eight years to close this deficit. For more information refer to page 93.

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

The lease for Save the Children's head office includes a clause providing that the annual rent will increase by the higher of 2% and inflation (RPI), uncapped. The risk of inflation triggering a rent increase is currently deemed low. The Finance Committee reviewed possible arrangements with various third parties to cap future potential rent rises, but did not proceed, as the arrangements proposed did not offer good value for money. The Finance Committee will continue to monitor the position.

Approved on behalf of the Board of Trustees

Sir Alan Parker
Chair of Trustees, Save the Children

18 June 2015

HOW WE MANAGE OUR AFFAIRS

BOARD OF TRUSTEES

Save the Children is a charitable company limited by guarantee, incorporated under the name of the Save the Children Fund. Its articles of association provide that its trustees shall be the only members of the charity. The business of the charity is governed by the Board of Trustees (whose members during the year are listed on page 53). The trustees are responsible for overseeing the management of all the affairs of Save the Children. The trustees are appointed, elected or re-elected for a fixed term, according to procedures set out in our memorandum and articles of association, which are our governing documents. Trustees generally serve for up to eight years (an initial term of two years with two further terms of up to three years each), with the option for longer periods in exceptional circumstances. Trustee recruitment is conducted by the Nominations Committee, a committee of the board. We agree and implement an individual induction programme for each new trustee, covering all aspects of the role and the organisation.

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

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

Save the Children has a wholly-owned trading subsidiary, Save the Children (Sales) Limited, which is registered in England and Wales. Although the principal activity of the subsidiary is through commercial promotions run in conjunction with our corporate supporters and in joint ventures with other charities, income is also generated by the trading of new goods through our shops, branches and website. The subsidiary's taxable profits are donated under deed of covenant to Save the Children. The subsidiary performed satisfactorily in the period, contributing £1.3 million to the charity's funds, down from £1.6 million in 2013.

Medical Emergency Relief International (MERLIN) is also a wholly-owned subsidiary of Save the Children. The principal activity of the subsidiary is to end the needless loss of life in the poorest countries caused by a lack of effective health care. Merlin helps communities set up medical services for the long term, including hospitals, clinics, surgeries and training for nurses and other health workers. Merlin's results have been included in the group's results and the subsidiary has generated a deficit of £1.7 million, down from a surplus of £6.1 million in 2013. This is due to the incidence of grant receipts varying year on year.

The Start network is hosted by Save the Children and is a consortium of 19 NGOs that are working together with the aim of strengthening the humanitarian aid system. As the principal charity within the consortium Save the Children is legally responsible to donors for the charitable application of funds. Funding for the consortium is recognised by Save the Children as a separate restricted fund under the agreement with donors.

In 2014, £15 million was raised by the consortium. One of the main initiatives of the consortium is the START fund, which coordinates the distribution of donor funding to member NGOs to enable quick responses to emergencies.

TRUSTEES' RESPONSIBILITIES

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

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

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

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

In so far as the trustees are aware:

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

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

COMMITTEES

The Donations Decision-Making Panel is appointed by the board and includes four board members and three executive directors. It considers potential donations to Save the Children and makes decisions if there is a need to consider whether it is in the best interests of the charity to accept a donation. The panel did not meet separately in 2014. Information was shared by email and telephone over the year and quarterly updates were provided to the board.

The Nominations Committee is appointed by the board and has four board members. It finds and recommends potential candidates for election to the board. It identifies the skills, experience and knowledge required from new trustees by considering the collective skill profile of the current board. The Committee did not meet separately in 2014. Information was shared by email and telephone over the year and quarterly updates were provided to the board.

The Performance and Remuneration Committee is appointed by the board and has five 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. The Committee had two meetings during the year.

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

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

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

The Merlin Sub-Committee is appointed by the board and has three board members. The Sub-Committee was set up to provide oversight on behalf of the board on the transition of Merlin's operations to Save the Children. The Sub-Committee met regularly through the year and reported to the board quarterly. The transition has now been completed and the sub-committee dissolved. The Committee had five meetings during the year.

ORGANISATIONAL STRUCTURE

The trustees delegate the day-to-day running of the organisation to the directors who oversee particular departments as listed on page 53. These executive directors report to the Chief Executive, who reports to the Chair of the Board.

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

PAY AT SAVE THE CHILDREN

As an organisation with important responsibilities towards our beneficiaries, donors, supporters, staff and the public, we recognise the importance of raising accountability and transparency in all aspects of our work. That is why, in line with recommendations from the National Council for Voluntary Organisations' 2014 inquiry into executive pay, we are once again detailing our approach to pay, explaining how our pay levels are defined, publishing the ratio of pay dispersion or spread across the organisation, and listing the roles and salaries of our executive team. These points form the basis of this statement, which can also be found in a prominent position on our website: www.savethechildren.org.uk

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

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

In the past five years, Save the Children has increased its income from £216 million to £370 million. In 2014 this enabled us to respond to 97 emergencies and reach 17.4 million children – more than at any other point in our history – in more than 50 countries around the world. Having a competitive reward offering is one of the many ways in which we secure the very best people to deliver these unprecedented levels of meaningful change to the lives of children around the world. Aiming to maximise our impact through fair salaries for talented people is what defines our approach to pay.

How pay is governed at Save the Children

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

Our approach to pay

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

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

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

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

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

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

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

2 Provide larger salary increases for strong performers than for weaker performers. In 2014, actual salary increases varied from 0.5% to 3.5%, with an average of 2%.

3 Provide all paid staff with a salary at least in line with guidance from the Campaign for a Living Wage (currently £9.15 per hour in London, £7.85 per hour outside London).

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

More information

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

SETTING OUR BUDGET

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

PUBLIC BENEFIT

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

GRANT-MAKING POLICY

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

As discussed in note 16 to the financial statements, the programme activity of a further 10 countries was transferred to Save the Children International in 2014, in addition to the 37 countries that have previously transferred.

INVESTMENT POLICY

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

Newton Investment Management Ltd manages our portfolio of equity and fixed-interest investments of £26.8m, including £3.3m of endowment funds. The portfolio recorded a gain of £1.2m, which was above its benchmark for the year.

During the year the Investments and Pensions Committee reviewed the investment manager and investment strategy. Ten specialist investment managers were invited to tender to manage the charity's investment portfolio to a return objective of RPI + 3%. The Committee held interviews with four shortlisted managers and evaluated responses to questions on business structure, stock selection decisions and ethical restriction compliance. Newton Investment Management Ltd was successful and was reappointed.

ETHICAL INVESTMENT POLICY

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

ADMINISTRATIVE DETAILS

Trustees	Committees*
Sir Alan Parker (Chair)	N, P
Gareth Thomas (retired 03.07.2014)	
Mark Esiri (Vice Chair)	F, N, P
Richard Winter (Hon. Treasurer)	A,F,I,P
Nyaradzayi Gumbonzvanda (retired 28.06.2014)	
Robert Hingley	A,F,I,M
Tamara Ingram	N
Kevin Watkins	
Sophia McCormick	P
Naomi Eisenstadt	CS,W
Fiona McBain (Vice Chair)	N,M
Adele Anderson	A,M
Lambertus Becht (retired 03.07.2014)	
Sebastian James (appointed 28.02.2014)	P
Jamie Cooper-Hohn (appointed 28.02.2014)	
Diana Carney (appointed 27.06.2014)	
Devi Sridhar (appointed 18.09.2014)	
Gareth Davies (appointed 14.11.2014)	A,F,I
Peter Bennett-Jones (appointed 25.02.2015)	
Farah Golant (appointed 25.02.2015)	
Mark Swallow (appointed 25.02.2015)	

Independent members and external advisors

	Committees*
Angela Hands	A
David Owen	I
Chris Lucas	A,F
David Poulter	F,I
Richard Bernays	I
Peter Moon	I
Nick Mourant	I

* Committee membership as at 31 December 2014
Partha Dasgupta left the Investments and Pension sub-committee on 3 February 2014

		Chair
(N)	Nominations Committee	Fiona McBain
(P)	Performance & Remuneration Committee	Sebastian James
(A)	Audit Committee	Robert Hingley
(F)	Finance Committee	Richard Winter
(I)	Investments and Pensions Sub-Committee	David Owen
(M)	Merlin Sub-Committee	Fiona McBain
(CS)	Child Safeguarding Trustee	
(W)	Whistleblowing Trustee	

Donations Decision-Making Panel

Kevin Watkins (Chair)
Robert Hingley
Sebastian James
Diana Carney
Tanya Steele
Sue Allchurch
Brendan Cox

Directors' Group as at 31 December 2014

Justin Forsyth	Chief Executive
Anabel Hoult	Chief Operating Officer (maternity leave)
Jennifer Geary	Chief Operating Officer (interim)
Sam Sharpe	Chief Financial Officer
Paul Cutler	Human Resources
Brendan Cox	Policy and Advocacy
Fergus Drake	Global Programmes
Tanya Steele	Fundraising
Sue Allchurch	Marketing and Communications

Company Secretary
Andrew Willis

PROFESSIONAL ADVISERS

Auditor
Deloitte LLP
2 New Street Square, London EC4A 3BZ

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

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

Retirement Savings Providers
Pensions Managers
Prudential
MPP Service Centre, Craigforth, Stirling FK9 4UE

Pension Providers
Legal and General
One Coleman Street, London EC2R 5AA

Long Term Savings Plan
Zurich International Life
43-51 Athol Street, Douglas , Isle of Man IM99 1EF

The Pensions Trust
6 Canal Wharf , Leeds LS11 5BQ

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

FURTHER INFORMATION

Save the Children International

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

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

Save the Children in Scotland

The Office of the Scottish Charities Regulator requires us to report separately upon the activities we have undertaken in Scotland. Save the Children's activities in Scotland during 2014 addressed issues faced by children in Scotland as well as contributing to the global aims of Save the Children.

Tackling child poverty is our main priority in Scotland. In 2014 we embedded our core community-based programmes across Scotland, reaching more than 4,100 children, as well as successfully campaigning for increased support to improve the lives of the poorest children in Scotland through our research and campaigns.

The Families and Schools Together (FAST) programme continued to expand and develop across Scotland. We delivered a total of 30 cycles in 18 schools across 12 authorities reaching 1,111 children in 546 families. The average retention rate was strong at 82%. FAST was delivered in schools in Edinburgh, Fife, Glasgow, West Dunbartonshire and Renfrewshire. We also delivered FAST in a number of new areas: Midlothian, East and North Ayrshire, Inverclyde, South Lanarkshire and Dumfries & Galloway. FAST aims to enables parents to better support their children's education, take an active role in their child's school and play a greater role in their local community.

Our Eat, Sleep, Learn, Play! programme provides material assistance to low-income families with young children. Over the course of the year the programme was delivered in; Glasgow, West Dunbartonshire, Edinburgh, Fife, Renfrewshire, Dundee and North Ayrshire. During 2014, we delivered 1,439 grants reaching 3,021 children and their families who received essential items such as beds, cookers, pushchairs and toys to help their children eat, sleep, learn and play.

