



REACHING EVERY LAST CHILD



Save the Children

Annual report 2015

2015: THE STORY IN NUMBERS



REACHING CHILDREN

17.5 MILLION

children helped directly through our work on the ground
Target: 16 million*

72 MILLION

more children and adults reached**



SAVING CHILDREN'S LIVES

9.8 MILLION

children helped through our health and nutrition programmes
Target: 9.1 million

716,000

children helped to escape extreme poverty
Target: 750,000



EMERGENCIES

5 MILLION

people helped during emergencies, including 2.6 million children



EDUCATION

6.3 MILLION

children reached through our education programmes
Target: 3.3 million



CHILD PROTECTION

383,000

children helped to stay safe from harm and abuse
Target: 180,000

*COVER PHOTO: Refugees – most of them children – arriving in Lesbos, Greece, after a perilous journey across the Mediterranean Sea in a dinghy.
(Photo: Pedro Armestre/Save the Children)*

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



ENDING UK CHILD POVERTY

20,000

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

Target: 20,000

£

INCOME

£390 MILLION

Income in 2014: £373 million

A global movement for children

The Save the Children movement is made up of 29 member organisations, operating in more than 120 countries. Last year the Save the Children movement directly reached 62 million children.

Here we report specifically on the work of Save the Children UK in 2015. As a member of the Save the Children movement, our programmes around the world are delivered by Save the Children International, with the exception of our domestic programmes in the UK.

This model of a single programme-delivery structure enables us to align activities across Save the Children members and maximise our collective impact for children. Save the Children members are responsible for designing programmes in conjunction with donors, and overseeing their delivery. As well as our direct programming within the UK, we continue to provide humanitarian surge capacity and technical support to overseas programmes.

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* Targets are taken from our Annual Report 2014

** For a definition of 'reach' see page 37.

ENDURING PURPOSE

In 1919, with Europe ravaged by the First World War, a refugee crisis in Austria left children stranded and starving.

Two sisters from Shropshire, Eglantyne Jebb and Dorothy Buxton, felt compelled to act to help stop children's appalling suffering. While distributing leaflets in London's Trafalgar Square highlighting the plight of children in post-war Austria and of Britain's involvement in the crisis, Eglantyne was arrested. She was tried in court and fined. But her campaign had caught the public imagination, and within a few days of the trial, a new organisation was born: Save the Children.

Last year, almost a century on from those events, Europe faced another refugee crisis. True to its founding principles, Save the Children responded with purpose and courage – setting up programmes across Europe, speaking out on behalf of children forced to flee horrific conflict, and appealing to the public to give money to help.

“All wars are waged against the child,” Eglantyne Jebb said. Today, that same imperative which motivated Save the Children's founder to save and protect children – who bear no responsibility for their situation – pervades the organisation. Save the Children's long-term development programmes and emergency responses around the world bring vital help to children in the most difficult situations. Its public campaigns help focus attention on those children's needs, and its fundraising activities make all this work possible.

I would like to pay a special tribute to Save the Children's many volunteers; your contribution to the organisation's achievements for children is immense. As we saw last year,



ZACHARIAS ABUBEKERSAVE THE CHILDREN

nearly 100 years on from Eglantyne Jebb's bold initiative, Save the Children still has a vital role to play in ensuring that the plight of our most vulnerable children is not forgotten.

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



Above: HRH The Princess Royal speaks with Save the Children health workers in Ethiopia.

Inset: The commitment of Save the Children's founder, Eglantyne Jebb, to help child refugees in the aftermath of the First World War has particular resonance today.



EVERY LAST CHILD

Za'atari refugee camp is a sprawling settlement in the desolate Jordanian desert. I visited it last year. Surrounded by barbed-wire fences and police, a population the size of Guildford lives here, cheek by jowl in crowded prefabs that are freezing in winter and suffocating in summer.



Forced to flee the horrific conflict in Syria, families in the camp simply survive. Parents are unable to leave to find work. Children are vulnerable to illness. One child in three is out of school. Rates of child marriage are high.

For the tens of thousands of children living in this makeshift city, it's a tough place to grow up. But Save the Children is doing vital work here. We are

running safe spaces for children to play, make friends and start to come to terms with traumatic experiences they have been through. We are helping children get an education, which is so critical for their futures. We are supporting families' livelihoods.

The refugee crisis that these families are caught in dominated 2015. And as the shocking images of children's bodies washed up on the beach brought home, children were at its heart.

As Europe faced its biggest refugee crisis since the Second World War, the Save the Children movement responded swiftly, decisively and at scale. We set up programmes to support children and families all along the routes refugees are taking, including in countries where we had never worked before and here in the UK. At the same time, our child refugee campaign helped shift UK public opinion on the plight of refugees – and in turn, government policy. There's much more to do. But this response demonstrated Save the Children's reach – on the ground, in hearts and minds, and in the corridors of power.

That synergy – across different areas and at different levels – is tremendously powerful. It's at the core of how we seek to bring about dramatic improvements in children's lives: our 'theory of change'. Last year we reached 17.5 million children – on a par with our record-breaking achievement the year before.

We reach children, as this report vividly shows, by focusing on three key areas of their lives. We help them survive; we give them the chance to learn; and we help keep them safe. We look to maximise our impact – across a whole country or in different countries. The foremost examples are our signature programmes, which are designed to be replicable at scale and to leverage powerful support from governments, partners and donors.

Last year saw the culmination of our five-year No Child Born to Die campaign – and a broader global push to usher in a new era of development to transform children's chances within a generation. **We played a pivotal role in establishing and gathering support for action/2015** – a global movement of more than 2,000 organisations that brought together millions of people to call for a better future. When leaders from around the world met at the United Nations in September they responded to the challenge by agreeing the Sustainable Development Goals, which set out the course for global development for the next 15 years – including a commitment to end preventable child deaths.

Of course, promises need to be turned into practical action. In 2016 our new global campaign will build on the achievements of No Child Born to Die, focusing on millions of the most vulnerable and disadvantaged children and making sure they don't get left behind. We're part of the global Save the Children movement, which reached a record 62 million children in 2015 and raised \$2.1 billion. Last year, together, we agreed our first-ever global strategy – to achieve three breakthroughs for children over the next 15 years: to help *all* children survive, learn and be safe.

Yet, formidable challenges threaten children's lives and futures: the escalation around the world of environmental disasters; new and ongoing conflicts; the global growth in inequality; and devastating pandemics like Ebola and the

Zika virus. Faced with these global threats, we know that we need to learn lessons and improve aspects of what we do in order to make the most impact for children. That includes strengthening capacity in some country offices to deliver our programmes; supporting our workforce and improving staff retention; and addressing weaknesses in our infrastructure and support systems.

But we're determined, ambitious and experienced. We'll go wherever we have to and do whatever it takes. I would like to acknowledge the skill, commitment and courage shown every day by Save the Children staff in helping some of the world's most disadvantaged children.

As Chief Executive over the last five years, Justin Forsyth harnessed the shared sense of purpose, raising the level of ambition across everything we do. The achievements that followed – doubling the numbers of children reached; helping deliver breakthroughs on vaccines, nutrition and overseas aid; building powerful and innovative partnerships; increasing income by a third – are a platform for Save the Children to go to the next level.

I am delighted to announce that Kevin Watkins will take on that challenge when he becomes our new Chief Executive on 28 September 2016. One of the world's pre-eminent thinkers on international development, Kevin's experience ranges from the United Nations, to the prestigious Brookings Institution in Washington, to Oxfam and, most recently, to heading up the leading think tank, the Overseas Development Institute.

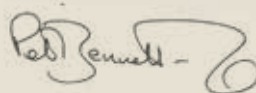
I would like to thank Tanya Steele, who has stepped up as interim CEO, before taking on the new role of Managing Director.

I would also like to acknowledge our gratitude to Sir Alan Parker. As Chair of Save the Children over seven years he shaped, guided and nurtured the organisation's progress. We welcome Alan's subsequent appointment as Chair of Save the Children International.

It is a huge privilege for me to take on the role of Chair. This is a new chapter in Save the Children's story. A new era in international development beckons and we will be at the forefront of both policy and delivery around this.

The world faces grave crises and huge need. But as this report shows, there is tremendous opportunity for us to rise to these challenges. Save the Children is determined to make that opportunity count.

Thank you for your support.



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

One-year-old Manal stands amid the desolation of Za'atari refugee camp in Jordan, home to tens of thousands of children who have fled Syria's civil war.



TEN STAND-OUT ACHIEVEMENTS

From our pioneering response to the refugee crisis to our Christmas Jumper Day extravaganza, 2015 was a remarkable year for Save the Children.

1 RESTARTING THE RESCUE

In late 2014 the EU suspended search-and-rescue efforts in the Mediterranean despite the continued flows of desperate people risking their lives in flimsy dinghies. We stood up and spoke out to stop children drowning and advocated powerfully and successfully to restart the rescue.

2 EMERGENCY RESPONSE FOR NEPAL'S CHILDREN

The earthquake that hit Nepal in April flattened towns and villages and left thousands dead. Our staff in Nepal, alongside specialist emergency teams, responded fast to save lives. By the end of 2015 the Save the Children movement had reached more than 540,000 people, including 325,000 children.

3 URGENT HELP FOR REFUGEE CHILDREN

In August we called again for Europe to step up, as the humanitarian tragedy of the refugee crisis continued to unfold. Our Child Refugee Crisis Appeal rallied huge public support, raising £1 million in just three days. We helped start a national conversation, which in turn helped persuade the government to take 20,000 Syrian refugees from the region. We built a response across 12 affected European countries, reaching thousands of children with desperately needed help.

4 INNOVATING FOR SUSTAINABLE CHANGE

Throughout 2015 we grew our portfolio of large-scale, long-term 'signature programmes' (see page 32). We launched our Stop Diarrhoea Initiative with RB in India and Nigeria. In May we held a national launch event of our signature programme in the Democratic Republic of Congo with GSK to tackle child and maternal mortality. Ensuring signature programmes achieve their full potential – ultimately through replication and scale up – remains a key challenge.

5 PUSHING FOR AMBITIOUS NEW GLOBAL GOALS

We helped drive the action/2015 movement, bringing together millions of people around the world, calling with one voice for a better future. In September, leaders from around the world came together to set new global goals for the next 15 years to tackle extreme poverty, inequality and climate change, and to stop children dying needlessly.

6 HELPING MILLIONS OF CHILDREN IN HUMANITARIAN CRISES

Last year we helped 2.6 million children around the world whose lives had been devastated by disaster. We built on our pioneering response to the 2014 Ebola epidemic, provided vital help to children whose lives have been torn apart by the Syrian conflict, and helped children affected by the world's ignored conflicts in Yemen and South Sudan.

7 READ ON. GET ON.

As a leading member of the Read On. Get On. campaign, we got the nation reading with their children this year. With a fresh focus on preschool children, we partnered with Penguin Random House UK and Entertainment One to create tools to help young children develop the language skills they need for their future. Our work to support children's reading in the UK got another boost through the support of Sainsbury's festive TV ad, *Mog's Christmas Calamity*, which quickly became a national favourite.

8 DOING YOUR BIT IN A FESTIVE KNIT

Last year, for our flagship fundraising moment – Christmas Jumper Day – we partnered with ITV's Text Santa. We brought stories of our work to new TV audiences and raised £3 million for our cause.

IN 2015

JONATHAN HAN/SAVE THE CHILDREN

A specialist medical team we support moves Sirjana, 25, to a spinal injury clinic after her home collapsed on her during the huge earthquake in Nepal. Our response to the quake – which reached 540,000 people – was one of our key achievements in 2015.

TRAINING THE NEXT GENERATION OF HUMANITARIAN WORKERS

With numbers of emergencies increasing around the world, we launched the Humanitarian Leadership Academy. Over the next five years the Academy, a separate charity, aims to train 100,000 humanitarian workers, mainly from countries affected by crises, and to spread best practice through ten global centres. Support for this ground-breaking initiative has come from the UK government's Department for International Development (DFID), the Alwaleed Foundation, other governments, trusts, and private sector partners such as Unilever.

BUILDING A BETTER WORLD (A STORY OF 20,000 DENS)

Our new initiative Den Day – which gives children, families and schools a fun way to get involved with Save the Children – surpassed our sign-up targets among schools and families alike. This event has children at its heart: building dens to build a better world means imagination, creativity and learning can come together in one big-hearted adventure – and raise money to help some of the world's poorest children.

MEETING OUR CHALLENGES HEAD ON

While we are proud of our achievements in 2015, we faced a number of challenges to our ability to work effectively to help children. In response to those challenges, last year we sought to:

- strengthen our programme-operating platform in some of the complex environments where we work to address risks such as corruption and fraud, and to improve monitoring and evaluation of the quality of our programmes (see page 43)
- demonstrate, amid increased media scrutiny of charities' fundraising techniques, our commitment to our supporters by issuing a Supporter Promise (see page 44)
- address the high turnover of our staff through following up on findings from staff surveys and progressing our 'People Agenda' (see page 45).

For more details on the risks we faced in 2015 and how we tackled them, see pages 42–46.

Three breakthroughs for every child

1. SURVIVE





At a health centre in the Democratic Republic of Congo Clarisse holds her baby son just three days after he almost died in childbirth. A Save the Children midwife saved his life after the umbilical cord became wrapped around his neck.

2015 was a landmark year – a chance to look forward with optimism to a world where no child dies from preventable causes.

But even as leaders met in New York to decide on global goals that would shape the lives of a generation, there were reminders of the challenges children around the world face. Brutal conflicts in Syria and Yemen mean children confront a daily struggle to survive. Large areas of Nepal were flattened by a huge earthquake. And drought started another deadly sweep across Ethiopia.

At every turn, we were there for children. We campaigned for world leaders to guarantee that children everywhere can access free essential healthcare. We were by their side in emergencies, providing them with care and support when they needed us most. And our life-saving healthcare and nutrition programmes in some of the world's poorest countries are helping babies and young children get the help they need in their first fragile years.

NO CHILD BORN TO DIE

In September 2015, world leaders met at the UN General Assembly to decide on global goals for the next 15 years. It was a chance for them to commit to wiping out unnecessary child deaths inside a generation, reducing inequalities and committing to universal health coverage.

We were determined to make sure that they took it.

The 2014 Ebola epidemic had been a wake-up call for us all, demonstrating the catastrophic potential of a combination of weak healthcare systems and a deadly disease. Thousands died because West African countries affected – where spending on healthcare is as low as \$9 per person – were in no way equipped to stop the disease from spreading. Many more will suffer in years to come as systems pushed beyond breaking point struggle to pick up the pieces.

The situation there is far from unique – the story of inadequate healthcare systems is echoed around the world. And whether it's the failure to combat an epidemic like Ebola, the creep of malnutrition and treatable conditions like diarrhoea and pneumonia, or the lack of support for women giving birth, the impact on children is tragic.

Over the past 25 years, the number of children dying before their fifth birthday has more than halved. But 16,000 children under-five still die every single day, many of them from illnesses we know how to prevent or treat. In the 21st century no child should die from diarrhoea or pneumonia.

A washing station in India set up by RB and Save the Children as part of a ground-breaking programme to stop children dying of diarrhoea.



CI CLARKE/SAVE THE CHILDREN

As part of the action/2015 coalition, we called on world leaders to commit to making sure every child gets access to free essential healthcare, no matter where they are, or what their parents do.

Thousands of our supporters signed a petition and emailed Prime Minister David Cameron, asking him to lead the way.

And on the eve of the UN General Assembly, 2,000 people gathered on the Millennium Bridge in London for the Light the Way event, supported by IKEA. They were joining 250,000 people worldwide to call on leaders to take this opportunity to create ambitious development goals that would create a better world for children.

The pressure paid off. When they met in New York, world leaders grasped the opportunity, committing to a new framework for humanity – to tackle poverty, inequality and environmental destruction.

Our No Child Born to Die campaign, which we launched in 2011, successfully championed issues such as immunisation, malnutrition, family planning and universal health coverage. Each step potentially brings us closer to a world where no child dies from preventable causes. Last year's landmark commitment to end preventable child deaths by 2030 marks the culmination of No Child Born to Die. And it ushers in our new global campaign – launched in 2016 – to meet the challenge of ensuring the millions of forgotten children no longer miss out, and that we reach every last child.



LIFE-SAVING HEALTHCARE AND NUTRITION

Among some of the world's poorest communities we are working to get life-saving healthcare and nutrition to children at risk of being left behind.

In India and Nigeria, our Stop Diarrhoea Initiative is part of a broader partnership with RB that aims to help eliminate diarrhoea as a top-five cause of child mortality. This ambitious collaboration will help save children's lives by increasing access to diarrhoea treatments, promoting healthy behaviour, such as exclusive breastfeeding, and improving water and sanitation systems in some of the worst-affected areas. As part of the initiative, RB

has developed innovative, low-cost hygiene products – including a disinfectant soap and toilet powder – suitable for use on a large scale to help fight diarrhoea.

In Kenya, every year more than 34,000 babies die in their first month and more than 6,000 women die as a result of pregnancy and childbirth because they don't get the healthcare they need. Our Boresha signature programme – in partnership with the Kenyan government, GSK and DFID UK Aid Match – aims to reduce maternal and newborn deaths in Bungoma, Busia and Wajir counties by 21% by 2018. It will refurbish clinics, ensure equipment and medicines are available, and train health staff and community volunteers to improve the quality of care.

It's an ambitious target, but we're already making strong progress. By the end of 2015, 112 community health units were in place in the three counties where we're working, and we'd established five 'kangaroo mother care' units to provide life-saving support for babies born prematurely. We're gathering evidence of what works so the lessons we learn can be rolled out in other parts of the country and through similar programmes around the world.

In the Democratic Republic of Congo – one of the toughest countries in the world to be a mother or child – our signature programme continues to tackle infant and maternal mortality. In 2015, in partnership with GSK, we trained 250 health workers, de-wormed 18,640 children, and supported the vaccination of 53,678 children. In 2016, the programme will receive funds raised through ITV's Text Santa and DFID's UK Aid Match.

In Bangladesh, we launched a new signature programme last year that aims to prevent chronic malnutrition in children, building on work delivered through our partnership with Unilever. With funding from DFID and the EU, the Suchana programme is designed to address the multiple causes of malnutrition in the critical 1,000 days from a child's conception to their second birthday.

We're working in Sylhet Division, side by side with the Bangladesh government and consortium partners, to improve the way nutrition programmes are managed, to address the economic causes of food insecurity, and to improve child-feeding practices within communities themselves. Providing a package of mutually supporting nutrition-related interventions, Suchana will generate evidence to prove what works, for potential replication and scale-up in other districts of Bangladesh and in other countries.

NEPAL EARTHQUAKE: IN FOR THE LONG HAUL

In April and May 2015, Nepal was rocked by two major earthquakes. The damage was overwhelming: 8,881 people died and more than 21,000 were injured. Millions of people were left homeless, including 1.5 million children.

Within 24 hours of the first earthquake, our teams were already on the ground, distributing relief and life-saving supplies, even as the earth around them shuddered from the frequent aftershocks.

In the aftermath, we distributed shelter materials and essential household items to more than 170,000 families.

Our teams managed to get vital shelter supplies to 8,000 families in remote, high-altitude villages, whose homes had been destroyed.

“On the day that we went to Dipu – the last settlement before the mountains,” says Rohit Dhungana, a distribution officer for Save the Children in Sindhupalchowk, “there were tears in the residents’ eyes when we handed over relief items.”

We deployed emergency mobile health units to 24 villages whose healthcare facilities had been decimated by the

quakes. We provided equipment to health posts in the worst-affected areas, and medical and surgical supplies to hospitals in the capital, Kathmandu.

The earthquakes caused massive damage and destruction to water and sanitation systems, leaving millions without access to clean water. As the monsoon season approached there was severe risk of disease. To combat this, we distributed more than 29,000 hygiene kits, including water-purification drops to communities, and provided help and expertise to rebuild latrines and restore water supplies.

What took seconds to destroy will take years to rebuild. But we’ll be there for the long haul. Over the next three years we aim to help 600,000 people get back on their feet, and rebuild stronger homes and schools.

YEMEN – THE INVISIBLE CRISIS

“The war is killing everything beautiful in my country,” says 13-year-old Wahida, as she reflects on the trail of destruction left by the conflict in her homeland in 2015. “Many have been killed and others are injured and sometimes disabled for the rest of their lives. Life is very difficult in Yemen right now.”

Since the conflict escalated in March 2015, Yemen, the poorest Arab country, has been brought to its knees by violence. The numbers are staggering: 21 million people in urgent need of humanitarian assistance; more than 5,800 people killed, including more than 630 children, and more than 27,900 people injured. Schools and hospitals have come under attack, the healthcare system has all but collapsed and for much of the year a *de facto* blockade left the country on the brink of famine.

It was 2015’s biggest humanitarian crisis. Yet Yemen was a story on hardly anybody’s lips.

Working in highly volatile and complex conditions, the Save the Children movement delivered essential aid to more than 420,000 people, including more than 235,000 children. Save the Children teams provided desperately needed support to 77 healthcare facilities, and ran 25 mobile health teams across the country. We provided stretched healthcare staff with training, helping them to procure much-needed supplies, and offered support with running costs, including medicines, supplies and fuel.

In crises like this, children suffer most. An estimated 7.3 million have been caught up in the violence and need protection from the fighting. But it’s not just the airstrikes that cause damage: pernicious killers, like malnutrition, can present an even greater danger.

Children suffering from severe malnutrition are particularly vulnerable to diseases such as pneumonia, diarrhoea and malaria. And those who survive may face

OUR STAFF ON THE FRONTLINE



When the catastrophic earthquake hit Nepal last year, Kalyan Lama, a Database and Analysis Coordinator at our office in Kathmandu, was sent on emergency deployment to

Dhading. It meant leaving behind his heavily pregnant wife.

“We were a team of seven in Dhading. We worked constantly with little regard for food or water. Sometimes we didn’t know where we would be sleeping. But whenever we looked at the faces of the people we had managed to reach, it was really worth it.

“In the middle of my deployment I came back to Kathmandu. I met up with my wife at around 12.30pm and she gave birth to our daughter 15 minutes later! It was the most precious moment of my life.

“I felt I couldn’t leave behind my beautiful daughter and return to the earthquake-affected region. But my wife remained my pillar of strength, sending me pictures and videos of the little one.

“I’ll talk about all this with my daughter someday. Whatever path she chooses to follow in life, I hope she’ll always be inspired to serve fellow humankind.”

a life blighted by medical issues. We treated more than 2,000 children for malnutrition in Yemen in 2015.

Alongside our response on the ground, we worked to increase the profile of this overlooked conflict. We highlighted the crisis in Yemen, including helping persuade the International Development Committee to launch an inquiry into the government’s response to the crisis.

ETHIOPIA – DEVASTATING DROUGHT

“The present situation keeps me awake at night,” says John Graham, Save the Children’s Country Director in Ethiopia.

Experts predicted a devastating drought after successive rains failed in Ethiopia. By July, their fears were borne out and the country was facing its worst drought in 50 years. Usually lush lowlands in the east of Ethiopia had become dustbowls, the landscape pocked with animal carcasses. Thousands of children were at high risk of malnutrition.

The Ethiopian government predicts that more than 10 million people will face critical food shortages in 2016, including more than 5 million children. As the drought’s grip tightened, we scaled up our response, working in over 70% of the worst-affected districts, providing food, water and medicine.

OUR STAFF ON THE FRONTLINE



With Ethiopia facing a devastating drought, Seifu Asseged, our National Communications Coordinator based in Dire Dawa, Ethiopia, describes the terrible impact on people’s lives.

“I’ll never forget the smell, the stench of rotting animal carcasses spread across the barren land. After months without rain there was nothing left for them to eat – the grass and tree leaves had all but disappeared. I was born here in Dire Dawa, east Ethiopia. In a few devastating weeks last year, the surrounding areas lost more than 100,000 of their livestock.

“Part of my job for Save the Children is to document the drought and those affected by it – to share their stories with the world. Last August, my team discovered an entire community in desperate need of water. Within days I had organised for large quantities of water to be trucked to that area, reaching thousands of people.

“Telling these stories can bring vital, practical outcomes for people in need. Sometimes they change the world.”



A health worker tests a baby for malnutrition at a Save the Children health centre in Ethiopia, which is in the grip of its worst drought in 50 years.

Three breakthroughs for every child

2. LEARN

“An entire generation of children is having their future ripped away from them.”

Martha Myers, Save the Children Country Director in Syria

A Syrian girl at a Save the Children-supported school for refugees in Lebanon. Education offers Syria's children safety, stability and the chance of a future.