In 2014, we also tested a new programme, Families Connect, which aims to support parents and carers to enhance their child's learning by providing a series of activities, techniques and games parents and carers can practice with their children in the home environment. The programme recognises the role parents play in the education of children and the value of creating a home environment that is conducive to learning. We tested Families Connect in two schools in Glasgow and Edinburgh, reaching 47 children in 24 families. The programme will be piloted across Scotland in 2015.

During the year, Save the Children successfully campaigned with partners for new entitlements and support for children living in poverty. In January 2014, the Scottish Government announced a new entitlement of 600 hours of early learning and childcare for two-year-olds living in poverty, benefitting 15,000 children. This was the key call of our childcare campaign in 2013 and ongoing advocacy work. In addition, the Scottish Government announced a new £1.5 million Access to Education Fund in June in direct response to the experiences and messages from young people across Scotland highlighted in our 2014 report, Learning Lessons: young people's views on poverty and education, published jointly with Scotland's Commissioner for Children and Young People.

In addition, we continued to highlight the impact of poverty on children's lives. We launched a new report, A fair start for every child in Scotland, highlighting our concern about the significant increase in the number of children living in poverty in Scotland in the next few years, what's driving this increase and what needs to be done to tackle it. The *Read On. Get On.* campaign to get all children reading well by age 11 was launched in Scotland in November with young children playing a key role. We established a coalition, produced a report highlighting the scale of the issue – one in five poor children in Scotland is not reading well by age 11 – and promoted the campaign to a wide audience – including business leaders, politicians, civil society, teachers and families – through a number of high profile events. The campaign received cross-party support from the Scottish Parliament and widespread support across Scotland in its first month.

Save the Children in Scotland assisted in fundraising for emergency appeals to support the humanitarian response for families affected by the conflicts in Gaza, Syria and Iraq, and by the Ebola crisis in West Africa.

We also played an active role in promoting and securing support for our campaign to end newborn deaths. In February we launched the Newborns campaign and in June we supported the launch of the Every Newborn Action Plan, calling for trained health workers to be present at births, along with basic medicines and equipment. Media and promotional activities engaged our supporters in Scotland who were among more than 18,000 people across the UK who took action in support of the campaign and resulted in the UK government pledging £1 billion as part of a global vaccinations drive to save 1.4 million children's lives.

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

Volunteer involvement

Over the past year our 15,193 volunteers have made a huge contribution to realising our ambition for children. By giving their time to run our shops, fundraise, organise events, provide specialist expertise and campaign, volunteers have raised millions in income and raised awareness of Save the Children across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children, and we are incredibly grateful for the valuable gift of time that they give on a daily basis. Our Volunteer Vision will see this vital contribution growing to involve even more volunteers over the coming years, enabling Save the Children to engage communities across the UK.

Employee involvement

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

Equal opportunities

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

The environment

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

- Our Environmental Policy contains clear guidelines on how we should travel in the UK, and use electricity, paper, and waste.
- We have committed to mapping Save the Children's carbon footprint every year. This covers the impact from our UK headquarters, regional offices and shops. We will address the environmental impact of our work and make measurable commitments for improvement and publish this data within our annual Accountability and Transparency Report.
- All electricity used by the Farringdon office is derived from renewable sources, and many of our other UK offices are using environmentally-friendly ways of working.
- Changes in how we use printers have already made substantial reductions in our paper use.
- Our Cycle to Work scheme encourages our people to get on their bikes.

These actions respond to the feedback of our people, as well as donor and peer expectations. With children on the frontline of climate change, every penny saved and action taken will help make us an outstanding organisation and achieve our ambitious goals for children.

Approved on behalf of the Board of Trustees

Sir Alan Parker
Chair of Trustees, Save the Children
18 June 2015

FINANCIAL STATEMENTS

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

We have audited the financial statements of Save the Children Fund for the year ended 31 December 2014 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

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

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Sarah Shillingford

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

18 June 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/14 £000**	Total Year to 31/12/13 £000
Incoming resources					
Incoming resources from generated funds:					
Voluntary income:					
Donations and gifts	3a	57,375	50,330	**107,705**	109,712
Donation of net assets from Merlin		–	–	**–**	8,115
Legacies	3b	15,797	382	**16,179**	18,280
Retail income	4	9,281	–	**9,281**	8,730
Investment income	5	1,628	–	**1,628**	837
Incoming resources from charitable activities:					
Institutional grants	6	10,686	217,333	**228,019**	186,929
Gifts in kind	8	–	5,111	**5,111**	7,851
Overseas programme income		–	–	**–**	245
Other income	9	2,366	1	**2,367**	1,895
Total incoming resources		97,133	273,157	**370,290**	342,594
Cost of generating funds					
Costs of raising voluntary income	10	30,359	644	**31,003**	33,056
Retail costs	4, 10	6,489	–	**6,489**	6,601
Investment management fees	10	142	–	**142**	114
Total cost of generating funds		36,990	644	**37,634**	39,771
Net incoming resources available for charitable applications		*60,143*	*272,513*	***332,656***	*302,823*
Charitable activities					
Nutrition	10	3,101	31,097	**34,198**	33,217
Livelihoods	10	3,206	22,535	**25,741**	24,487
Health	10	7,095	59,522	**66,617**	54,104
HIV/AIDS	10	49	502	**551**	397
Protection	10	2,342	11,418	**13,760**	16,576
Rights	10	953	3,423	**4,376**	6,376
Education	10	5,317	38,115	**43,432**	37,147
Rapid-onset emergencies	10	7,104	92,876	**99,980**	73,102
Campaigning and awareness	10	16,812	2,683	**19,495**	21,766
Total charitable activities		45,979	262,171	**308,150**	267,172
Governance costs	10	1,017	–	**1,017**	795
Other resources expended	10	1,570	–	**1,570**	1,174
		48,566	262,171	**310,737**	269,141
Total resources expended	10	85,556	262,815	**348,371**	308,912
Net incoming resources		11,577	10,342	**21,919**	33,682

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2014

continued

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/14 £000**	Total Year to 31/12/13 £000
Net incoming resources		11,577	10,342	**21,919**	33,682
Gains on investments	15	762	395	**1,157**	3,095
Movement on share of associates' surplus	16	26	–	**26**	36
Actuarial (losses)/gains on defined benefit pension scheme	27	(8,756)	–	**(8,756)**	2,092
Net movement in funds		3,609	10,737	**14,346**	38,905
Fund balances brought forward		9,578	84,170	**93,748**	54,843
Fund balances carried forward	23	13,187	94,907	**108,094**	93,748

All gains and losses recognised in the period are included above.

The surplus for the period for Companies Act purposes, comprising the net incoming resources for the year plus realised gains on investments, was £23,235,000 (2013: £34,760,000).

The restricted fund balances carried forward include £3,318,000 (2013: £2,923,000) which relate to the endowment funds.

There were no new endowments in this period and there were gains in the funds in the current period of £395,000 (2013: £134,000).

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

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 DECEMBER 2014

	Notes	Group 31/12/14 £000	Group 31/12/13 £000	Charity 31/12/14 £000	Charity 31/12/13 £000
Fixed assets					
Tangible assets	14	**7,267**	5,309	**7,267**	5,309
Investments	15	**26,768**	25,601	**27,018**	25,851
Associates	16	**1,400**	1,374	**–**	–
		35,435	32,284	**34,285**	31,160
Current assets					
Stocks		**346**	159	**314**	100
Grant debtors	17a	**41,831**	40,129	**34,991**	30,241
Other debtors	17b	**21,062**	20,455	**19,889**	19,258
Short-term deposits		**43,962**	53,541	**43,962**	53,541
Cash at bank and in hand	18	**36,641**	23,527	**34,597**	19,744
		143,842	137,811	**133,753**	122,884
Creditors: amounts falling due within one year	19a	**(20,889)**	(28,223)	**(19,168)**	(23,893)
Net current assets		**122,953**	109,588	**114,585**	98,991
Total assets less current liabilities		**158,388**	141,872	**148,870**	130,151
Creditors: amounts falling due after more than one year	19b	**(1,747)**	(2,459)	**(1,747)**	(2,459)
Provisions for liabilities and charges	20	**(16,549)**	(17,912)	**(13,481)**	(13,293)
Net assets excluding pension liability		**140,092**	121,501	**133,642**	114,399
Pension liability	27	**(31,998)**	(27,753)	**(31,998)**	(27,753)
Total net assets		**108,094**	93,748	**101,644**	86,646
Unrestricted funds					
General funds	23	**32,746**	26,743	**31,458**	24,842
Revaluation reserve	23	**3,745**	3,904	**3,745**	3,904
Designated fund – tangible fixed asset reserve	23	**6,545**	4,535	**6,545**	4,535
Designated fund – associate	23	**1,400**	1,374	–	–
Designated fund – St John's Lane reserve fund	23	**749**	775	**749**	775
Unrestricted funds excluding pension reserve		**45,185**	37,331	**42,497**	34,056
Pension reserve	27	**(31,998)**	(27,753)	**(31,998)**	(27,753)
Total unrestricted funds		**13,187**	9,578	**10,499**	6,303
Restricted funds					
Restricted income funds	24	**91,589**	81,247	**87,827**	77,420
Endowment funds	25	**3,318**	2,923	**3,318**	2,923
Total restricted funds		**94,907**	84,170	**91,145**	80,343
Total funds		**108,094**	93,748	**101,644**	86,646

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

Approval of the financial statements on pages 59 to 97 was delegated by the Board of Trustees to the Chair and Honorary Treasurer on 17 June 2015 and signed on their behalf on 18 June 2015 by:

Alan Parker

Sir Alan Parker – Chair

Richard Winter

Richard Winter – Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year to 31/12/14 £000	Year to 31/12/13 £000
Net cash inflow from operations	(a)	**9,457**	36,460
Returns on investment			
Bank interest received		**180**	175
Dividends received		**798**	756
		978	931
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	14	**(2,624)**	(2,237)
Purchase of investments	15	**(5,015)**	(6,196)
Proceeds from sales of investments	15	**5,857**	5,436
Net cash movement in investments	15	**(852)**	755
Investment in associate	16a	**–**	(184)
Payments to defined benefit pension scheme	27	**(4,266)**	(4,334)
		(6,900)	(6,760)
Cash inflow before decrease/(increase) in liquid resources	(b)	**3,535**	30,631
Management of liquid resources			
Decrease/(increase) in short-term deposits	(c)	**9,579**	(34,835)
Increase/(decrease) in cash in the year	(b)	**13,114**	(4,204)

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

NOTES TO THE CASH FLOW STATEMENT

	Year to 31/12/14 £000	Year to 31/12/13 £000
(a) Reconciliation of net incoming resources to net inflow/(outflow) from operations		
Net incoming resources	**21,919**	33,682
Investment income (excluding finance income on pension scheme)	**(978)**	(932)
FRS 17 – effect on net incoming resources	**(245)**	529
Loss on disposal of fixed assets	**–**	59
Depreciation charge	**621**	909
Impairment charge	**45**	265
(Increase)/decrease in stocks	**(187)**	104
(Increase) in debtors	**(2,309)**	(5,838)
(Decrease)/increase in creditors falling due within one year	**(7,334)**	7,454
(Decrease) in creditors falling due in more than one year	**(712)**	(183)
(Decrease)/increase in provisions	**(1,363)**	411
Net cash inflow from operations	**9,457**	36,460
(b) Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash in the period	**13,114**	(4,204)
(Decrease)/increase in short-term deposits	**(9,579)**	34,835
Movement in cash and deposits	**3,535**	30,631
Net cash and deposits at 1 January 2014	**77,068**	46,437
Net cash and deposits at 31 December 2014	**80,603**	77,068

(c) Analysis of net funds	At 01/01/14 £000	Cash flow £000	**At 31/12/14 £000**
Cash at bank and in hand	23,527	13,114	**36,641**
Short-term deposits	53,541	(9,579)	**43,962**
	77,068	3,535	**80,603**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' published in March 2005, and applicable United Kingdom law and accounting standards. The financial statements have been prepared on the going concern basis as discussed in the trustees' report on page 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 and Medical Emergency Relief International (Merlin). The results of these subsidiaries are consolidated on a line-by-line basis.