JONATHAN HANSSAVETHE CHILDREN

Education is a child's right – and their best chance of a future. As we've seen in countless countries and communities around the world, learning unlocks opportunities that change children's lives.

That's why we're working hard to make sure children don't miss out.

GIVING SYRIA'S CHILDREN A FUTURE

Children in Syria have suffered appalling brutality during five long years of conflict. But behind the airstrikes and the barrel bombs, a quieter crisis is unfolding: war has robbed a generation of children of the chance to learn. Before the conflict, almost every child in Syria went to school. Now, 2.8 million are being denied an education.

It's not just learning that Syrian children are missing out on: education offers stability and safety. Outside of schools' protective structures, children are at greater risk of child labour, early marriage, and recruitment or rape at the hands of armed groups.

Every child denied an education is a tragedy. But this learning crisis also has profound long-term implications for the entire region: when the war ends, Syria will struggle to rebuild without an educated population.

SUPPORTING SCHOOLS IN A WAR ZONE

Fighting forced nine-year-old Rami and his family to flee their home in northern Syria in search of a safe place to live. But he'd only been at his new school for a few months when it, too, was hit in an airstrike.

"A few weeks later they re-opened the school, but my father said it wasn't safe to go back," Rami says. His father was proved right – the school was bombed twice after that. Now, Rami goes to a school outside the city, and which Save the Children supports. "I want to be a lawyer like my father," he says, "but I have to study very hard."

We're doing whatever it takes to keep schools inside Syria running – like Rami's. Where schools are at risk of attack, we work with communities to find alternative, safe spaces for learning, and support children to study at home. We've taught almost 1,000 teachers techniques to help keep children safe in school, to respond to emotional distress, and to adapt lessons so children can carry on learning when conflict hits and schools have to close.

So far, we've helped more than 36,800 children to continue their education and supported 55 schools. For example, in 2015, we repaired damaged classrooms, and installed water and sanitation facilities. Our teams also distributed teaching materials, safety kits and thousands of school bags.

OUR STAFF ON THE FRONTLINE

Nour, 27, works in Syria as a senior child protection officer, supporting children who have lost their homes and loved ones, and whose lives have been turned upside down in the conflict.

“My work is hard. We are so close to children’s feelings and problems. And it’s tragic when a child who you have been working with for months, who you were playing with just the day before, dies. But I can’t stop doing what I do.”

“One little boy called Rami, who used to come to one of our child-friendly spaces, had had an accident that meant that he was no longer able to hear. I went to my manager and told him about Rami’s condition, and asked if we could help him. We managed to get him a hearing aid.*”

“I’ll never forget the moment when our staff member put the device on Rami’s ear. I was watching from some distance away, but when I called his name he looked at me, smiled, and said, ‘Yes, teacher.’”

“There’s no better feeling than when a child smiles at you and when you give them hope. The best moment in my work is when I go to bed knowing that I’m giving children living through war another chance to live their childhoods.”

**Note: not the same boy as Rami mentioned on page 15*

KEEPING LEARNING ALIVE FOR CHILD REFUGEES

For children who escape Syria, the prospects for learning can be equally bleak: almost half of school-aged Syrian refugee children are not in education. Many live in host communities or informal settlements where schools are already overstretched and underfunded. Poverty pushes other children into work or marriage. And for many of those children who do manage to get to school, language barriers, overcrowding and discrimination can make it hard to learn.

Last year, our teams worked across Jordan, Lebanon, Iraq and Egypt to deliver crucial basic and early-years education to child refugees.

In Jordan, we helped families to understand the local education system and register their children in school. We established three kindergartens in Za’atari and Azraq refugee camps, where we ran specialist early education and development sessions. For older children, we offered informal education activities, including maths, Arabic, English and science.

In Lebanon, only half of Syrian children are enrolled in education. We’ve been focusing on those who are hardest to reach – who live far from a school, have been unable to register, or are not academically ready for formal learning because their education has been so disrupted. In November, the start of the new school year, we helped lead a huge government programme to get as many Syrian children as possible signed up for school.

In Iraq, we provided regular catch-up classes, building extra learning spaces and managing book banks so that refugee children can read at home. We also ran mother-and-baby sessions and activities for toddlers. And we pushed local governments to provide tailored education for child refugees, including lessons in Arabic for children who don’t speak the local language.

More than 40% of Syrian refugees in Egypt are children. We ran classes in Arabic, English, French, maths and arts subjects, and provided school kits to help children start studying again. We also developed a policy and code of conduct for teachers and children, and began training school teachers on child safeguarding.

DEVELOPING INNOVATIVE APPROACHES

In March 2015, we launched the ‘Every Child Learning’ partnership with Pearson, the world’s largest education company, to increase educational opportunities for children affected by the Syria crisis.

To meet immediate needs, Pearson has donated £500,000 to fund the establishment of two Save the Children informal education centres in Amman, Jordan. These will support 1,400 Syrian refugee and host-community children to get a good-quality education. Pearson is also investing £1 million to work with us to research and develop new solutions to improve the quality of education for refugee and host-community children in Jordan. The ambition is that these solutions can then be adapted, scaled up and replicated in other emergency and conflict-affected contexts around the world.

ADVANCING THE RIGHT TO READ IN RWANDA

“I had never thought of reading to my child before, not even once,” says Alphonsine. “I never thought that I had any part to play in that apart from sending him to school.”

Alphonsine and her husband took part in our First Read sessions for parents in Ngororero, Rwanda. Now, they read at home with their three-year-old son, Epaphrodite, using books they have created themselves. “We made books based on specific subjects – like fruit, household objects, animals – and we drew images then wrote their names below them,” she says.



COLIN CROWLEY/SAVE THE CHILDREN

Our signature education programme in Rwanda teaches parents how to incorporate literacy into home life. Here, Sammy, seven, reads the alphabet to his mother, Josephine.

“We’ve seen a great change thanks to books like this. He is smarter than the average child his age and he is sharper. He has many words to express himself.”

First Read is just one component of Advancing the Right to Read, our education signature programme in Rwanda. The programme is designed to ensure that all children leave school able to read. We work with children, their families and schools from birth through to early primary school.

We are also working to increase the amount of good-quality books available in Rwandan schools, homes and communities. We’ve been training publishers, writers and illustrators to create engaging, educational local-language titles. At the same time, we’ve worked with the Rwanda Education Board to put in place standards with which books must comply. So far, more than 100 new books have been published. We’re training teachers to set up and run school book banks. We’re also helping them use reading materials effectively as part of their lessons.

MAKING A LONG-TERM IMPACT

To date, Advancing the Right to Read has helped 151,364 children, empowered 1,961 primary school teachers in 164 schools, and reached 19,590 parents in 471 communities. Already, we’re finding that children do better in school when they have access to good-quality reading materials. We’ve seen reading increase both in schools and at home, and children aged eight to nine achieving above average literacy scores.

Right now we’re running the programme in five districts of Rwanda. We aim to support the government in testing and scaling up elements of the model, laying the foundations for long-term, national improvements in literacy.

FIRST READ

In Cambodia and the Philippines, with support from the Prudence Foundation, the community investment arm of Prudential in Asia, our First Read programme is helping ensure young children are ready for school and have the best opportunity of doing well. Since 2013, the programme has reached more than 100,000 young children through training and activities to help parents improve their children’s literacy skills in their early years.

The Prudence Foundation has renewed its commitment to this innovative programme for a further three years. This will help us increase access to early childhood care and development services and widen demand for early-years reading material. In this next phase we aim to reach almost 70,000 more children and to conduct more in-depth research on First Read’s impact on children’s development, to back up our advocacy efforts to ensure our approach is replicated more widely.

HELPING CHILDREN HERE AT HOME

Logan, five, in the library at his school in Greater Manchester. We aim to make sure every child in the UK is reading well by the time they're 11.



UNLOCKING OPPORTUNITY FOR UK CHILDREN

One simple thing can transform life chances for the UK's poorest children: the ability to read well. Literacy unlocks a future of opportunity, good jobs and higher pay, yet right now thousands of children are missing out. Our Read On. Get On. campaign aims to ensure that every child is reading well at the age of 11 by 2025. It's an ambitious target: currently, one in three of our poorest children is behind in their reading when they leave primary school. But in 2015, we made important progress.

Last year, Read On. Get On. was supported by Sainsbury's, HarperCollins, Costa Coffee and Pearson.

APPLYING POLITICAL PRESSURE

In the run up to the general election we released our report, *The Power of Reading*. It focused on the crucial role of politicians and policy-makers in changing the story for our poorest children, and the need for the incoming government to act quickly to close the attainment gap. Following this, the Conservative, Labour and Liberal Democrat parties all made manifesto commitments to invest in children's literacy. We couldn't have hoped for a stronger start to the campaign.

With these pledges in place, we kept up the pressure on politicians with the release of *Ready to Read* at the start of the new parliament. This set of reports outlined how high-quality early-years services and support for families in England, Scotland, Wales and Northern Ireland can help give young children firm foundations for learning.



ELENA HEATHERWICK/SAVE THE CHILDREN

As we enter 2016, we'll be pushing the government to invest in early language and development initiatives for nursery-age children.

SUPPORTING PARENTS TO ENGAGE IN THEIR CHILDREN'S EDUCATION

Last year we ran our Families and Schools Together (FAST) programme in 134 UK schools, bringing together children, parents and teachers to support children's education. Donors including Johnson & Johnson added their support. We also embarked on a sector-leading randomised control trial, which will scientifically evaluate the programme, monitoring children's educational attainment, changes to their behaviour, and their personal, social and emotional development. Weekly FAST sessions are designed to help improve children's learning both at home and in school. FAST has been

shown to reduce children's behaviour problems and strengthen parent support networks. It also helps children improve their reading, writing and maths. Last year, the programme reached 4,814 children.

However, we know that a culture of learning at home, or lack of one, is one of the most influential aspects of a child's development. Children imitate and learn from their parents – the vast majority of words used by children at age three come from their parents' vocabularies. That's why our Eat, Sleep, Learn, Play! programme, which provides household essentials to low-income families, is vital in creating an effective home learning environment and in giving parents the tools and support to play and interact with their children. Eat, Sleep, Learn, Play!, which was generously supported by donors including Bulgari and Proctor & Gamble, reached 8,006 children in 2015.

Through the programme, Adam and Annie, parents of Amelia, five, and Ava, one, were given a high chair, and a dining table and chairs. "When you're on benefits it's difficult to be able to outlay lots of money all at once," Adam says. "Save the Children definitely helped us out. They're a fantastic organisation. The use we've had out of the table has been fantastic. It allows us to be able to gather together as a family."

We're also developing new programmes to give parents more support. Our Families Connect programme, which is currently in development, aims to help stop children falling behind in their first years at school. Over eight weekly sessions, parents learn about activities, games and techniques they can try out with their child at home, helping parents to get more involved in their child's learning and boosting children's motivation, skills, knowledge and confidence.

PRACTICAL READING HELP

Just ten minutes a day of reading with an adult can improve a child's literacy. As well as encouraging parents to read with their children, we continued to provide direct support to thousands of children through our Born to Read programme. Working in partnership with Beanstalk, and with support from our partner, Costa Coffee, we recruited and trained 490 reading helpers to support 1,470 children in some of the UK's most deprived areas.

Andrea volunteers at a primary school in Kent. "I play games that increase their vocabulary," she says. "When you see their knowledge of words expanding it's very satisfying because some come from homes where the vocabulary isn't that wide. It's good to see them gaining ground."

Three breakthroughs for every child

3. BE SAFE

A young boy with dark, curly hair, wearing a red jacket and dark pants, stands on a rocky beach. He is looking out over a vast body of water towards a hazy horizon. The scene is captured from behind him, emphasizing his perspective of the sea.

A young boy looks out to sea from the shores of the Greek island of Lesbos. Thousands of people fleeing conflict arrived here last year, making a perilous journey across the sea in overloaded dinghies.



Harrowing scenes of men, women and children making the perilous voyage across the Mediterranean dominated our TV screens last year – and divided political opinion.

For us, it's simple: we do whatever it takes to keep child refugees safe. In 2015, we massively scaled up our work on the ground to reach people fleeing violence and persecution. We pushed politicians to give more refugees asylum and restart search-and-rescue in the Mediterranean. And we helped change the media debate on the crisis.

Meanwhile, away from the headlines, we worked in some of the world's toughest places to protect vulnerable children at risk of exploitation, abuse or neglect.

EUROPE: A TERRIFYING JOURNEY

Violence and persecution, most notably in Syria and Iraq, have forced almost 60 million people from their homes – a global refugee crisis on a scale not seen since World War II.

Last year that crisis came to Europe. More than 1 million refugees and migrants arrived on the continent – over four times as many as in 2014. Many were crammed onto overloaded dinghies or scarcely sea-worthy boats. Thousands didn't make it, drowning in the Mediterranean Sea before their new lives could even begin.

For those who survived the crossing, conditions in the makeshift camps that awaited them were often atrocious. Save the Children aid worker, Kate O'Sullivan, described the appalling scenes at Moira camp in Lesvos:

"I was stopped in my tracks by a child shivering uncontrollably. She was unable to walk or make eye contact – her hands and lips were literally blue. Rainwater turned the area into a mud bath. The skin on every child's hands and feet was completely shrivelled from being in water and mud for three days.

"All day long, people were pleading for help from anybody. Mothers wrapped their babies in rubbish bags trying to keep them dry, and fathers held plastic bags over the heads of their children. People who've fled Syria, Iraq and Afghanistan, who've faced unbelievable violence and poverty, were breaking down in tears at what was happening."

At the same time, children on the move across Europe – thousands of them alone – were at risk of abuse, exploitation, violence and trafficking. In 2015 our teams worked along the whole route that refugees take – and in the countries where they settle. Across Europe – from Croatia to Calais, from Spain to Sweden, in Greece and Germany – we ran programmes to protect children. We distributed meals, warm clothes, blankets and tents.

RESTART THE RESCUE

As boats filled with desperate families fleeing from Libya to Italy sank at sea, 20,000 of our supporters signed our petition demanding that the EU resume its search-and-rescue efforts in the Mediterranean. The UK government listened and deployed the HMS Bulwark. In the first three months its crew saved more than 4,000 lives.

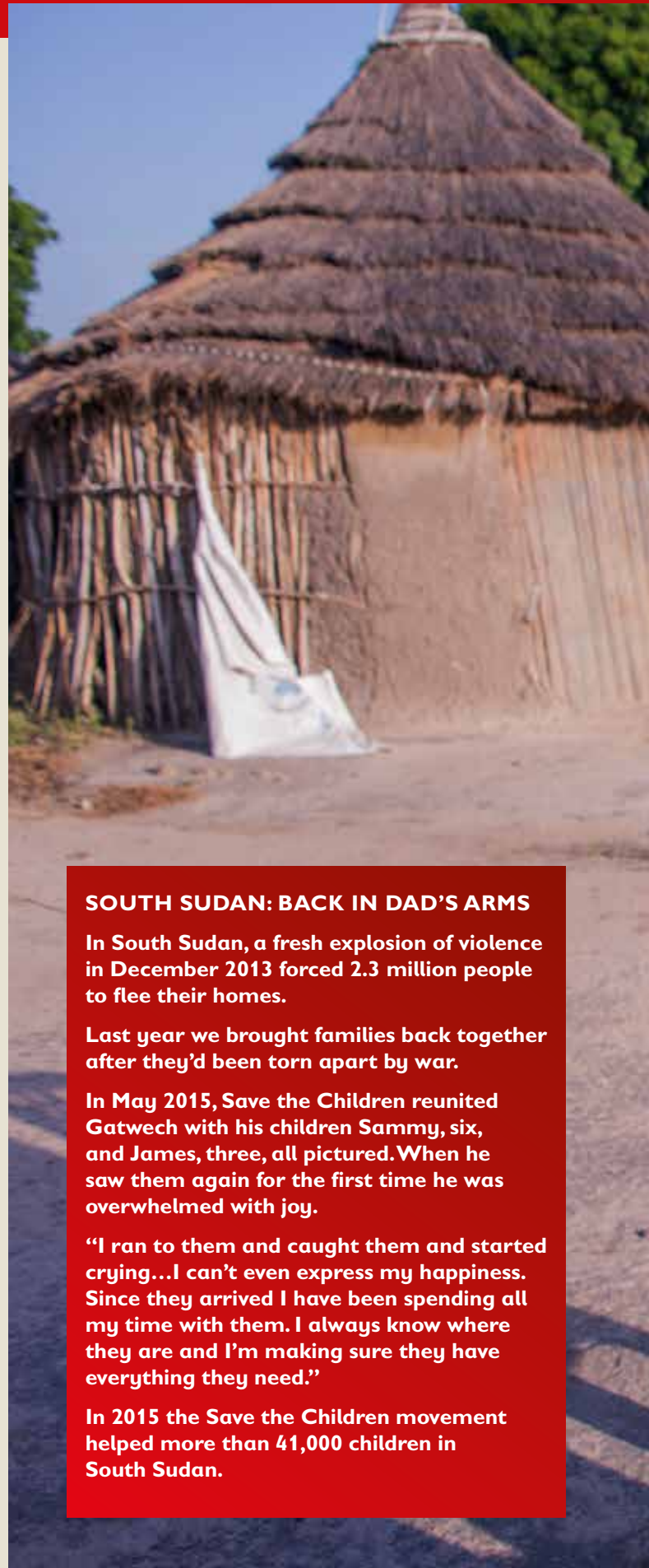
We provided children with emotional support, and set up safe spaces, where they could play and be children again. We gave people advice and information when they arrived at reception centres, and we worked with authorities to reunite children with their families. We worked to find the most vulnerable children, including those travelling alone, and helped them get the extra support they needed.

We helped to convince the UK government to reverse its previous policy on resettling Syrian refugees and to offer a warm welcome to 20,000 refugees from the region. Then, to support children travelling across Europe without their parents to protect them, we called on the UK to give asylum to 3,000 unaccompanied children.

The government's willingness to do more to help refugees was in part thanks to our successful efforts to reshape the media's narrative around the global refugee crisis. Our reports of the plight of refugees were covered in every major international news outlet – from the BBC to the *New York Times*. *The Sun* ran a series of front-page campaigns in favour of our policy on relocating unaccompanied refugee children to the UK and the *Daily Mail* travelled to Lebanon to cover the child refugee crisis. Our media exposure helped us to raise £4 million for refugees in the space of a few weeks.

Author Patrick Ness kick-started a fundraising push on social media for our Child Refugee Crisis appeal that raised over £600,000, while lawyers raised over £200,000 by donating a billable hour. Proceeds from the release of the Crowded House song 'Help is Coming' – organised by Caitlin Moran and Pete Paphides and with an introduction to the song's video by Benedict Cumberbatch – went to support our appeal.

The Save the Children movement helped more than 225,000 refugees and migrants across Europe in 2015. But with the numbers of people escaping conflict, persecution and poverty only likely to increase, we aim to step up our response next year.



SOUTH SUDAN: BACK IN DAD'S ARMS

In South Sudan, a fresh explosion of violence in December 2013 forced 2.3 million people to flee their homes.

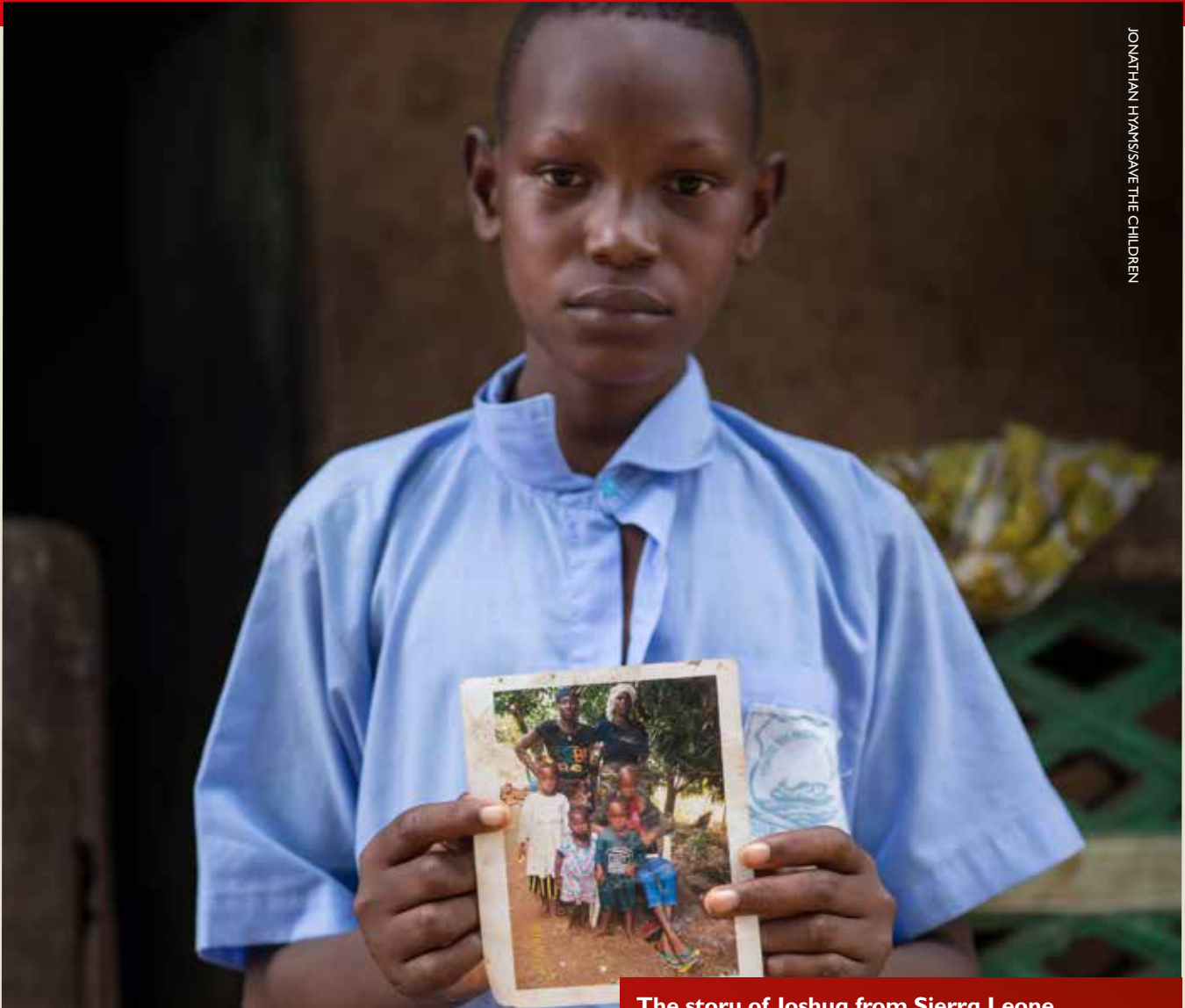
Last year we brought families back together after they'd been torn apart by war.

In May 2015, Save the Children reunited Gatwech with his children Sammy, six, and James, three, all pictured. When he saw them again for the first time he was overwhelmed with joy.

"I ran to them and caught them and started crying...I can't even express my happiness. Since they arrived I have been spending all my time with them. I always know where they are and I'm making sure they have everything they need."

In 2015 the Save the Children movement helped more than 41,000 children in South Sudan.





EBOLA: DEALING WITH THE FALL-OUT

As Ebola coursed through West Africa in 2014 and 2015, eventually killing more than 11,000 people, our health response was unprecedented in scale, scope and complexity, including running the Ebola Treatment Centre in Kerry Town, Sierra Leone.

Infection rates have stabilised in Guinea, Liberia and Sierra Leone. Our TV screens are no longer filled with images of medics in protective suits, jet sprays and body bags. But it would be a mistake to think the Ebola crisis is over.

The fallout will last for years: children struggling to deal with the emotional trauma of watching their parents die and being left alone to face exploitation, stigma and abuse; a decimated health service deprived of hundreds of workers; millions of children who've lost a whole year of school, and whose parents now can't afford to send them back.

In the aftermath of Ebola, we're identifying children like Joshua (pictured above) who need extra support, and making sure they're referred to the appropriate services. We're preventing child labour and exploitation.

The story of Joshua from Sierra Leone illustrates the long slow road to recovery from Ebola. We've been there for him every step of the way. He was devastated by the loss of his father, younger brother and 11 other family members to Ebola. "I couldn't speak when my younger brother died," he says.

Then came the news that he, too, was infected: "I thought to myself, I'm not going to make it," he says. Thanks to the care he received at our Ebola Treatment Centre, Joshua did survive, but was left partially sighted and unable to walk.