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

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

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

Total incoming resources for the charity are £348,374,000 (2013: £311,225,000) and the net result for the charity is a surplus of £22,597,000 (2013: surplus of £27,770,000) in accordance with paragraph 397 of SORP.

The Start network is hosted by Save the Children and is a consortium of 19 NGOs that are working together with the aim of strengthening the humanitarian aid system. As the principal charity within the consortium Save the Children is legally responsible to donors for the charitable application of funds. Funding for the 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 53. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

(c) Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in note 23.

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

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

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

Investment income and gains are allocated to the appropriate fund.

(d) Incoming resources

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Donations and gifts

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

Legacies

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

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

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

Retail income

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

Institutional grants

Institutional grant income is recognised as the greater of funding receivable, and approved grant expenditure incurred within the period, where the charity can demonstrate entitlement to the income. Grant income is credited to restricted income within the SOFA, with unspent balances being carried forward to subsequent years within the relevant fund. For performance related grants income is recognised when the project milestones have been achieved. This can result in expenditure being incurred ahead of income, resulting in negative fund carried forward balances.

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

Gifts in kind

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

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

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

(e) Resources expended

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

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

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

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

Support costs, such as general management, payroll administration, budgeting and accounting, information technology, human resources and financing are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds. The basis of the cost allocation is explained in note 10 (e).

(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.

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(g) Investments

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

(h) Stocks

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

(i) Pension costs

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

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

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

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

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

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

(j) Finance and operating leases

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

(k) Foreign currencies

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

(l) Provisions

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

A provision is made for an onerous lease where the expected income from sub-let property is

1. ACCOUNTING POLICIES (CONTINUED)

significantly less than the expected associated rental payments Save the Children is committed to paying to its landlord.

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

(m) Taxation

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

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

2. SEGMENT INFORMATION – GEOGRAPHICAL SEGMENTS

	Income by origin of donor		Income by destination of spend		Net assets by location	
	Year to 31/12/14 £000	Year to 31/12/13 £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000
United Kingdom	**244,129**	213,070	**29,529**	21,257	**103,006**	85,070
East Africa	**–**	6	**63,965**	51,844	**2,922**	3,056
West and Central Africa	**–**	5	**48,130**	42,818	**744**	1,600
Asia	**2,350**	730	**78,029**	68,528	**907**	3,641
Latin America, Caribbean, Southern Africa, Middle East and South-East Europe	**105**	85	**45,078**	43,395	**387**	370
North America	**50,190**	41,354	**–**	–	**–**	–
European Union (excluding United Kingdom)	**48,742**	62,617	–	894	**128**	11
Non-geographically specific[1]	**9,521**	24,228	**90,306**	113,359	**–**	–
Start Network	**15,253**	499	**15,253**	499	**–**	–
Total	**370,290**	342,594	**370,290**	342,594	**108,094**	93,748

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

3. VOLUNTARY INCOME

	Unrestricted funds £000	Restricted funds £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000
(a) Donations and gifts				
Individual giving	45,496	7,206	**52,702**	50,199
Trusts and major donors	1,703	8,775	**10,478**	12,639
Community fundraising	6,213	1,582	**7,795**	4,721
Corporate fundraising	3,882	22,681	**26,563**	26,282
Save the Children global member development	15	3,714	**3,729**	12,186
Disasters Emergency Committee	66	6,372	**6,438**	3,685
	57,375	50,330	**107,705**	109,712
(b) Legacies				
Legacies	15,797	382	**16,179**	18,280

The estimated amount of legacies for which the charity has received notice of entitlement, but which has not been accrued, whether because probate has not yet been obtained, or on grounds of insufficient certainty, was £5.1 million (2013: £4.8 million).

4. RETAIL INCOME AND COSTS

(a) Retail income and costs

	Charity £000	Save the Children (Sales) Ltd See note 4(b) £000	**Total Year to 31/12/14 £000**	Total Year to 31/12/13 £000
Retail income	8,671	610	**9,281**	8,730
Cost of sales	–	(207)	**(207)**	(238)
Direct expenses	(6,132)	(150)	**(6,282)**	(6,363)
Total expenses	(6,132)	(357)	**(6,489)**	(6,601)
Surplus	2,539	253	**2,792**	2,129

Additional net income was raised in relation to shops which is disclosed elsewhere and includes £685,000 (2013: £650,000) of donations raised in shops, and £53,000 (2013: £76,000) of sub-let property income, totalling £738,000 (2013: £726,000).

(b) Save the Children (Sales) Limited

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

	Promotions Year to 31/12/14 £000	Promotions Year to 31/12/13 £000	**Retail Year to 31/12/14 £000**	Retail Year to 31/12/13 £000	**Total Year to 31/12/14 £000**	Total Year to 31/12/13 £000
Turnover	**1,292**	1,569	**610**	525	**1,902**	2,094
Cost of sales	–	–	**(207)**	(200)	**(207)**	(200)
Gross profit	**1,292**	1,569	**403**	325	**1,695**	1,894
Total expenses	**(201)**	(158)	**(155)**	(135)	**(356)**	(293)
Intercompany interest	**–**	–	**5**	3	**5**	3
Profit for the year	**1,091**	1,411	**253**	193	**1,344**	1,604
Donation to parent charity					**(1,344)**	(1,604)
Retained profit for the year					**–**	–

Retained profit is stated after charging allocated costs of £271,000 (2013: £238,000).

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

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

The aggregate of the assets, liabilities and funds was:

	Save the Children (Sales) Ltd 31/12/14 £000	31/12/13 £000
Assets	**491**	542
Liabilities	**(241)**	(292)
Funds	**250**	250

5. INVESTMENT INCOME

	Notes	Unrestricted funds £000	Restricted funds £000	**Total Year to 31/12/14 £000**	Total Year to 31/12/13 £000
Expected return on pension scheme assets	27	6,793	–	**6,793**	5,566
Interest on pension scheme liabilities	27	(6,143)	–	**(6,143)**	(5,661)
Finance income on pension scheme		650	–	**650**	(95)
Dividends on investments listed on a recognised stock exchange		798	–	**798**	756
Interest on bank deposits and other investments		180	–	**180**	176
		1,628	–	**1,628**	837

6. GRANT INCOME

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

	Unrestricted funds £000	Restricted funds £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000
UK central government (see note 7)	9,381	111,082	**120,463**	80,355
European Commission including European Commission Humanitarian Organisation funds of £27,626,000 (2013: £37,124,000)	376	46,688	**47,064**	57,036
United States government	197	6,123	**6,320**	8,431
United Nations	219	33,033	**33,252**	23,202
Danish government	25	458	**483**	388
Canadian government	–	64	**64**	444
Irish government (see note 7)	–	2,094	**2,094**	2,066
UK local and regional government	–	293	**293**	691
Other national governments	94	1,117	**1,211**	2,984
Total government grants	10,292	200,952	**211,244**	175,597
Grants from other Save the Children members (see also note 6(b))	27	1,233	**1,260**	1,835
Comic Relief	–	1,310	**1,310**	931
Bill & Melinda Gates Foundation	1	7,375	**7,376**	3,331
Global Fund to fight AIDS, tuberculosis and malaria	26	1,422	**1,448**	1,157
Big Lottery Fund	–	422	**422**	196
Other	340	4,619	**4,959**	3,882
	10,686	217,333	**228,019**	186,929

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

	Unrestricted funds £000	Restricted funds £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000
Grants made directly to Save the Children	10,633	185,344	**195,977**	166,726
Grants from other Save the Children members	27	1,233	**1,260**	1,835
Donor grants sub-granted by other Save the Children members	26	2,904	**2,930**	2,431
Donor grants sub-granted by non-Save the Children intermediaries	–	27,852	**27,852**	15,937
	10,686	217,333	**228,019**	186,929