We paid for Joshua to go to an eye clinic and visit a doctor for treatment on his wounded foot. Our Child Protection Officer visited Joshua regularly to help him recover from the emotional scars left by Ebola and to make sure he could access the healthcare he needed. When he was well enough, we helped provide Joshua with a bag, pens, books and money for lunch to help him go back to school.

We're working to reunite children with extended family members; getting them back into school; and providing emotional support and case management.

During the Ebola crisis, we provided direct support to 4,888 children affected by the disease in Sierra Leone. As the fallout continues to be felt, we'll be there, supporting children and helping pick up the pieces.

INDONESIA: FAMILIES FIRST

"I was beaten by the staff of the orphanage. Eventually I was hit so many times that I fought back so I wouldn't be beaten anymore."

The story of Asep is typical of too many children growing up in institutional care. Violence in orphanages is six times higher than in family-based care; sexual abuse four times higher.

Life in an institution exposes children to abuse, deprives them of emotional support and stifles their development. Orphanages should be the last resort for children, but for parents struggling to provide for their children, there is often nowhere else to turn.

In Indonesia, 500,000 children are growing up in an institution, most of whom have one or more parents who would be able to look after them with the right support. Our stand-out Families First programme is pioneering a revolutionary new approach to child protection, working with the Indonesian government to completely transform the country's culture of care. It is already having a nationwide impact.

Our National Standards of Care, which have been rolled out to 30 out of 34 provinces across the country,

set out a minimum quality of care and support for children in institutions, improving conditions for thousands of children. And they make sure that, wherever possible, children can grow up in families or their communities. Since tracking began in 2014, we've helped almost 6,000 children into family-based care who would otherwise have been institutionalised.

"In the beginning, I didn't believe in the National Standards of Care. But now I realise they are incredible, an extraordinary improvement of care," says Agus Sutardi, head of the Nughara orphanage.

Social work has not been recognised as a profession in Indonesia before, but social workers are critical to implementing our child protection reforms. Working with university partners, we set up the first ever system of accreditation and licensing for social workers. With the Ministry of Social Affairs, we developed a system that sees social workers conduct regular home visits and make sure children are not put into institutions unnecessarily.

We're also urging the government to divert the money usually provided to orphanages to families instead. In 2015, where our work has been implemented, 40% of the government money that would have gone to orphanages – £16.8 million – is now going to families. By 2017, we aim to increase that figure to 60%.

The success of our Families First programme is convincing the Indonesian government to take on more of its provision: it is now investing £40 for every £1 Save the Children contributes.

But changing the whole national system of care in Indonesia is a huge job. We can't rest until we find the best way to protect every child at risk.



Poverty forced Febi's parents to send her to an orphanage where she felt isolated – cut off from family and friends. Now, five months later, Febi, pictured centre, is back home for the first time thanks to social worker, Gilang, who made the visit possible. Social workers like Gilang – who is working to help Febi return home permanently – are a vital part of implementing our child protection reforms in Indonesia.

IT'S ALL ABOUT YOU



The biggest and best-dressed Christmas Jumper Day yet raised £11 million as part of ITV's fundraising extravaganza, Text Santa.

JAMIE BAKER/SAVE THE CHILDREN

Each year, our supporters find new ways to surprise with their creativity, commitment and generosity – and 2015 was no different. From feats of endurance to spectacular special events and a nationwide knitwear extravaganza, it was a year of fantastic fundraising. Together, our supporters helped us achieve an overall income of £390 million – higher than any other year in our history – to transform children's lives around the world.

SUPER SUPPORTERS

Five-year-old Charlie loves drawing. When he saw our Nepal Earthquake Appeal, he realised he could raise money to help the children affected by selling his pictures for £1 each. "Lots of children have lost their families and homes have been destroyed, so I wanted to help send

them things to make them happy again," he said. Charlie's artwork proved so popular that he raised £724 – more than 14 times his original target – and even made it onto *Good Morning Britain!*

Brave brothers Rhys and Scott Jenkins raised £2,900 for Save the Children when they took on the ultimate running challenge: a 270-mile ultramarathon across Death Valley California – one of the hottest places on earth. The pair ran in temperatures of more than 50°C. Their incredible commitment and endurance is an inspiration.

A WOOLLY WONDERFUL CHRISTMAS

Last year, Christmas Jumper Day reached its biggest audience yet as we joined forces with Make-A-Wish® UK and Macmillan Cancer Support to be part of ITV's record-breaking TV fundraising extravaganza, Text Santa.

On 18 December ITV dedicated its schedule to Text Santa Christmas Jumper Day, with specially themed episodes of popular shows, followed by a three-hour live broadcast event featuring pop performances, surprise guests and soap opera specials. A host of stars did their bit in a Christmas knit, including presenters Phillip Schofield, Holly Willoughby and Olly Murs, while Richard Branson, Little Mix, the cast of *Downton Abbey* and many more made special appearances. To illustrate the impact of Save the Children's work, Amanda Holden and Myleene Klass presented special reports from Nepal and the Democratic Republic of Congo.

Tens of thousands of people in offices, schools and homes up and down the country donned festive knits and collected cash or donated by text. Commercial partners, including Papa John's, generously pitched in too. In total, the event raised more than £11 million. 100% of Save the Children's share will go towards vital work in the Democratic Republic of Congo, Nepal and here at home in the UK, as well as to support our life-saving Emergency Health Unit (see page 33). Our work in the DRC and Nepal funded by this appeal was matched pound for pound by the UK government. In 2016 we will return to running Christmas Jumper Day independently.

Christmas also saw the exciting unveiling of an instant children's classic book, *Mog's Christmas Calamity*, in aid of our UK literacy work. The special-edition story was a joint collaboration between Sainsbury's, HarperCollins and much-loved children's author Judith Kerr, with the

book sold exclusively in Sainsbury's alongside a Mog soft toy. An animated Sainsbury's TV advert, in which the lovable cat caused chaos on Christmas morning, made Mog the year's must-have festive children's book and helped raise an incredible £1.6 million. We also benefited from fantastic festive product partnerships with WH Smith and Ella's Kitchen.

In December the *Sunday Times* chose to support our response to the Syria conflict through its Christmas Appeal for the third year running. It was generously supported by the newspaper's readers, by celebrities Sacha Baron Cohen and Isla Fisher, and by our partner, Pearson.

PIONEERING NEW INITIATIVES

Our first ever Den Day saw a phenomenal half a million children sign up to take part across 4,800 schools and youth groups, and more than 18,000 homes around the country. This innovative event challenged children to build the best possible den and get sponsored to stay in it. Some held sleepovers while others organised Den Day parties and raised money selling snacks. Together they raised £240,000 to help transform other children's lives around the world. The event proved popular with children, parents and teachers, and looks set to be even bigger in 2016.

Through the new Save the Children Club we're giving children the chance to learn about life in other countries while supporting our work. For a small monthly donation,



A night of disco at the Roundhouse in London, which raised £1.4 million for Save the Children.



JAMIE BAKERSAVE THE CHILDREN

A nursery school child takes a well-earned break from building his den – one of an incredible 500,000 children who signed up for our first-ever Den Day.

families receive a world map, stickers and three activity packs a year, filled with games, facts, quizzes and fun things to do. We piloted this scheme with 1,000 people in 2015 and now plan to scale it up to reach many more this year.

SPECTACULAR SPECIAL EVENTS

In March, 500 guests enjoyed an exciting evening of live music and fundraising as we presented *A Night of Disco* at the Camden Roundhouse in London. Hosted by Sir Alan Parker and Helena Bonham Carter, the night featured incredible performances by Earth, Wind and Fire, Heatwave, Jimmy Somerville, Sister Sledge and

Sophie Ellis Bextor. The event was generously sponsored by RB, and raised £1.4 million.

Our Secret Winter Gala in November saw 370 guests gather at London's Guildhall for a star-studded evening of entertainment that raised £1 million, including sponsorship by GSK and match funding from the UK government. The event brought to life Lewis Carroll's *Alice's Adventures in Wonderland*, featuring theatrical performances, live music, and fairytale food and drink. Guests included our President, HRH The Princess Royal, Samantha Cameron, Helena Bonham Carter, Dominic West, Poppy Delevingne, Lenny Henry and Geri Halliwell.

GIVING MORE THAN JUST TIME

Our incredible volunteers give so much more than their time: it's their passion, ideas and enthusiasm that enable us to achieve incredible things. Last year, our 13,317 volunteers helped us raise over £14 million and secure some major campaign wins.

Sian, Yasmine and Olivia, who led a local Save the Children group in Streatham, perfectly demonstrate the many different ways in which our volunteers make a difference. Last year they backed our campaign on international aid spending, delivered a packed-out election hustings event, put on a quiz to raise funds, and held a Syria vigil on the high street.

Thousands more people pitched in too – raising money, writing blogs, organising events, conducting research, running shops, meeting MPs and much more. Our network of high profile supporters and ambassadors grew from 35 to 90, and over 100 coaching and training specialists gave their time and expertise to support our staff development. Volunteer speakers also increased our impact, giving talks about Save the Children to almost 32,000 people around the country.

TOP OF THE SHOPS

Save the Children's shops went from strength to strength in 2015, with a turnover of £9.7 million and a profit of £1.9 million, thanks to the energy and dedication of our retail staff, along with more than 4,000 of our volunteers. We also launched a new retail support team, designed to help develop our charity shopping brand and ensure our shops have everything they need to run smoothly. The team has already refurbished 11 stores and rolled out replacement tills across 35 shops, with the remainder to follow in 2016. These new systems will enable us to have clearer information on sales performance at shop level while quickly and easily collecting Gift Aid – instantly adding an extra 25% to the value of donated goods sales from UK taxpayers.

We also opened four new Mary's Living and Giving Shops in London, bringing bespoke charity boutiques to Wimbledon Village, Blackheath, Portobello and Hampstead. Our Primrose Hill shop played host to unique charity shopping event Fashion Saves Lives, featuring outfits donated by celebrities such as Erin O'Connor, Mary Portas, Kate Moss and Jade Jagger, and with Victoria Beckham kindly donating 25 of Harper Beckham's outfits and a dress for auction. This special event raised vital funds for our health work around the world.

LIFE-CHANGING PARTNERSHIPS

We aim to develop innovative, multi-layered, long-term partnerships with the private sector in order to deliver sustainable change for children. Examples of the innovative work we are doing with private sector partners are documented throughout this report, including GSK (see page 11), RB (see page 11), Unilever (see page 11), Prudential (see page 17) and Pearson (see page 16). Last year we received further support through a wide range of private sector partnerships.



Save the Children ambassadors Mary Portas (left) and Erin O'Connor prepare to host our Fashion Saves Lives celebrity children's clothes sale.

Thomson Reuters, our longest-serving partner, raised a remarkable £1.1 million through its annual Independent Financial Review Awards dinner. Over the past 21 years the event has raised more than £24 million to bring life-saving help to children around the world.

Visa Europe donated £1 million to our Child Refugee Crisis Appeal, helping us scale up our response to the emergency. We also worked together on developing a contactless charity donation system using mobile technology.

Since its launch in 2003, IKEA's soft toys campaign – where €1 is donated to Save the Children and UNICEF for every soft toy or children's book sold during the campaign – has raised more than €88 million for the education work of the Save the Children movement in Asia, Africa, and Central and Eastern Europe. In 2015, the campaign raised €11.1 million globally, including more than €650,000 in the UK and Ireland.

Our partnership with the Arsenal Foundation has raised more than £1.5 million since it started in 2011. It saw the launch last year of a new project designed to harness the power of football to improve vulnerable children's lives in Iraq. As part of this initiative, the Arsenal Foundation has funded two new football pitches in camps for displaced people, giving children whose lives have been devastated by war a safe space to play together.

In 2015 we also launched our Singapore Corporate Engagement Centre to help engage the private sector across Asia in our life-saving work, and to strengthen and develop our existing partnerships in the region.

GSK AND SAVE THE CHILDREN

Our partnership with GSK continued to grow in 2015. We identified new expertise-sharing opportunities, with GSK training Save the Children in its Accelerating Delivery & Performance approach, and we expanded our emergency work and health worker programmes. We achieved a partnership milestone with the GSK submission to the European Medicines Agency for review of the chlorhexidine gel for the prevention of umbilical cord infection in newborn babies. This subsequently received a positive opinion in April 2016, paving the way for the introduction of the medicine and sharing the technical information with other manufacturers.



PARTNERSHIPS WITH INSTITUTIONAL DONORS, TRUSTS AND FOUNDATIONS

Our partnerships with national and multilateral government institutions, trusts and foundations are fundamental to our work. In 2015 our charitable activity income from our institutional partnerships was £249 million.

The UK Department for International Development (DFID) is a key strategic partner – both financially and in our work advocating for change. Together, last year, we helped millions of children survive, learn and be safe.

In 2015 we secured multi-year contracts worth £104 million with the UK government to support our work. DFID supported many of our programmes around the world including a major new nutrition programme in Bangladesh (see page 11); the Humanitarian Leadership Academy; work to help refugee children in Europe; and continued support to strengthen Sierra Leonean health systems following the Ebola crisis. Our Christmas appeal with ITV's Text Santa benefited hugely from a match-funding arrangement with DFID: the UK government agreed to double all donations from individual UK

supporters over a three-month period, enabling us to raise an additional £4.2 million.

DFID also provides us with critical strategic support via the longer-term Programme Partnership Arrangement. In 2015, thanks to DFID-funded grants, we continued to provide vital assistance – including food, shelter, child protection, water and sanitation, and cash transfers – to families around the world, including in Afghanistan, Burundi, the Central African Republic, Malawi, Somalia and post-earthquake Nepal.

We continued to work closely with UN agencies. Our partnership with UNICEF is particularly important for us, given our shared aims for children: in 2015, UNICEF became our second largest institutional partner, as we secured multi-year funding worth £24 million to support our work. Last year our partnership in East Africa was formalised through a Letter of Intent signed by the regional directors of UNICEF and Save the Children International. In 2015 we also secured £31 million in funding over a number of years from other UN organisations.

The European Commission's Humanitarian Aid and Civil Protection Department (ECHO) is a key partner

A Save the Children worker at one of our safe spaces in a refugee camp in Greece holds up a child from Syria.



in our programmes and in our advocacy objectives. In 2015 we secured multi-year funding with ECHO worth £16 million – with a total of £60 million secured by the wider Save the Children movement – to support our programmes targeting the most vulnerable children in countries afflicted by conflict and environmental disasters. This included Syria and neighbouring countries, the Horn of Africa region, countries of the Sahel, and Myanmar. Following our continued advocacy for every child's right to good-quality education – including in humanitarian crises – ECHO committed to allocate up to 4% of its yearly budget to education in emergencies. EuropeAid (the European Commission's Directorate General for International Cooperation and Development) provided £4 million to support our education, child poverty, health and child protection programmes for vulnerable children in Syria, Pakistan, Thailand, Niger, the Horn of Africa region, and elsewhere.

Our partnership with the Bill & Melinda Gates Foundation supports an ambitious programme of advocacy work on child survival. Last year we embarked on a new three-year, \$20-million plan across 18 country offices, advocacy offices, and different members of the Save the Children

movement. Through the partnership, our advocacy team in the UK helped influence a number of achievements on child survival policy in 2015. Our key calls for the new Sustainable Development Goals (SDGs) were reflected in the final framework document agreed by leaders of countries around the world in New York in September. Our advocacy was complemented by the partnership's support for the action/2015 campaign, a global mobilisation of 250,000 people in more than 100 countries (see page 10). Following these achievements, support for the implementation of the SDG framework in national plans is now a key priority for the partnership. Last year the partnership also helped secure replenishment funding of \$7.5 billion for life-saving vaccines at the conference of Gavi, the Vaccines Alliance. Our push for greater policy focus on adolescent nutrition – in particular, for teenage girls, in order to break the cycle of child malnutrition – made encouraging headway, including an invitation to deliver the keynote speech at the UK launch of the prestigious Global Nutrition Report 2015.

Following Typhoon Haiyan in the Philippines, we secured a three-year, £3.3 million grant in 2015 from the Big Lottery Fund for our work to strengthen the resilience of the communities in the Visayas region. Last year we worked in close partnership with Comic Relief, supporting the development of the *Kids in Camps* documentary that was shown on BBC in the run-up to Red Nose Day. As part of this initiative, Comic Relief supported our cross-border education project working in South Sudan and Ethiopia.

Last year, Save the Children and the Children's Investment Fund Foundation (CIFF) launched an exciting three-year global advocacy partnership to tackle child malnutrition. Together we aim to accelerate progress towards the World Health Assembly's nutrition targets by mobilising additional funding through high-level, nutrition-focused events and summits, and by advocating for strong nutrition policies, plans and strategies to be implemented in ten target countries – Australia, Bangladesh, Japan, Mali, Malawi, Myanmar, Netherlands, Niger, Nigeria and Zambia. We will train nutrition champions as advocates, conduct evidence-based budget analysis and advocacy, work to bring together relevant stakeholders to address malnutrition, and hold governments and the UN to account for nutrition commitments. In addition, we'll support the Scaling-Up Nutrition civil society network to host two regional training events for national civil society alliances from 14 countries.

Many other charitable foundations also supported our work in 2015, including the Volant Charitable Trust, which contributed to our programme in Nigeria, and Church Communities UK, which helped fund our Ethiopia programme.

SHARP FOCUS, POWERFUL

Everything we do – from our life-saving programmes on the ground to our innovative campaigns and fundraising activities – is focused on creating dramatic change for children.

Our vision is that no child dies from preventable illness, and that every child is safe and has the chance to learn and to fulfil their potential. We're determined to accelerate change towards that end.

We have mapped out a clear pathway. Here we report against our strategic priorities in 2015.

OUR TOP-FIVE PRIORITIES IN 2015

Develop two stand-out signature programmes that are fully funded and communicated, and that have strong mechanisms for gathering further evidence of their impact

Two signature programmes – Families First in Indonesia (see page 25) and Advancing the Right to Read in Rwanda (see page 17) – made impressive progress against this priority, though further work is needed to achieve all the targets.

We secured funding for Families First in 2015 to enable the programme to continue to expand. However, further funding is needed to enable Families First to achieve its ambitions for Indonesia's children. Last year we developed communications materials, including an interactive website, to communicate this pioneering work more widely.

Advancing the Right to Read attracted significant funding in 2015 from USAID so community-based reading activities could be scaled up across Rwanda. Additional funds are being sought for our early literacy work. We developed three films as well as other communications materials to inform key audiences about the programme.

Families First and Advancing the Right to Read both have strong monitoring and evaluation frameworks, and are generating evidence of their impact.

Our signature programmes are integral to our strategy to accelerate progress in achieving dramatic change for children. By the end of 2015 we had succeeded in getting nine signature programmes up and running. We recognise we have more work to do for these programmes to achieve their full impact – ultimately through replication and scale up.

DELIVERING OUR THEORY OF CHANGE

Our signature programmes embody our core strategy – our 'theory of change' – incorporating a three-tier approach:

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

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



PERFORMANCE

Increase our frontline emergency health capability, including the establishment of the Emergency Health Unit

The Emergency Health Unit (EHU) is a network of fully-formed teams of doctors, nurses and logistics experts primed to respond to emergencies anywhere in the world at short notice. It means we can put world-class health professionals at an injured child's side within 72 hours of a disaster striking. We can get the right people in the right place – so we can reach children even faster in an emergency.

The EHU was established last year, recruiting 34 specialist health, operations and support staff. We have three primary health teams, a small central support team in London, and we're building our capacity to deliver emergency hospital care and respond to major disease outbreaks. The EHU is seed-funded through our partnership with GSK, which includes an 'immediate deployment fund', enabling the EHU to deploy in the first few hours after an emergency strikes without having to wait for confirmation of further donor funding.

In the second half of 2015, with the EHU newly operational, we deployed a primary health team to



A Save the Children nurse treats a patient for severe burns at the main hospital in Juba, South Sudan.

Thousands of action/2015 campaigners gather on London's Millennium Bridge to call on world leaders to implement global goals to end poverty, address inequality and tackle climate change.



MATT CROSSICKS/GETTY IMAGES

northern Kenya to carry out a cholera preparedness and prevention project. We also sent part of one of our teams to provide leadership and operational support to the early stages of our response to the refugee crisis in Hungary and Croatia. After a fuel tanker exploded in Maridi, South Sudan in September, killing close to 300 people and causing hundreds of severe burn injuries, we launched a burns and reconstructive surgery response that delivered emergency life-saving help and equipment.

The EHU continues to build its profile as a life-saving resource for deployment to emergency situations, and is developing strong links with institutional donors. As the EHU develops, we're working to strengthen our processes, manage risk and make sure our teams are equipped and ready to deploy wherever they're most needed.

Secure a commitment to ending preventable child deaths, through our No Child Born to Die and action/2015 campaigns

In September last year leaders from around the world signed up to the new Sustainable Development Goals, which set the course for global development over the next

15 years. The SDGs include a clear commitment to ending preventable child deaths by 2030.

That historic commitment – to stop newborn babies and young children dying from illnesses we know how to prevent and treat – marked the culmination of our five-year No Child Born to Die campaign. Last year, to galvanise support in countries around the world to help secure this commitment, we joined forces with action/2015 – a global coalition we helped establish of more than 2,000 organisations calling for world leaders to tackle extreme poverty, inequality and climate change.

In the UK nearly 25,000 supporters took action in support of our campaign, which called on the UK government to lead the way in ensuring that every child has access to lifesaving healthcare. As part of action/2015, we helped secure a partnership with the pop phenomenon One Direction, which boosted social media engagement with the campaign to more than 450 million views. On the eve of the SDG summit we organised a gathering of 2,000 people in London – alongside events around the world, from Sydney to Delhi, Johannesburg to São Paulo, and Mexico City to New York – to Light

the Way to a better future. Images from the action/2015 campaign, including the Light the Way events, were included in an action/2015 film shown as the goals were agreed by heads of government.

At the UN summit itself, the participation of 17 child delegates from across the Save the Children movement ensured children's voices were heard in proceedings and in media coverage of the event.

Recruit 100,000 new supporters, and begin to deliver our supporter and digital strategy to recruit and retain 1 million supporters and increase unrestricted income

Last year more than 750,000 supporters took action on behalf of Save the Children. Following changes we made in our approach to campaigning – including targeting our campaigns more tightly in order to increase their impact – there was a slight dip in our overall supporter numbers compared with 2014. We therefore fell short of our aspirational target to increase our overall number of supporters. Nevertheless, our income from supporters and the number of supporters giving financially both grew. Our unrestricted income increased to £96.9 million – money that is vital in giving us the opportunity to programme innovatively in challenging environments and fund vital support services.

From schoolchildren to skydivers, our amazing supporters had a remarkable impact last year. As Europe faced its biggest refugee crisis since the Second World War, thousands of people took part in our Restart the Rescue and Welcome Refugee Children campaigns (see page 21). Following the devastating earthquake in Nepal, people across the UK dug deep to support our response. Last year the UK public donated £31 million to our emergency work – up from £17 million the previous year – enabling us to help 2.6 million children.

In the run-up to the General Election, our supporters called for a fair start for poor children in the UK, winning the backing of all three main political parties for the mission of our Read On. Get On. campaign to get all children in the UK reading well. Our 2015 partnership with ITV – Text Santa Christmas Jumper Day – brought our cause to new audiences as the UK public donated £3 million for our work. More than half a million children were registered for Den Day and pitched in to make this new venture a huge success in its first year, surpassing expectations. And children all over the UK got involved in our new Save the Children Club, finding out about children's day-to-day lives in other countries.

Our supporters are the backbone of Save the Children. Last year, with charities under renewed scrutiny over

fundraising techniques, we reviewed some of our fundraising activities and took the precautionary step of temporarily suspending our telemarketing while we did so. We also launched our Supporter Promise, a five-point pledge to be open, honest and respectful – including commitments to make it easy for our supporters to choose how we contact them, not to sell their data, and not to cold call members of the public. Building on this promise, we have made progress in our wider work to make it easier and more rewarding to support Save the Children, including investing in our digital capability and offering innovative opportunities for supporters to get involved in our work.

Deliver our people strategy to improve staff engagement and retention

Staff retention remains an important challenge for the whole organisation. We consulted staff extensively on our organisational identity, using feedback in a document called 'Who we are and how we work' to support initiatives to attract and retain staff.

A priority that was raised in our all-staff survey was to create a standard for people management at Save the Children. Last year we launched our management excellence programme, which aims to build knowledge, awareness and skills in people-management practice.

We expanded opportunities for staff and senior leaders to talk openly about a broad range of topics. We also launched Pioneers of our Values, a peer-to-peer recognition programme, complementing our existing staff recognition 'Born to' awards.