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

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2014

UKaid
from the Department for International Development

Grants from the Department for International Development

		£000
Afghanistan	Girls' Education Challenge	2,213
Bangladesh	Shiree Nutrition Innovation Fund	38
Bangladesh	UCEP technical assistance project	53
Bangladesh	Household economic and food security for the extreme poor in disaster-prone coastal area	(78)
Bangladesh	Children focused reduction of urban poverty	38
Bangladesh	Household economic and food security of extreme poor in Khulna and Bagerhat districts – Shiree phase II	1,482
Central African Republic	Empowering communities to reduce poverty through improved maternal and child health in Nana Mambeere	493
Central African Republic	Emergency assistance to displaced and conflict affected areas	192
Central African Republic	Response to emergency health, nutrition and child protection needs	1,210
Central African Republic	Maternal and child health	(9)
Central African Republic	Emergency assistance to displaced populations	103
Chad	Enable communities to better respond to climate extremes	23
Democratic Republic of Congo	Emergency child protection and education response in Kitchanga and environs	432
Democratic Republic of Congo	Girl's Education Challenge	1,847
Ethiopia	Africa Climate Change Resilience Alliance	3
Ethiopia	Supporting peace and development in the Somali region of Ethiopia (PDP)	12,098
Ethiopia	Pastoralist Afar girls' education support project	2,242
Ethiopia	Support to special needs education conference	(3)
India	Improved status of the most socially excluded children in India	328
India	Relief for Cyclone Phailin and flood affected in Odisha, India	(2)
Iraq	Rapid response facility for emergency aid for displaced populations	842
Kenya	Adolescent Girls Initiative Action Research Programme (AGIARP)	117
Kenya	Hunger Safety Net Programme phase II	(850)
Kenya	Generating evidence on cash transfers for education in Garissa, Kenya	1,867
Kenya	Improving high impact nutrition interventions in north eastern Kenya	871
Kenya	Building resilient households in the arid lands of Kenya	891
Kenya	Delivering increased family planning across rural Kenya	133
Lebanon	Emergency assistance for crisis affected families in north and east Lebanon	1,083
Malawi	Improving the school experience and environment for adolescent girls	183
Malawi	Cash transfer intervention for Keeping Girls in School (KGIS)	274
Malawi	Humanitarian assistance and resilience building	1,029
Mozambique	Citizens engagement programme	109
Mozambique	Influencing strategy for Africa Climate Change Resilience Alliance (ACCRA)	139
Mozambique	Promoting advancement for girls education in Mozambique	1,663
Mozambique	COSACA Emergency Rapid Response and Disaster Resilience	450
Myanmar	Assistance to conflict affected people, eastern Burma	(43)
Myanmar	Early learning and transition to primary school: New Generation	(1)
Myanmar	Empowerment and provision of financial services to poor women in YGN peri-urban	(1)
Myanmar	Lifesaving humanitarian assistance to children and their families – Rakhine	6,287
Myanmar	Process-led support through CBOs to remote communities in conflict and displacement areas in the eastern half of Myanmar	473
Nepal	Technical assistance for strengthening newborn care programme	219
Nepal	Mid-west flood and landslide joint response and transitional recovery project	55
Nepal	Early recovery and disaster risk reduction interventions – regular education environment	9
Nepal	Low birth weight in south Asia: a study into cost-effective interventions	51
Nigeria	Partnership for reviving routine immunization in northern Nigeria	174
Nigeria	Northern states maternal newborn and child health initiative Nigeria	634
Nigeria	Education sector support Nigeria	215

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Grants from the Department for International Development (continued)

		£000
Nigeria	Improving maternal newborn and child nutrition in northern Nigeria programme	2,151
Nigeria	Child development grant programme	2,470
Nigeria	Women for health initiative	481
Pakistan	Integrated early recovery programme for revitalisation	(3)
Pakistan	Early recovery assistance to flood affected communities in Pakistan	59
Pakistan	Scaling up provision of nutrition for mother and the child	198
Philippines	MERLIN rapid response facility emergency surgical and medical support to the Ministry of Health	69
Philippines	Cash and market based recovery support for vulnerable children	1,000
Philippines	Supporting resilient children in school: child centred PSS and DRR	550
Philippines	Food security and livelihoods assistance to households affected by Typhoon Yolanda in Leyte	620
Philippines	Emergency response to Cyclone Haiyan	366
Philippines	Typhoon Haiyan surgical team deployment	86
Philippines	Typhoon Haiyan emergency response	(1)
Rwanda	Emergent literacy and numeracy initiative	243
Rwanda	Rwandan children's book initiative	307
Sierra Leone	Establishment and management of a treatment centre in Freetown	5,146
Sierra Leone	Rapid response to Ebola outbreak in Sierra Leone in consortium	378
Sierra Leone	Education consortium for Sierra Leone	286
Sierra Leone	Expanding urban access to water and sanitation in Freetown	778
Sierra Leone	Strengthening child protection for vulnerable children	18
Somalia	Integrated emergency response for conflict-affected populations in Hira	1,097
Somalia	Integrated emergency response in PL & CSS	2,147
Somalia	Implementation of the essential package of health services in Puntland	1,641
Somalia	Strengthening nutrition security in south central Somalia	2,304
Somalia	Building resilient communities in Somalia	473
South Africa	ZAF reproductive health consortium	454
South Sudan	Provision of lifesaving services to conflict affected areas of South Sudan	160
South Sudan	Health services in Lakes – Rumbek Centre	429
South Sudan	Health services in Lakes – Rumbek East	392
South Sudan	Health services in EES – Torit county	572
South Sudan	Health services in EES – Lopa Lafon county	662
South Sudan	Health services in Nimule Hospital	167
South Sudan	Establishment and scale up of CEmONC in county hospitals – HPF Nimule	387
South Sudan	Alternative education systems in southern Sudan	3,533
South Sudan	Primary health care support Wulu County	(11)
South Sudan	Primary health care support Kapoeta North County	19
South Sudan	Health pooled fund – Kapoeta North	586
South Sudan	Community case management and nutrition	858
South Sudan	Health pooled fund Wulu County	263
South Sudan	Emergency assistance to conflict-affected population	114
Syria	Humanitarian relief for children and families affected by Syria conflict	8,397
Tajikistan	Women's wealth and influence in Tajikistan	446
Yemen	Integrated emergency response programme for Yemen phase III	(1)
Yemen	Improved food security and resilience of communities in Lahj and Taiz	5,745
Zambia	Civil society SUN/1000 Days campaign	(3)
Zimbabwe	Voice and accountability	820
Emergencies HQ	HLA bridge funding 2013/2015	455
Emergencies HQ	Surgical platform Gaza deployment	66
Emergencies HQ	Strengthening innovations in international humanitarian action	1,584
Emergencies HQ	The Research for Health in Humanitarian Crises (R2HC)	1,065
Emergencies HQ	Surgical platform project	430
Global	Humanitarian relief for children and their families affected by conflict	3,461

7. GRANTS RECEIVED FROM THE UK AND IRISH GOVERNMENTS IN THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Grants from the Department for International Development (continued)

		£000
Global	Born to Shine	(22)
Global	Emergency relief and recovery assistance to vulnerable communities affected by the food and nutrition crisis in Burkina Faso	1,856
Global	UK Aid match	382
Global	Programme partnership arrangement	9,409
Global	UKH nutrition research programme consortium	83
Global – Start Network	Start Network DEPP	1,497
Global – Start Network	Start rapid response facility	45
Global – Start Network	Start Fund inception	2,711
Global – Start Network	Start Fund tranche 2	11,000
		120,451

The total includes grant income of £15,253,000 (2013: £499,000), which has been received by Save the Children as principal charity within the Start network.

Grants from the Foreign and Commonwealth Office

Yemen	The Broader Middle East and North Africa Initiative	12
		12

Total UK central government grants	**120,463**

Grants received from the Irish government

		£000
Ethiopia	Civil Society Coalition for Scaling Up Nutrition (ECSC-SUN)	343
Tanzania	Working together for better nutrition	146
Tanzania	Harnessing Agriculture for Nutrition Outcomes (HANO)	679
Vietnam	Improving the nutrition status of children 0–24 months – phase 2	79
Vietnam	Improving the nutrition of children 0–24 months	5
Zambia	Civil society SUN/1000 Days Campaign	(8)
Emergencies HQ	INGO consortium food crisis reponse	795
Global	Supporting the transition to a global humanitarian fund for NGOs	55
Total Irish government grants		**2,094**

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

8. GIFTS IN KIND

	Year to 31/12/14 £000	Year to 31/12/13 £000
(a) Gifts in kind by destination		
Ethiopia	**88**	936
Kenya	**25**	89
Myanmar	**43**	79
Niger	**650**	1,143
Somalia	**71**	206
South Sudan	**404**	88
Pakistan	**614**	–
Other country programmes	**1,388**	3,776
Headquarters professional services	**660**	762
Total gifts in kind for charitable purposes	**3,943**	7,079
Gifts in kind for fundraising purposes	**1,168**	772
	5,111	7,851
(b) Gifts in kind by type		
Food aid	**1,937**	4,818
Advertising materials	**–**	163
Other gifts in kind for charitable purposes	**1,346**	1,336
Headquarters professional services	**660**	762
Fundraising	**1,168**	772
	5,111	7,851

(c) At the year end, there are approximately £735,000 of undistributed gifts in kind which have not been recognised as income, mainly consisting of food aid (2013: £388,000).

9. OTHER INCOME

	Year to 31/12/14 £000	Year to 31/12/13 £000
Rental income	**1,782**	1,543
Loss on disposal of fixed assets	**–**	(59)
Other income	**585**	411
	2,367	1,895

10. RESOURCES EXPENDED

(a)

	Grants payable £000	Staff costs (note 13) £000	Other direct costs £000	Depreciation and impairment £000	Gifts in kind £000	Allocation of support costs £000	**Year to 31/12/14 £000**	Year to 31/12/13 £000
Cost of generating funds								
Cost of raising voluntary income	–	7,176	20,723	–	351	2,753	**31,003**	33,056
Retail costs	–	1,400	4,317	278	45	449	**6,489**	6,601
Investment management fees	–	–	136	–	–	6	**142**	114
	–	8,576	25,176	278	396	3,208	**37,634**	39,771
Charitable activities								
Nutrition	24,424	1,734	4,522	3	1,731	1,784	**34,198**	33,217
Livelihoods	22,383	548	1,063	3	1	1,743	**25,741**	24,487
Health	44,131	6,483	11,219	6	869	3,909	**66,617**	54,104
HIV/AIDS	482	12	19	–	–	38	**551**	397
Protection	11,488	245	1,033	2	60	932	**13,760**	16,576
Rights	2,795	550	423	–	312	296	**4,376**	6,376
Education	32,570	2,314	5,553	5	49	2,941	**43,432**	37,147
Rapid-onset emergencies	75,365	6,896	10,475	10	930	6,304	**99,980**	73,102
Campaigning and awareness	1,370	7,823	7,158	2	103	3,039	**19,495**	21,766
Support costs	2,132	18,768	3,893	357	660	(25,810)	**–**	–
	217,140	45,373	45,358	388	4,715	(4,824)	**308,150**	267,172
Governance	–	528	443	–	–	46	**1,017**	795
Other resources expended[1]	–	–	–	–	–	1,570	**1,570**	1,174
Total resources expended	217,140	54,477	70,977	666	5,111	–	**348,371**	308,912
Prior year	159,015	51,853	89,019	1,174	7,851	–	308,912	

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

(b) Grants payable

During the year ended 31 December 2014, Save the Children made grants to partner organisations carrying out work to help children. This includes payments to Save the Children International and other Save the Children members, as described in note 11. A list of grants is made available at **www.savethechildren.org.uk/resources/online-library/annual-report-2014**

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

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

These have several key objectives including:

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

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

10. RESOURCES EXPENDED (CONTINUED)

(d) Costs of generating funds

	Year to 31/12/14 £000	Year to 31/12/13 £000
Individual giving	**20,321**	20,497
Trusts and major donors	**1,981**	2,275
Community fundraising	**5,248**	3,591
Corporate fundraising	**2,526**	2,736
Save the Children global member organisation growth	**–**	2,798
Legacies	**927**	1,159
	31,003	33,056

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

	Basis of apportionment	Year to 31/12/14 £000	Year to 31/12/13 £000
Management and administration costs			
General management	Pro-rata by expenditure	**2,172**	2,090
Financial management	Pro-rata by expenditure	**3,389**	2,950
Human resources	Pro-rata by salary costs	**1,944**	1,997
Information technology	Pro-rata by expenditure	**2,930**	3,048
Premises and facilities	Pro-rata by building usage	**2,917**	2,494
Programme support	Pro-rata by expenditure	**10,437**	10,653
		23,789	23,232
Other support costs			
Gifts in kind (pro-bono professional services)	Estimated usage	**660**	761
(Gains) on foreign exchange	Pro-rata by expenditure	**(209)**	(133)
Rent and service charge costs on sublet office space	Estimated floor space	**1,570**	1,174
Total support costs		**25,810**	25,034

Support costs are shown net of £14,603,000 (2013: £11,105,000) indirect cost recovery contributions received from donors during the year.