Work to modernise our head office workplace was completed, creating an environment that fosters enhanced collaboration, with more meeting space, and that enables more flexible working practices. We will continue our 'smart working' programme in 2016 and conduct an all-staff survey on our progress.

OUR PROGRAMME IN PAKISTAN

As part of the process of re-registering all international non-governmental organisations in Pakistan in 2015, Save the Children has submitted its registration application for consideration. We geographically downsized our operations to Sindh and Punjab Provinces, resulting in a reduction in our national staff cadre from 1,200 to 600. We continue to monitor the operational environment working closely with the government of Pakistan.

2016: FACING THE CHALLENGE

Our vision is of a world where every child has the chance to survive, to learn and be safe. As this report illustrates, we go wherever we need to and do whatever it takes to save children's lives and give them the chance to fulfil their potential.

The world has made real progress for children. The numbers dying before their fifth birthday has halved since 1990. Millions more children are in school.

But there are new and formidable challenges. Children today face deadly threats – from increasing inequality, from the changing nature of conflict, from climate change and environmental disasters. We are determined to respond to those challenges. We will push for change for children through three powerful campaigns:

EVERY LAST CHILD

In an increasingly unequal world, our new global campaign, Every Last Child, focuses on reaching the

forgotten children – those who are poorest, most disadvantaged and hardest to reach. They face a potentially deadly combination of poverty and discrimination – left behind because of where they're born; because of their gender, ethnicity, religion or physical ability; or because they've been forced to flee their homes. We are determined to end this scandal. Our campaign is pushing for concerted global action to reach every last child.

PROTECTING CHILDREN IN WAR

2015 bore witness to the devastating impact of modern conflict on children's lives and futures – in Syria, Yemen, South Sudan and the refugee crisis in Europe. In 2016, alongside our work on the ground, we'll campaign to protect children in war. And as Ethiopia faces a critical food shortage as a result of drought, we'll campaign for decisive action to tackle other humanitarian crises.

Break time at our safe space for children at a refugee camp in Dollo Ado, Ethiopia.





READ ON. GET ON.

We will not ignore the situation of the poorest children here at home. Recognising the life-transforming potential of reading for poor children, the Read On. Get On. campaign, of which we are a lead member, aims to ensure every child in the UK is reading well by 11 by 2025. Our particular focus within the campaign is to promote language skills among younger children – and to prevent children falling behind from an early age.

ONE MOVEMENT FOR CHILDREN

As part of the Save the Children movement, last year we agreed our first-ever global strategy. Together we will work to achieve three breakthroughs for children over the next 15 years: to help all children survive, learn and be safe.

We will continue to focus on three main goals – delivering world class programmes, becoming a cause of millions, and becoming an outstanding organisation (see table above). Under these goals, we have identified 17 priority initiatives for the next three years. These are a mixture of existing initiatives we must complete (such as building our frontline health capability through the Emergency Health Unit), new initiatives where we are making substantial efforts to achieve big leaps forward (like improving our supporter journey through digital transformation), and innovative ideas we are keen to test out (like work towards a children’s movement, enabling children’s voices to be heard on issues that concern them). Our 2016–18 strategy will be published on our website, and we will report back in future annual reports on our progress in delivering it.

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



FINANCIAL PERFORMANCE IN 2015

INCOME

Our income in 2015 was £390 million, which is the highest that it has ever been, and an increase of 5% on the previous year. We are extremely grateful to our donors for their generosity in helping us achieve this.

Our diversified income base includes income from institutional and individual donors, our network of shops, and corporate partnerships. This provides stability in a challenging world economic environment and enables us to continue growing our work for children.

- Our income from charitable activities of £249 million, up from £234 million in 2014, comes primarily from grants from governments, international organisations and corporate partnerships to finance specific projects.

In 2015 DFID provided £137 million, up £10 million from 2014, for 111 projects in 30 countries. (See note 5 of the financial statements for a full breakdown of each grant.) In addition, the European Union and United Nations contributed £64 million, down £13 million from 2014.

As well as raising vital income, our corporate partnerships harnessed their sector-leading expertise in product development and research to help us achieve more for children. Examples include GSK developing a life-saving gel to stop neonatal sepsis, and our Stop Diarrhoea partnership with RB in India.

- Donations and legacies include all types of income that are in substance gifts made on a voluntary basis. This includes all individual giving, community fundraising, legacies, gifts in kind and some corporate and trust income. In 2015 we raised £128 million, an increase of £2 million from 2014.

While short of our target, the net number of individual givers rose by 1% in 2015. However, the number of emergency cash givers rose by 39% to 77,075, helping to drive individual giving up 4% to £54.9 million. Community fundraising grew to £10.5 million, driven in part by our new Text Santa partnership with ITV, Macmillan Cancer Support, and Make-A-Wish® UK.

- Our retail income was £9.7 million, a 4% increase on 2014, and generating a surplus of £1.9 million as a contribution to our charitable activities. This has been driven by the opening of four new Mary's Living & Giving shops in the year with significant growth potential, offsetting the closure of five shops that were performing less well. In addition to the funds that are raised, our retail staff and volunteers play a key role in raising awareness and engaging the local communities.

Over the course of the year, we ran six emergency appeals, which generated income of £18.8 million. We continued appeals for Syria, the Ebola Crisis (closed in October 2015), and the Iraq Crisis (closed in September 2015). We launched new appeals for the Nepal earthquake, Child Refugee Crisis and the Ethiopia Food Crisis.

Total income **£390 million**

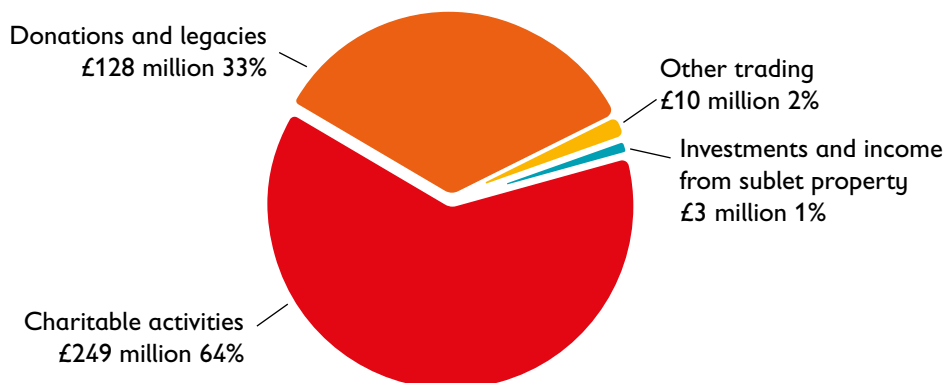


Figure 1 Breakdown of our income in 2015

A breakdown for all appeals that raised in excess of £1 million in the year is shown below:

Nepal Earthquake	£6.8m	Philippines Typhoon	£5.0m
Syria	£2.9m	Flagship Programme	£1.1m
Child Refugee Crisis	£6.0m	Children's Emergency Fund	£5.0m
Ebola Crisis	£2.5m	Others	£1.5m

The funds raised from appeals come from a variety of sources, ranging from individual supporters, community fundraising, trusts, the DEC and corporations. The income for each appeal is reported by that appeal's relevant source of funds.

EXPENDITURE

In the last five years we have spent just under £1.5 billion on charitable activities. Just under a third of this was spent on rapid onset emergencies such as our responses to Ebola, the civil war in Syria, conflict in Israel-Gaza and Typhoon Haiyan in the Philippines.

In 2015, expenditure on our charitable activities was up 12% to £346 million. We used this money to deliver immediate and lasting change for children in accordance with our three-tier theory of change – see page 32.

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 2015, that was 91% (89% in 2014).

Our expenditure on raising funds in 2015 has decreased by £4.2 million to £34.4 million. In 2015 we launched our Supporter Promise outlining our guarantee to supporters when they choose to engage with us. We reviewed our activity portfolio and how we and the professional fundraising agencies we use, were engaging with our supporters. We reduced our spend on fundraising acquisition activities such as telemarketing to ensure we were giving our supporters a great experience. We also reduced our spend on channels including international direct response TV advertising, to maintain our returns on investment. These savings allowed us to invest in new, innovative propositions to future-proof our fundraising portfolio, such as our Save the Children Club.

To strengthen our capability to deliver on our ambitions for 2018, we have continued to invest in the key support services of finance, human resources and information technology. These services play a crucial role in providing core organisational support to our overall delivery for children. More information on these and their basis of allocation is included in note 9 to the financial statements.

THE FUNDS OF SAVE THE CHILDREN AT 31 DECEMBER 2015

A key distinction in the charity sector is between restricted income, which must be used only for the purpose specified by the donor, and unrestricted income, which may be used by Save the Children for its general purposes to fulfil its charitable objectives.

Total expenditure **£382 million**

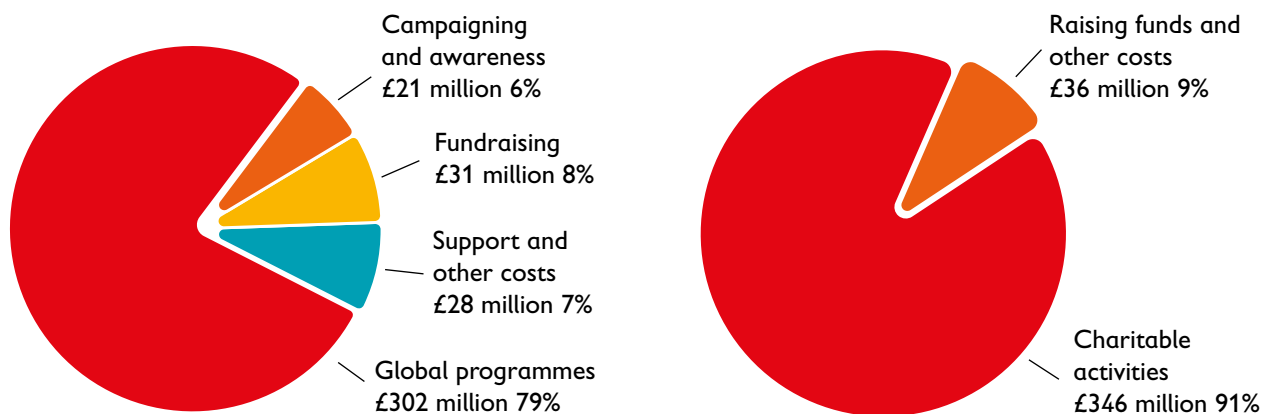


Figure 2 Split of charitable and non charitable expenditure after allocation of support and other costs to the activities they support. £5 million of support and other costs are attributed to fundraising and £23 million to charitable activities

Total charitable expenditure **£346 million**

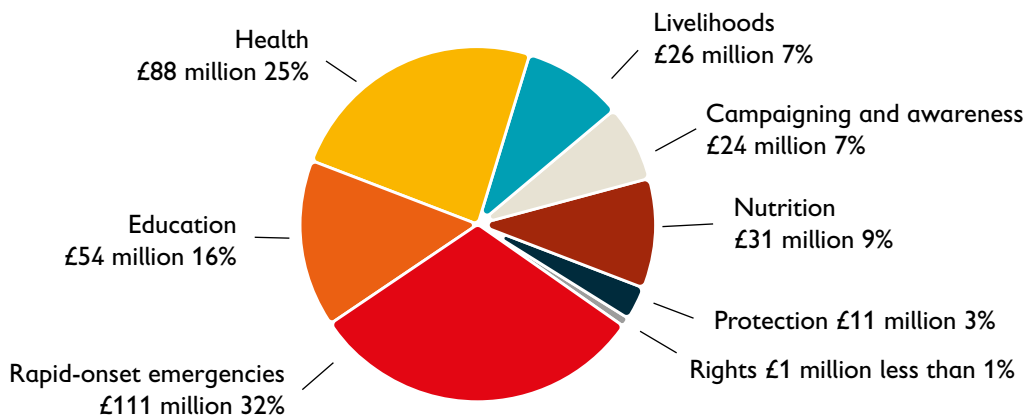


Figure 3 Breakdown by theme of our charitable activities

We use unrestricted income to meet essential running and programme supervision costs, including our contribution to the global network of offices managed by Save the Children International, which is vital to delivering our programmes and humanitarian responses. We also use unrestricted income to support initiatives like the Humanitarian Leadership Academy, to finance our policy work and campaigns, and to provide flexible funding where it 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 quickly to emergencies, before we receive dedicated appeal funding.