(f) Total resources expended include the following amounts:

	Group Year to 31/12/14 £000	Group Year to 31/12/13 £000	Charity Year to 31/12/14 £000	Charity Year to 31/12/13 £000
Group auditor's remuneration:				
Audit	**114**	112	**107**	104
Work relating to grant applications	**13**	19	**13**	19
Other statutory requirements	**4**	4	**4**	4
	131	135	**124**	127

Additional audit overrun costs of £19,500 in relation to the 2013 group audit fee and £6,700 in relation to other grant applications were incurred.

10. RESOURCES EXPENDED (CONTINUED)

(f) continued

Lease rentals: land and buildings

	Year to 31/12/14 £000	Year to 31/12/13 £000
Retail	**2,259**	2,274
Programme offices	**600**	1,075
Headquarters	**3,693**	3,515
	6,552	6,864

Ex-gratia payments

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

(g) Governance costs

	Year to 31/12/14 £000	Year to 31/12/13 £000
Internal audit, risk and other governance	**786**	217
Audit fees in relation to group auditors	**114**	112
Audit fees in relation to subsidiary undertakings	**71**	70
	971	399
Allocation of support costs	**46**	396
	1,017	795

In 2014 £114,000 was paid to Deloitte LLP as Group Auditors and £71,000 paid to Crowe Clark Whitehill LLC as auditor of our subsidiary Merlin.

11. RELATED PARTY TRANSACTIONS

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

The charity was invoiced £729,343 (2013: £443,693) for advertising and creative services provided by Adam and Eve DDB during the year, one of whose directors is the brother of the charity's Chief Executive. The relationship pre-dates the Chief Executive's employment by the charity and he has had no input into the awarding of contracts. Of the total amount invoiced, £nil was outstanding as at 31 December 2014 (2013: £133,735). In the trustees' opinion, the contract has been entered into on an arm's length basis.

The Group is a member of the Disasters Emergency Committee (DEC) and in the year paid a subscription of £142,000 (2013: £125,998). Save the Children's Chief Executive is a trustee of the DEC. The group's income in the year included £6,438,000 (2013: £3,685,000) receivable from DEC appeals.

During the year, the charity was invoiced £nil (2013: £1,000) by Kevin Watkins, one of the charity's Trustees, for consultancy services.

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

11. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year to 31/12/14 £000	Year to 31/12/13 £000
Amounts sub-granted to other members in countries where Save the Children does not have a presence or is not the lead member	**11,927**	18,151
Gifts in kind sub-granted to other members in countries where Save the Children does not have a presence or is not the lead member	**–**	16
Other amounts paid to other members	**622**	3,191
	12,549	21,358
Total grants receivable directly from other Save the Children members or channelled through them	**6,221**	16,393
Total gifts in kind directly from other Save the Children members or channelled through them	**85**	484
Total unspent grant funds returned to other Save the Children members in the year following transition of their programming to SCI	**(92)**	(131)
Other income received from other members	**2,823**	1,655
Net income from other Save the Children members recognised during the year	**9,037**	18,401

At 31 December 2014, £800,000 (2013: £3,363,000) was payable to other Save the Children members and £2,787,000 (2013: £1,153,000) was due from other Save the Children members.

12. TRUSTEES' REMUNERATION

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

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

	Year to 31/12/14 Number of trustees paid	Year to 31/12/13 Number of trustees paid	Year to 31/12/14 £000	Year to 31/12/13 £000
Expenses including travel and subsistence	**2**	6	**1**	3

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

Save the Children has purchased indemnity insurance at a cost of £7,579 (2013: £8,348) that provides cover:
(i) to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents
(ii) to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

13. STAFF COSTS

(a)	Year to 31/12/14 £000	Year to 31/12/13 £000
Wages and salaries	**44,979**	44,803
National Insurance	**3,680**	3,579
Pension costs	**2,981**	1,543
Other staff costs	**2,837**	1,928
	54,477	51,853

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

13. STAFF COSTS (CONTINUED)

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

	Year to 31/12/14 Number	Year to 31/12/13 Number
Charitable activities	**2,610**	3,283
Cost of generating funds	**238**	258
Governance of the charity	**8**	10
	2,856	3,551

Figures above include average staff numbers of 1,782 (2013: 1,660) relating to Merlin.

(c) At 31 December 2014 the number of staff was as follows:

	Headcount[1] Number	Headcount equivalent[2] Number
UK HQ	888	865
UK non-HQ	145	138
International	994	994
	2,027	1,997

[1] Headcount is defined as the number of roles filled by employees.
[2] Headcount equivalent is defined as headcount adjusted to take into account hours worked, where employees do not work on a full-time basis.

Figures above include staff numbers of 905 relating to Merlin.

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

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

	Year to 31/12/14 Number	Year to 31/12/13 Number
£60,001–£70,000	**12**	18
£70,001–£80,000	**8**	8
£80,001–£90,000	**2**	1
£90,001–£100,000	**2**	1
£100,001–£110,000	**3**	3
£110,001–£120,000	**1**	–
£130,001–£140,000	**2**	2
	30	33

Contributions of £306,976 (2013: £221,016) have been paid into pension schemes on behalf of the above employees.

13. STAFF COSTS (CONTINUED)

(e) 2014 Executive Director remuneration

Emoluments for all permanent Executive Directors employed at Save the Children for the year ending 31 December 2014 are detailed below.

Position	Name	Full Time Equivalent Annual Salary	Actual Gross Salary & Emoluments*
Chief Executive Officer (CEO)	Justin Forsyth	£145,500	£138,348
Chief Operating Officer (COO)	Anabel Hoult	£144,100	£138,137
Fundraising Director	Tanya Steele	£116,400	£108,055
Marketing & Communications Director	Sue Allchurch	£115,500	£109,777
Global Programmes Director	Fergus Drake	£115,000	£108,694
Chief Financial Officer (CFO)	Sam Sharpe	£115,000	£37,183
Policy & Advocacy Director	Brendan Cox	£110,278	£90,722
Human Resources Director	Paul Cutler	£104,000	£99,631

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

Jennifer Geary provided maternity leave cover for the COO, Anabel Hoult, during part of 2014 continuing into 2015. 80% of her services have been supplied by Barclays, which has been recorded as a gift in kind.

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

	Year to 31/12/14 £000	Year to 31/12/13 £000	**Year to 31/12/14 Number**	Year to 31/12/13 Number
	292	186	**25**	27

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

			2	2

14. TANGIBLE FIXED ASSETS

(a) Group and charity

	Freehold property £000	Leasehold property improvements £000	Computer equipment and software £000	Assets under construction £000	**Total £000**
Cost at 1 January 2014	1,343	4,529	4,416	2,058	**12,346**
Additions	58	425	8	2,133	**2,624**
Transfers of assets available for use	–	–	1,425	(1,425)	**–**
Disposals	–	(33)	–	–	**(33)**
Cost at 31 December 2014	1,401	4,921	5,849	2,766	**14,937**
Accumulated depreciation at 1 January 2014	502	2,624	3,911	–	**7,037**
Charge for period	28	371	222	–	**621**
Disposals	–	(33)	–	–	**(33)**
Impairment	–	–	–	45	**45**
Accumulated depreciation at 31 December 2014	530	2,962	4,133	45	**7,670**
Net book value at 31 December 2014	**871**	**1,959**	**1,716**	**2,721**	**7,267**
Net book value at 31 December 2013	841	1,905	505	2,058	5,309

14. TANGIBLE FIXED ASSETS (CONTINUED)

(a) Group and charity (continued)

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

(b) The net book value at 31 December 2014 represents tangible fixed assets, used for:

	Freehold property £000	Leasehold property improvements £000	Computer equipment and software £000	Assets under construction £000	**Total £000**
Direct charitable purposes (UK only – see note 1(e))	134	100	–	–	**234**
Other purposes:					
Fundraising and charity shops	737	952	–	–	**1,689**
Headquarters	–	907	1,716	2,721	**5,344**
	871	1,959	1,716	2,721	**7,267**

(c) Capital expenditure contracted for but not provided in the financial statements was £nil (31/12/13: £nil).

15. FIXED ASSET INVESTMENTS

(a) Group	Unrestricted funds £000	Restricted funds £000	**Total 31/12/14 £000**	Total 31/12/13 £000
Market value at start of period	25,377	224	**25,601**	22,501
Acquisitions	4,394	621	**5,015**	6,196
Sales proceeds	(5,131)	(726)	**(5,857)**	(5,436)
Net movement in cash balances	649	203	**852**	(755)
Net realised investment gains	921	395	**1,316**	1,078
Net unrealised investment (losses)/gains	(159)	–	**(159)**	2,017
Market value at end of period	26,051	717	**26,768**	25,601
Historical cost at end of period	19,748	3,012	**22,760**	21,434
Unrealised investment gains at end of period	3,742	266	**4,008**	4,168
Realised investment gains calculated on historic cost basis	921	395	**1,316**	1,078

(b) The market value is represented by:

	31/12/14 £000	31/12/13 £000
Equities	**20,502**	20,346
Bonds	**4,708**	4,787
Cash	**1,558**	468
	26,768	25,601

(c) Save the Children'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's long-term financial plans.

(d) Investment assets outside the UK amounted to £9,950,000 (2013: £9,326,000).

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

16. PRINCIPAL GROUP MEMBERS

		Country of incorporation or principal business address	Principal activity	Accounting year end
Subsidiary undertakings				
Save the Children (Sales) Limited	See note 4b	UK	Retail activities and commercial promotions	31 Dec
Medical Emergency Relief International (Merlin)		UK	International development and humanitarian response charity	31 Dec
Associate undertakings				
Save the Children International	See note 16b	UK	International development and humanitarian response charity	31 Dec
William Belmer Rush Foundation	See note 16c	UK	Grant-making charity	31 Mar
Lead Consortium member				
Start Network	See note 16d	UK	Humanitarian response charity	31 Oct

(a) Associates

	Group £000
At 1 January 2014	1,374
Additions	–
Share of retained profit for the year	26
At 31 December 2014	1,400

(b) Save the Children International

(i) Introduction

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

International programming (IP) activity historically undertaken by Save the Children is now delivered on its behalf by SCI. Assets, employees and operations of Save the Children and other members located abroad have been transitioned to SCI's control on a phased country-by-country basis.

By 31 December 2014, Save the Children's programme activity in a total of 34 countries had been transferred to SCI. Two of these countries transferred in 2014.

Merlin's programme activity in 13 countries has been transferred to SCI, with one remaining country still under Merlin operation. 8 of the 13 countries transferred during 2014.

(ii) Income and expenditure items

Under the IP contracts, the members of SCA make payments to SCI to cover central and regional operating costs. In 2014, Save the Children made the following payments:

	Year to 31/12/14 £000	Year to 31/12/13 £000
Funds transferred for programme delivery	**192,177**	130,237
Central and regional operating costs	**9,339**	8,545
	201,516	138,782

Payment of these amounts was satisfied in the following way:

Transfer of funds	**200,155**	137,676
Provision of resources for no consideration	**1,361**	1,106
	201,516	138,782

16. PRINCIPAL GROUP MEMBERS (CONTINUED)

(b) Save the Children International (continued)

(iii) Balance sheet items

	Group 31/12/14 £000	Group 31/12/13 £000	**Charity 31/12/14 £000**	Charity 31/12/13 £000
SCI debtor at year end	**5,456**	928	**5,112**	2,266
Cost of services incurred by Save the Children to be donated to SCI in the future	**842**	1,106	**842**	1,106
Investment in associate	**955**	955	**–**	–

(iv) Indemnities

The IP contracts provide for those members of SCA for whom SCI delivers international programmes to provide a share of an indemnity capped at USD $20 million in the event that the members choose to cease SCI's programming activity. At 31 December 2014, Save the Children's share of this was approximately USD $5.7 million (2013: $6.2 million). Save the Children 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 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 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 20 for details.

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

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

As at 31 December 2014 no amounts had been drawn down on this facility.

(c) William Belmer Rush Foundation

(i) Introduction

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

16. PRINCIPAL GROUP MEMBERS (CONTINUED)

(c) William Belmer Rush Foundation (continued)

(ii) Income and expenditure items

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

	Year to 31/12/14 £000	Year to 31/12/13 £000
Grant funding	**38**	36
Administration fee	**1**	1
	39	37

(iii) As at 31 December 2014, there were no balances outstanding with the William Belmer Rush Foundation (2013: £nil).

(d) Start Network

(i) Introduction

The Start network is hosted by Save the Children and is a consortium of 19 NGOs that are working together with the aim of strengthening the humanitarian aid system. As the principal charity within the consortium Save the Children is legally responsible to donors for the charitable application of funds. Funding for the consortium is recognised by Save the Children as a separate restricted fund under the agreement with donors.

One of the main initiatives of the consortium is the Start fund. This is a donor pooled fund where funds are distributed to member NGOs to enable quick responses to emergencies.

(ii) Income and expenditure items

	Year to 31/12/14 £000	Year to 31/12/13 £000
Income received in the year	15,273	499
Grants made in the year to consortium members	(3,639)	–
	11,634	499
Net restricted funds balance	12,133	499

(iii) Balance sheet items

	Year to 31/12/14 £000	Year to 31/12/13 £000
Amounts due to consortium members	–	–
Amounts due from donors	–	–

17. DEBTORS

(a) Grant debtors

	Group 31/12/14 £000	Group 31/12/13 £000	Charity 31/12/14 £000	Charity 31/12/13 £000
European Commission	**17,459**	11,861	**13,753**	8,619
Other Save the Children members	**2,787**	1,638	**2,678**	1,622
United Nations	**5,120**	12,542	**4,401**	9,556
United States government	**1,872**	3,183	**1,544**	1,091
UK government	**7,105**	2,490	**7,105**	2,340
Mercy Corps	**–**	31	**–**	31
Corporate donors	**395**	610	**395**	610
Care International	**69**	106	**69**	101
Other national governments	**2,096**	552	**777**	202
UK local and regional government	**80**	39	**80**	39
Other	**4,848**	7,077	**4,189**	6,030
	41,831	40,129	**34,991**	30,241

Grant debtors above include amounts both billed and unbilled.

(b) Other debtors

	Group 31/12/14 £000	Group 31/12/13 £000	Charity 31/12/14 £000	Charity 31/12/13 £000
Trade debtors	**385**	2,199	**385**	2,198
Legacy debtors	**9,264**	9,392	**8,979**	9,172
Amount owed by subsidiary undertaking	**–**	–	**–**	43
Taxes recoverable	**355**	217	**350**	182
Prepayments and accrued income	**3,691**	1,948	**3,280**	1,356
Save the Children International	**6,298**	2,034	**5,954**	2,266
Other debtors	**1,069**	4,665	**941**	4,041
	21,062	20,455	**19,889**	19,258

18. CASH AT BANK AND IN HAND

	Group 31/12/14 £000	Group 31/12/13 £000	Charity 31/12/14 £000	Charity 31/12/13 £000
Headquarters	**34,208**	18,720	**33,099**	17,432
UK branches and shops	**261**	264	**259**	264
Projects in UK and overseas	**2,172**	4,543	**1,239**	2,048
	36,641	23,527	**34,597**	19,744

19. CREDITORS

(a) Amounts falling due within one year

	Group 31/12/14 £000	Group 31/12/13 £000	Charity 31/12/14 £000	Charity 31/12/13 £000
Trade creditors	**8,988**	10,479	**8,116**	9,170
Taxes and social security costs	**1,304**	1,402	**1,038**	960
Amount owed to subsidiary undertaking	**–**	–	**797**	5
Accruals	**4,708**	7,753	**3,940**	6,503
Deferred income[1]	**2,412**	3,915	**2,385**	3,915
Operating lease incentives[2]	**182**	182	**182**	182
Grant obligations	**496**	614	–	–
Other creditors	**2,799**	3,878	**2,710**	3,158
	20,889	28,223	**19,168**	23,893

(b) Amounts falling due in more than one year

Operating lease incentives[2]	**1,747**	2,459	**1,747**	2,459
	1,747	2,459	**1,747**	2,459

[1] The **deferred income** represents cash received from donors for which grant agreements have not yet been finalised and deferred income from the sub-let of the headquarters building in London. Deferred income of £2.4m arose in the year and £3.9m brought forward from 2013 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 when entering into the 25-year lease on the headquarters building. It is being released over the term of the lease.

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	At 01/01/14 £000	Provision created/ (released) £000	Provision utilised £000	At 31/12/14 £000
Terminal grants and severance	5,159	261	(1,899)	**3,521**
Dilapidations	1,304	(57)	–	**1,247**
Grants	5,153	1,421	(726)	**5,848**
Tax	1,215	242	–	**1,457**
Onerous lease	4,219	(204)	–	**4,015**
Other	862	(401)	–	**461**
	17,912	1,262	(2,625)	**(16,549)**

20. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Charity

	At 01/01/14 £000	Provision created/ (released) £000	Provision utilised £000	**At 31/12/14 £000**
Terminal grants and severance	4,418	261	(1,899)	**2,780**
Dilapidations	1,304	(57)	–	**1,247**
Grants	2,060	2,067	–	**4,127**
Tax	875	242	–	**1,117**
Onerous lease	4,219	(204)	–	**4,015**
Other	417	(222)	–	**195**
	13,293	2,087	(1,899)	**13,481**

Terminal grants and severance provisions relate to employees in country programmes leaving employment with Save the Children 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. Save the Children is now making payments to SCI on an agreed schedule to cover these costs.

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 utilised on termination of the lease.

Grant provisions represents estimated funds returnable to donors where Save the Children 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 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's landlord up until the end of our lease term.

21. OBLIGATIONS UNDER OPERATING LEASES

Group

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

	Property 31/12/14 £000	Other 31/12/14 £000	**Total 31/12/14 £000**	Property 31/12/13 £000	Other 31/12/13 £000	Total 31/12/13 £000
Within one year	183	2	**185**	620	6	626
In years two to five	1,707	–	**1,707**	430	2	432
After five years	3,485	–	**3,485**	4,518	7	4,525
	5,375	2	**5,377**	5,568	15	5,583

Charity

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

	Property 31/12/14 £000	Other 31/12/14 £000	**Total 31/12/14 £000**	Property 31/12/13 £000	Other 31/12/13 £000	Total 31/12/13 £000
Within one year	152	–	**152**	620	–	620
In years two to five	1,707	–	**1,707**	305	2	307
After five years	3,485	–	**3,485**	4,518	–	4,518
	5,344	–	**5,344**	5,443	2	5,445

22. FINANCIAL COMMITMENTS

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

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

	Group 31/12/14 £000	Group 31/12/13 £000	**Charity 31/12/14 £000**	Charity 31/12/13 £000
Within one year	**36,848**	169,517	**33,208**	141,203
Between two and five years	**218,281**	167,950	**215,991**	146,590
After five years	**–**	–	**–**	–
	255,129	337,467	**249,199**	287,793

Of this amount, the restricted funds balance of £91,589,395 has already been recognised within income.

(b) Save the Children 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 £6.9m. A provision of £1.2m (2013: £0.8m) has been recognised as at 31 December 2014 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 has entered into a number of long-term contracts for the supply of services, all of which are cancellable.

(d) Save the Children has future commitments in respect of Save the Children International (see note 16 for details).

(e) Save the Children had guarantees with Standard Chartered Bank totalling £7.1m at the year end in relation to grant pre-financing. 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.

23. STATEMENT OF FUNDS

(a) Group

	At 01/01/14 £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/14 £000
Unrestricted funds						
General reserve	26,743	96,483	(85,151)	921	(6,250)	**32,746**
Revaluation reserve	3,904	–	–	(159)	–	**3,745**
Designated funds:						
Tangible fixed assets reserve	4,535	–	–	–	2,010	**6,545**
Associates (note 16)	1,374	–	–	26	–	**1,400**
St John's Lane reserve fund	775	–	–	–	(26)	**749**
Total unrestricted funds excluding pension reserve	37,331	96,483	(85,151)	788	(4,266)	**45,185**
Pension reserve (note 27)	(27,753)	650	(405)	(8,756)	4,266	**(31,998)**
Total unrestricted funds	9,578	97,133	(85,556)	(7,968)	–	**13,187**
Restricted funds						
Restricted income funds (note 24)	81,247	273,157	(262,815)	–	–	**91,589**
Endowment funds (note 25)	2,923	–	–	395	–	**3,318**
Total restricted funds	84,170	273,157	(262,815)	395	–	**94,907**
Total funds	93,748	370,290	(348,371)	(7,573)	–	**108,094**

(b) Charity

	At 01/01/14 £000	Income £000	Expenditure £000	Investments/ actuarial £000	Transfers £000	At 31/12/14 £000
Unrestricted funds						
General reserve	24,842	94,125	(82,950)	921	(6,250)	**31,458**
Revaluation reserve	3,904	–	–	(159)	–	**3,745**
Designated funds:						
Tangible fixed assets reserve	4,535	–	–	–	2,010	**6,545**
St John's Lane reserve fund	775	–	–	–	(26)	**749**
Total unrestricted funds excluding pension reserve	34,056	94,195	(82,250)	762	(4,266)	**42,497**
Pension reserve (note 27)	(27,753)	650	(405)	(8,756)	4,266	**(31,998)**
Total unrestricted funds	6,303	94,845	(82,655)	(7,994)	–	**10,499**
Restricted funds						
Restricted income funds (note 24)	77,420	252,970	(242,563)	–	–	**87,827**
Endowment funds (note 25)	2,923	–	–	395	–	**3,318**
Total restricted funds	80,343	252,970	(242,563)	395	–	**91,145**
Total funds	86,646	347,815	(325,218)	(7,599)	–	**101,644**

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. An adjustment is made for operating lease incentives in relation to fixed assets purchased by the landlord for our headquarters.

The **associates reserve** represents the value of Save the Children's investment in SCI and the William Belmer Rush Foundation (see note 16 for details).

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

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

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

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

24. RESTRICTED FUNDS

Group

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

	Balance 01/01/14 £000	Income £000	Expenditure £000	**Balance 31/12/14 £000**
East Africa				
Ethiopia	4,273	23,006	19,680	**7,599**
Kenya	1,486	8,597	8,278	**1,805**
Rwanda	430	1,549	1,631	**348**
Somalia	1,889	15,127	15,097	**1,919**
South Sudan	2,713	11,902	14,938	**(323)**
Tanzania	1,038	1,452	1,282	**1,208**
Uganda	102	106	151	**57**
Other	106	1,829	1,856	**79**
Southern Africa				
Mozambique	2,888	4,086	6,824	**150**
South Africa	498	423	693	**228**
Zimbabwe	370	1,373	1,036	**707**
Other	692	2,982	2,481	**1,193**
West and Central Africa				
Burkina Faso	600	1,446	1,523	**523**
Central African Republic	370	4,031	4,010	**391**
Chad	695	309	315	**689**
Democratic Republic of Congo	1,354	10,289	10,604	**1,039**
Ivory Coast	1,064	2,008	2,473	**599**
Liberia	443	2,156	2,470	**129**
Niger	205	6,690	6,731	**164**
Nigeria	2,229	10,701	9,532	**3,398**
Sahel region	228	293	411	**110**
Senegal	591	624	604	**611**
Sierra Leone	1,937	8,562	7,919	**2,580**
Other	235	823	630	**428**
Asia				
Afghanistan	661	7,983	7,127	**1,517**
Bangladesh	2,078	8,948	7,201	**3,825**
China	1,360	1,168	1,730	**798**
India	1,786	3,702	4,391	**1,097**
Indonesia	294	942	794	**442**
Myanmar	2,248	19,749	15,111	**6,886**
Nepal	406	480	751	**135**
North Korea	608	824	1,062	**370**
Pakistan	4,008	15,005	16,178	**2,835**
Philippines	3,197	12,136	13,620	**1,713**
Sri Lanka	90	996	1,073	**13**
Tajikistan	46	412	458	**–**
Thailand	85	2,459	2,316	**228**
Vietnam	425	736	935	**226**
Other	192	827	813	**206**

(continued opposite)

24. RESTRICTED FUNDS (CONTINUED)

Group (continued)

(a) continued

	Balance 01/01/14 £000	Income £000	Expenditure £000	**Balance 31/12/14 £000**
Latin America and Caribbean				
Brazil	41	45	79	**7**
Colombia	429	403	541	**291**
Ecuador	17	119	108	**28**
Haiti	585	160	595	**150**
Peru	104	251	297	**58**
Other	202	505	537	**170**
Middle East and south-east Europe				
Iraq	56	1,688	1,085	**659**
Libya	–	3	3	**–**
Middle East/North Africa	537	561	885	**213**
Occupied Palestinian Territory	199	1,159	1,005	**353**
Syria	5,634	17,754	21,920	**1,468**
Yemen	1,370	8,386	8,198	**1,558**
South-east Europe	1	121	122	**–**
Other	3,088	5,052	4,346	**3,794**
United Kingdom				
England	1,071	3,113	3,279	**905**
Northern Ireland	5	746	750	**1**
Scotland	505	1,207	1,313	**399**
Wales	66	1,298	1,161	**203**
UK-wide initiatives[1]	4,491	(1,568)	893	**2,030**
Other funds				
Headquarters grants	3,397	8,612	3,066	**8,943**
Gifts in kind for fundraising and support purposes	–	1,828	1,828	**–**
Headquarters emergency programmes	4,446	7,334	7,592	**4,188**
Consortium of British Humanitarian Agencies funding[1]	81	(66)	–	**15**
Unallocated Children's Emergency Fund[2]	386	242	–	**628**
Unrealised exchange gains/losses on restricted funds[3]	341	–	43	**298**
Unallocated Wish List funds[4]	2	16	–	**18**
Unallocated restricted funds[5]	5,852	359	337	**5,874**
Thematic funds[6]	75	1,825	617	**1,283**
Strategic humanitarian partnerships	3,847	–	3,847	**–**
Start Network	499	15,273	3,639	**12,133**
	81,247	273,157	262,815	**91,589**

1 Receipts held in some regions have been allocated directly to other specific regions in line with donor wishes.

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

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

4 Receipts from the Wish List catalogue not yet allocated to particular country programmes.

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

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

Negative fund balances above relate to expenditure being incurred in advance of income on performance related contracts, where the milestones for income entitlement have not yet been met.

24. RESTRICTED FUNDS (CONTINUED)

Charity

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

	Balance 01/01/14 £000	Income £000	Expenditure £000	**Balance 31/12/14 £000**
East Africa				
Ethiopia	3,732	22,254	18,416	**7,570**
Kenya	1,252	8,602	8,035	**1,819**
Rwanda	430	1,549	1,631	**348**
Somalia	1,621	14,830	14,696	**1,755**
South Sudan	2,324	11,417	14,064	**(323)**
Tanzania	1,038	1,452	1,282	**1,208**
Uganda	102	106	151	**57**
Other	106	600	371	**335**
Southern Africa				
Mozambique	2,888	4,086	6,824	**150**
South Africa	498	423	693	**228**
Zimbabwe	370	1,373	1,036	**707**
Other	692	2,982	2,481	**1,193**
West and Central Africa				
Burkina Faso	403	1,446	1,523	**326**
Central African Republic	364	3,672	3,461	**575**
Democratic Republic of Congo	1,354	8,898	8,518	**1,734**
Ivory Coast	740	2,008	2,473	**275**
Liberia	443	2,395	2,400	**438**
Niger	205	6,690	6,731	**164**
Nigeria	2,229	10,701	9,532	**3,398**
Sahel region	228	293	411	**110**
Senegal	488	624	604	**508**
Sierra Leone	1,937	8,562	7,919	**2,580**
Other	235	823	630	**428**
Asia				
Afghanistan	107	6,680	5,280	**1,507**
Bangladesh	2,078	8,948	7,201	**3,825**
China	1,360	1,168	1,730	**798**
India	1,786	3,702	4,391	**1,097**
Indonesia	294	942	794	**442**
Myanmar	2,032	13,702	11,770	**3,964**
Nepal	360	511	736	**135**
North Korea	608	824	1,062	**370**
Pakistan	3,560	7,044	8,523	**2,081**
Philippines	2,812	11,933	13,299	**1,446**
Sri Lanka	90	996	1,073	**13**
Tajikistan	46	412	458	**–**
Thailand	85	2,459	2,316	**228**
Vietnam	425	736	935	**226**
Other	192	827	813	**206**

(continued opposite)

24. RESTRICTED FUNDS (CONTINUED)

Charity (continued)

(a) continued

	Balance 01/01/14 £000	Income £000	Expenditure £000	**Balance 31/12/14 £000**
Latin America and Caribbean				
Brazil	41	45	79	**7**
Colombia	429	403	541	**291**
Ecuador	17	119	108	**28**
Haiti	584	160	594	**150**
Peru	104	251	297	**58**
Other	202	505	537	**170**
Middle East and south-east Europe				
Iraq	56	1,688	1,085	**659**
Libya	–	3	3	**–**
Middle East/North Africa	537	561	885	**213**
Occupied Palestinian Territory	199	1,159	1,005	**353**
Syria	5,349	17,815	21,876	**1,288**
Yemen	1,369	8,250	8,061	**1,558**
South-east Europe	1	121	122	**–**
Other	3,088	5,052	4,346	**3,794**
United Kingdom				
England	1,071	3,113	3,279	**905**
Northern Ireland	5	746	750	**1**
Scotland	505	1,207	1,313	**399**
Wales	66	1,298	1,161	**203**
UK-wide initiatives[1]	4,491	(1,568)	893	**2,030**
Other funds				
Headquarters grants	2,579	8,600	3,508	**7,671**
Gifts in kind for fundraising and support purposes	–	1,789	1,789	**–**
Headquarters emergency programmes	8,293	7,334	7,592	**8,035**
Consortium of British Humanitarian Agencies funding[1]	81	(66)	–	**15**
Unallocated Children's Emergency Fund[2]	386	242	–	**628**
Unrealised exchange gains/losses on restricted funds[3]	341	–	43	**298**
Unallocated Wish List funds[4]	2	16	–	**18**
Unallocated restricted funds[5]	3,689	359	330	**3,718**
Thematic funds[6]	75	1,825	617	**1,283**
Strategic humanitarian partnerships	3,847	–	3,847	**–**
Start Network	499	15,273	3,639	**12,133**
	77,420	252,970	242,563	**87,827**

[1] Receipts held in some regions have been allocated directly to other specific regions in line with donor wishes.

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

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

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

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

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

Negative fund balances above relate to expenditure being incurred in advance of income on performance related contracts, where the milestones for income entitlement have not yet been met.

24. RESTRICTED FUNDS (CONTINUED)

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

LOTTERY FUNDED	Balance 01/01/14 £000	Income £000	Expenditure £000	**Balance 31/12/14 £000**
Big Lottery Fund				
Health and Nutrition in Kani	45	148	193	**–**
Development Grant: Colombia	1	–	1	**–**
Third Sector Early Intervention Fund	62	102	112	**52**
Eat, Sleep, Learn, Play!	110	172	261	**21**
	218	422	567	**73**

£422,000 (31/12/13: £196,000) of the above income is recognised in grant income and £nil (31/12/13: £125,088) is recognised as gifts in kind.

25. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year:

	Balance 01/01/14 £000	Income £000	Gains £000	Transfers £000	**Balance 31/12/14 £000**
The Oliver Children's Fund	2,923	–	395	–	**3,318**
	2,923	–	395	–	**3,318**

26. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

	Note	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	**Total 31/12/14 £000**
Fund balances at 31 December 2014 are represented by:								
Tangible fixed assets	14	722	–	6,545	–	–	–	**7,267**
Fixed asset investments	15	19,705	3,745	1,400	–	–	3,318	**28,168**
Current assets		51,008	–	749	–	92,085	–	**143,842**
Current liabilities	19a	(20,393)	–	–	–	(496)	–	**(20,889)**
Non-current liabilities	19b	(1,747)	–	–	–	–	–	**(1,747)**
Provisions for liabilities and charges	20	(16,549)	–	–	–	–	–	**(16,549)**
Pension liability	27	–	–	–	(31,998)	–	–	**(31,998)**
		32,746	3,745	8,694	(31,998)	91,589	3,318	**108,094**

26. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

(b) Charity

	Note	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	**Total 31/12/14 £000**
Fund balances at 31 December 2014 are represented by:								
Tangible fixed assets	14	722	–	6,545	–	–	–	**7,267**
Fixed asset investments		19,955	3,745	–	–	–	3,318	**27,018**
Current assets		45,177	–	749	–	87,827	–	**133,753**
Current liabilities	19a	(19,168)	–	–	–	–	–	**(19,168)**
Non-current liabilities	19b	(1,747)	–	–	–	–	–	**(1,747)**
Provisions for liabilities and charges	20	(13,481)	–	–	–	–	–	**(13,481)**
Pension liability	27	–	–	–	(31,998)	–	–	**(31,998)**
		31,458	3,745	7,294	(31,998)	87,827	3,318	**101,644**

27. PENSION COSTS

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

(b) – (c) Defined Benefit Triennial valuation

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

(m) Defined contribution scheme (open to staff with UK contracts over six months until September 2013. From October 2013 all staff may join a retirement savings scheme, either a group personal pension for UK-based staff or a long-term savings plan for overseas staff).

Merlin also operates a separate group personal pension pension scheme with Aegon, which closed to new members in May 2014. Staff joining a pension scheme since May 2014, including under the automatic enrolment for pensions legislation, join the Save the Children Group Personal Pension.

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

(b) Triennial valuation

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

The 2014 triennial valuation is currently in process but has not yet been finalised. The last formal triennial valuation of the defined benefit scheme was performed at 30 September 2011 by a professionally-qualified actuary. This reported the scheme assets as £83.9m and the scheme liabilities as £117.5m. This corresponds to a scheme deficit of £33.6m and a funding level of 71%.

The triennial valuation also reported that there were 41 active members at 30 September 2011 and 1,914 deferred/pensioner members, a total of 1,955 members.

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

Employees	6.4% (average rate)
Employer (to 30 September 2012)	14.2%
Employer (from 1 October 2012 to 30 September 2021)	10.4%
Employer (to 29 February 2012)	£1,906,000 per annum in monthly instalments
Employer (from 1 March 2012 to 30 September 2021)	£4,000,000 per annum in monthly instalments

27. PENSION COSTS (CONTINUED)

(c) Triennial valuation: assumptions

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

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

(d) FRS 17 valuation of the defined benefit scheme as at 31 December 2014

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

The present value of the liability to meet future pension obligations of members is arrived at by applying a discount rate equivalent to the return expected to be derived from a Class AA corporate bond as at the balance sheet date. In the 2011 triennial actuarial valuation referred to above, the discount rate used was that as at 30 September 2011 and applied to the scheme's actual investments, making a cautious estimate of long-term expected returns. The different timings and thus discount rates applied and the different bases on which these rates are applied then explain any difference between the amount of the deficits valued under either the triennial or FRS 17 methods. Furthermore:

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

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

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

(e) Net movement in pension liability

	Notes	**Year to 31/12/14 £000**	Year to 31/12/13 £000
Net pension liability at start of period		**27,753**	33,650
Current service cost[1]		**405**	434
Interest on obligation	5	**6,143**	5,661
Expected return on scheme assets	5	**(6,793)**	(5,566)
Contributions by employer		**(4,266)**	(4,334)
Net actuarial losses/(gains) in the year		**8,756**	(2,092)
Net pension liability at 31 December		**31,998**	27,753

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

27. PENSION COSTS (CONTINUED)

(f) Amounts recognised in the balance sheet

	Notes	Year to 31/12/14 £000	Year to 31/12/13 £000
Present value of funded obligations	27h	**152,753**	135,525
Fair value of scheme assets	27i	**(120,755)**	(107,772)
Net pension liability		**31,998**	27,753

(g) Amounts recognised in the statement of financial activities

	Notes	Year to 31/12/14 £000	Year to 31/12/13 £000
Expected return on scheme assets	5	**6,793**	5,566
Interest on obligation	5	**(6,143)**	(5,661)
Net finance expense	5	**650**	(95)
Current service cost		**(405)**	(434)
Total decrease in net incoming resources		**245**	(529)
Net actuarial gains/(losses) in the year[2]		**(8,756)**	2,092
Total (decrease)/increase in net funds		**(8,511)**	1,563

[2] Total cumulative actuarial losses since adoption of FRS 17 is £51,513,000 (2013: £42,757,000).

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

	Year to 31/12/14 £000	Year to 31/12/13 £000
Opening defined benefit obligation	**135,525**	130,179
Service cost	**405**	434
Interest cost	**6,143**	5,661
Contributions by employees	**52**	66
Actuarial losses	**15,059**	2,735
Net benefits paid (including expenses)	**(4,431)**	(3,550)
Closing defined benefit obligation	**152,753**	135,525

(i) Change in the fair value of scheme assets

	Year to 31/12/14 £000	Year to 31/12/13 £000
Opening fair value of the scheme assets	**107,772**	96,529
Expected return	**6,793**	5,566
Actuarial gains	**6,303**	4,827
Contributions by employer	**4,266**	4,334
Contributions by employees	**52**	66
Net benefits paid (including expenses)	**(4,431)**	(3,550)
Closing fair value of the scheme assets	**120,755**	107,772

The scheme assets are valued at bid or offer prices.

Actual return on scheme assets	**13,096**	10,393

27. PENSION COSTS (CONTINUED)

(j) The assets at 31 December 2014 are represented by:

	At 31/12/14 Fair value £000	At 31/12/13 Fair value £000	At 31/12/12 Fair value £000	At 31/12/11 Fair value £000	At 31/12/10 Fair value £000
Equities and property	**77,791**	72,491	64,492	58,748	60,215
Government bonds	**41,979**	33,922	30,993	28,528	26,953
Other	**985**	1,359	1,044	397	487
Scheme assets	**120,755**	107,772	96,529	87,673	87,655

Expected rate of return (% per annum)	Year to 31/12/14	Year to 31/12/13	Year to 31/12/12	Year to 31/12/11	Year to 31/12/10
Equities and property	**5.96**	7.50	6.90	6.89	7.90
Government bonds	**3.42**	3.83	3.51	3.97	4.77
Other	**0.50**	0.50	0.50	0.50	0.50
Scheme assets*		6.31	5.74	5.91	6.90

*Accounting disclosures for periods starting on or after 1 January 2015 will need to comply with FRS 102. Under these standards there is no explicit expected return on assets assumption and instead this will effectively be equal to the discount rate.

(k) Historic experience of gains and losses

	At 31/12/14 £000	At 31/12/13 £000	At 31/12/12 £000	At 31/12/11 £000	At 31/12/10 £000
Defined benefit obligation	**(152,753)**	(135,525)	(130,179)	(119,517)	(114,685)
Fair value of scheme assets	**120,755**	107,772	96,529	87,673	87,655
Deficit	**(31,998)**	(27,753)	(33,650)	(31,844)	(27,030)
Experience of gains/(loss) on scheme liabilities:					
Amount (£000)	**–**	–	5,306	–	–
% of the present value of scheme liabilities	**0.0%**	0.0%	4.1%	0.0%	0.0%
Actual return less expected return on scheme assets					
Amount (£000)	**6,303**	4,827	2,891	(4,925)	3,635
% of the present value of scheme assets	**5.2%**	4.5%	3.0%	-5.6%	4.1%

(l) Actuarial assumptions

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

Financial assumptions	Year to 31/12/14 %pa	Year to 31/12/13 %pa
Discount rate	**3.40**	4.60
Rate of revaluations for career averaged earnings (RPI-related)	**3.10**	3.50
Rate of increase of pensions (CPI-related):		
Limited Price Indexation 5%	**2.10**	2.60
Limited Price Indexation 2.5%	**1.70**	2.10
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI-related)	**3.10**	3.50
Inflation assumption		
Retail Price Index	**3.10**	3.50
Consumer Price Index	**2.10**	2.60
Expected return on the scheme assets	**N/A**	6.31

27. PENSION COSTS (CONTINUED)

(l) Actuarial assumptions (continued)

Demographic assumptions

Mortality

Year to 31/12/14:	60% before retirement, 89% after retirement SAPS All Pensioners; year of birth; CMI 2013 projections long-term improvement rates 1.25% p.a. males and 1.00% p.a. females
Year to 31/12/13:	47% before retirement, 93% after retirement SAPS All Pensioners; year of birth; CMI 2013 projections long-term improvement rates 1.5% p.a. males and 1.25% p.a. females

(m) Defined contribution scheme

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

	Year to 31/12/14 £000	Year to 31/12/13 £000
Pension contributions	**2,031**	2,644

	31/12/14 £000	31/12/13 £000
Outstanding pension contributions	**834**	573

These are included within creditors in note 19a.

(n) The Pensions Trust Growth Plan

Save the Children 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 multi-employer scheme as it is not possible to separately identify the assets and liabilities of participating employees.

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

The last formal triennial valuation of the plan was performed at 30 September 2011 by a professionally-qualified actuary. The valuation revealed that the assets of the plan fell short of the accrued liabilities as at the valuation date. This resulted in a solvency funding level of 77%.

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

The actuary advises that the deficit in the scheme is £1.3m (2014: £1.6m) The deficit includes Save the Children's share of any 'orphan' liabilities in respect of previously participating employers. Save the Children started to make deficit contributions in April 2013, with the aim of clearing the debt by the year 2023. In 2014 Save the Children paid £146K (2013: £97K). It is estimated that this should reduce the potential debt to zero over a period of 10 years, i.e. by April 2023. Save the Children has no current intention to leave the plan and trigger the contingent liability.

The Growth Plan will be accounted for under FRS102 with effect from 1st January 2015.

28. POST BALANCE SHEET EVENTS

On 23rd March 2015, DFID announced that they will invest up to £20 million in the Humanitarian Leadership Academy. Decisions surrounding its funding structure are still being finalised and the resulting impact to the group is currently being assessed. See page 9 for further details.

THE WORLD'S WORST OUTBREAK OF EBOLA, CONFLICT ACROSS THE MIDDLE EAST, OUR GLOBAL CAMPAIGN TO END THE SCANDAL OF A MILLION BABIES DYING A YEAR ON THEIR FIRST DAY OF LIFE… 2014 WAS A YEAR THAT STRETCHED SAVE THE CHILDREN TO THE LIMIT.

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