The overall results show a £10.6 million surplus for the year (2014: £17.6 million), comprising:

- an unrestricted surplus of £13.3 million (2014: £2.5 million)
- a deficit of £2.8 million (2014: £15.1 million surplus) restricted programme funds, due to grant expenditure being incurred in advance of funding.

The total funds of £60 million as at 31 December 2015 fall into three categories:

Restricted income funds (£32.5 million) are grants or donations received for defined projects that will be spent in future years.

Restricted endowment funds (£3.2 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 (£23.8 million) are principally made up of general funds (£38.1 million), designated funds (£9.4 million), a revaluation reserve (£3.2 million) and the pension reserve (a negative reserve of £26.9 million). The negative pension reserve represents the calculated deficit on the pension schemes and is explained further in the pension section below and in note 27 to the financial statements.

RESERVES POLICY

Our general reserves help ensure our long-term financial viability – protecting our work against adverse financial events. Given the ongoing uncertainties in world economies, a formal review of our reserves was carried out in 2015 in accordance with our strategy to review the reserve policy at least every three years.

The review considered the financial risk associated with our income and expenditure streams and balance sheet composition, and concluded that the appropriate target reserve range should be raised from between £24 million and £29 million to be between £27 million and £32 million, to reflect the increase in size of the organisation and continued challenging financial environment. At 31 December 2015, our general reserves stand at £38.1 million, due to an exceptionally strong fundraising performance in December 2015. Most of our reserves are held in our unrestricted investment portfolio, which is invested for the long term.

PENSIONS

Since October 2013, Save the Children has offered all new staff in the UK enrolment in a group personal pension. Save the Children is also contributing to a defined benefit scheme (which we closed to new entrants in June 2002), to defined contribution schemes for staff who joined between 2002 and 2013, and to a long-term savings plan for staff based overseas. A professional actuary carried out a triennial valuation of the defined benefit scheme at 30 September 2014. This showed a deficit of £36.3 million and that the scheme assets were sufficient to cover 76% of the accrued benefits. The funding deficit does not represent a current cash commitment; rather, it reflects the long-term funding required as pensions are paid out to members of the scheme, many of whom have not yet retired. In accordance with the triennial valuation, we are funding the deficit over a recovery period to 2023. 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) 102. This is conducted using different assumptions and results in a different funding deficit. The FRS 102 valuation at 31 December 2015 showed a deficit of £25.5 million and a funding level of 83%, compared with a deficit of £32 million and funding level of 79% as at 31 December 2014. The details are shown in full in note 27 to the accounts.

CHARITIES SORP (FRS 102)

These are the group's first consolidated financial statements prepared under Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) (FRS 102). For 2015 we have presented our accounts in accordance with the new standard and restated our 2014 accounts accordingly to show a reduction in net assets of £59 million and a £3 million increase in our net movement in funds for that year. The primary impact of these reporting changes is in respect of our restricted income funds on performance-related grants, where £59 million that was previously recognised as income on receipt and included within our restricted reserves is now reported as deferred income and is expected to be recognised in the income statement in subsequent periods. See note 29 for further details of all the changes made on adoption of FRS 102.

GOING CONCERN

We have set out above a review of Save the Children's financial performance and the general reserves position. 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

WHY MANAGING RISK IS IMPORTANT TO US

Good risk management is fundamental to the continued work and sustainability of our organisation. It helps us to:

- keep our promises to the children we work with, and contribute to keeping them safe
- safeguard our staff, who work in ever more difficult places
- deliver programmes that achieve our high-quality standards
- meet our obligations to those who support us and give us funding.

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

HOW WE MANAGED RISK IN 2015 AND WHO WAS ACCOUNTABLE

The key roles and responsibilities for managing risk throughout the year:

- The overall responsibility for the management and control of the charity rested with our Board of Trustees. It delegated some elements of the process to the CEO, executive directors and staff.
- The Audit Committee was appointed by the Board of Trustees to advise on financial control and risk management. In 2015, it reviewed the strategic and operational risks identified by Save the Children UK, and sought assurance over our risk management activities from other sources, including from our internal auditors.
- The CEO and the executive directors actively identified, assessed and managed the risks that could prove damaging to our work for children; throughout the year they provided information to the Board and its committees on the status of those risks and controls within their remit.
- Senior managers were responsible for encouraging good risk management practice and for communicating policies and procedures to their teams.
- Our Risk Manager ensured that we had robust processes in place to identify emerging risks, and that we had appropriate procedures to manage them.
- Internal Audit, delivered throughout the year, provided assurance over our risk mitigation.

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 working with us to manage the risks within their areas of responsibility, and to seek help if they identify a risk that is outside of their expertise.

We work hard to learn from our mistakes and from those of others, and to build those learnings into our ways of working.

OUR RISK MANAGEMENT PROCESS

We review and update our risk assessment each quarter with input from:

- executive directors, who are responsible for owning each risk and for regularly reassessing the likelihood of a risk occurring, the severity of its consequences, the effectiveness of current mitigation, and if any further mitigation is required
- senior staff, who identify and manage risks as an integral part of their daily work
- a risk assurance network of key staff, who identify and manage risks and find ways to address them.

We divide our risks into a shortlist 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 their meetings throughout the year.

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

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

In 2015, we:

- used our organisational risk appetite, agreed in 2012, to assess opportunities for the benefit of children and to help us decide which risks we take, and how those risks are managed
- maintained a set of measurable 'triggers' to help us identify when a strategic risk may be close to crystallising, and to alert us when additional mitigation is required
- recognised that a 'three lines of defence' approach provided a useful framework for informing discussions about internal control

- set ourselves an organisational target to strengthen our key risk management processes. As part of this, we commenced a three-year project to update our entire policies and procedures framework.

Our risk management processes enabled us to manage risk to the best of our ability. It provides reasonable, but not absolute, assurance that the organisation is protected. In the event of an incident, we have a robust crisis management plan to ensure we manage incidents effectively.

THE PRINCIPAL RISKS AND UNCERTAINTIES WE FACED IN 2015

Over the course of 2015, we tracked more than 60 principal risks across the breadth of our organisation and activities; we revised and re-scored these risks on a quarterly basis through the mechanisms described above. Many of these risks will also remain with us in 2016. The six most significant risks – which without effective mitigation would have a severe impact on our work, our reputation or our ability to achieve our ambitions – are set out in the table below.

1. Failure to effectively deliver world-class programmes in complex operating environments	
<p>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 the safety and security of our staff (see below), this brings with it the risks of:</p> <ul style="list-style-type: none"> • unintentionally working with, or assisting, prohibited parties • fraud, theft, bribery and corruption • failure to deliver programmes to the high-quality standards expected by our beneficiaries, supporters and donors. <p>We strongly believe that to reach children in need in the most difficult of places, we must recognise that these risks are present, and we must take appropriate and robust mitigation to ensure we can continue our life-saving work in these challenging environments.</p>	<p>Mitigation:</p> <ul style="list-style-type: none"> • Quality Framework for effective programme delivery, incorporating clear policies on operating in complex environments • reporting mechanisms for beneficiaries and staff to use if they identify concerns or areas for improvement • staff, suppliers and the people we work with vetted to detect any links to prohibited parties • training for our staff to equip them to manage the risks we face in delivering programmes • investment in strengthening operational platform at Save the Children International • monthly key performance indicators monitored and regular update meetings held.
2. Failure to keep our people safe	
<p>2015 saw Save the Children working in increasingly dangerous locations, including a number of active conflict zones, such as Syria and Yemen; countries suffering from natural disaster, such as Nepal; and Ebola-affected countries, including Sierra Leone, where we ran the Ebola Treatment Centre in Kerry Town until 30 June.</p>	<p>Mitigation:</p> <ul style="list-style-type: none"> • health & safety policies and procedures • safety & security policies and procedures • pre- and post-deployment support and checks on staff wellbeing, including use of external experts • independent assessment of our health & safety protocols completed in 2015 • annual health & safety and safety & security reports presented to our Board in December 2015.

3. Failure to keep the children we work with safe

Keeping the children we work with safe from harm is always a top priority for us.

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.

Mitigation:

- Save the Children's global child safeguarding protocol, which sets out the standards required of us for ensuring that the children we work with are kept safe
- dedicated Child Safeguarding Director to oversee our arrangements
- Disclosure and Barring Service checks and international police checks on all staff
- mandatory induction training for all staff
- in-depth child safeguarding training for those working directly with children
- internal audit of child safeguarding in 2014
- annual child safeguarding report to our Board in September 2015.

4. Failure to respect and protect our supporters and to uphold our Supporter Promise

Our supporters are critical to our success and to what we can achieve for children. We value our supporters' actions, opinions and support as well as the valuable funds they generously donate for our work.

In 2015, the way charities interact with their supporters came under intense media and public scrutiny when a series of investigations into the practices used by charity fundraising agencies were published in the media. Although we were not featured in these investigations, the knock-on effect of these investigations has had wide-reaching consequences for the entire sector.

Mitigation:

- suspended our telemarketing as a precautionary step pending a full review of our arrangements
- launch of our new public Supporter Promise
- reviewed our vulnerable people policy and delivered training to our Supporter Care team and agencies on the new policy.
- review and upgrade of our complaints procedures, which are published on our website
- development and implementation of new data processing statements
- in-house Supporter Care team
- full-time risk and compliance manager to provide training and advice to our staff
- publication of our third Accountability & Transparency Report in June 2015
- regular updates to our Board on our marketing, fundraising and communications activities.

5. Failure to attract, recruit and retain high-performing staff

2015 was a challenging year for us, as we faced:

- changes in senior management
- turnover of staff numbers above the charity sector average
- concerns over our organisational culture.

Mitigation:

- continuation of our staff ENGAGE programme, stemming from our 2014 employee engagement survey
- improvement of dialogue with our staff through all-staff meetings and Q&A sessions
- programme of training for our line managers
- renewal of our People in Aid accreditation for 2015–18
- internal audit review of our HR processes and systems
- completion of culture review, which recommended a number of ways we could work with staff to strengthen our culture and align it more closely with our values
- discussion of our 'People Strategy' by the Board throughout the year

6. 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. We remain alert to any reductions in sources of income and are making concerted efforts to diversify our institutional and corporate donor base, within the confines of the home donor rules applied by the Save the Children movement.

Mitigation:

- implementation of improvements to our systems gained from our new finance system, Agresso, which went live on 1 January
- monitored costs regularly through the year, keeping our unrestricted expenditure below budget
- monitoring of our reserves, debt and cash flow positions against our agreed thresholds throughout the year
- compliance with our donations acceptance criteria, which support our ethical approach to working with partners and donors
- working with our fundraising teams to respond to changes in our fundraising model; we will continue to progress this in 2016
- internal audit review of our key mechanisms for managing our funding, as well as our payroll systems and fraud management arrangements
- Board review of our financial performance and budget at their meetings in April and December.

EUROPEAN UNION REFERENDUM

The Board are assessing the implications for Save the Children of the uncertainty following the European Union referendum result, and are considering appropriate mitigating actions.

WORKING TOGETHER TO MANAGE SHARED RISKS

We are conscious of our shared exposure to financial and reputational risk due to Save the Children's networked structure and ways of working. Therefore, we work closely with Save the Children International and other Save the Children members to better identify and manage the risks that we collectively face, as an international organisation working in ever more difficult places to reach every last child.

INTERNAL AUDIT

Grant Thornton was appointed as our Internal Auditor on 1 April 2014.

Based upon the key risks identified on our risk registers, Grant Thornton conducted eight risk-based audits across the organisation in 2015, covering a variety of topics in a number of key areas including finance, HR, fundraising and retail.

At the end of the year, Grant Thornton assessed the primary means of assurance for our strategic risks. The review confirmed the presence of a number of control activities that support effective management and oversight of assurance, but identified opportunities for risk and sources of assurance reporting to be better embedded within wider operational performance monitoring and reporting. We will be implementing actions arising from this audit in 2016.

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

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

GAINING ASSURANCE OVER OUR SUBSIDIARIES AND SAVE THE CHILDREN INTERNATIONAL

We gained assurance over the programmes delivered by Save the Children International, as well as our donors' money invested in those programmes, through regular updates against agreed key performance indicators. The Board also received assurance through Save the Children International's global assurance and fraud reporting mechanisms, and through joint trustee appointments to the Save the Children International Board.

At all levels of the organisation, we maintain close working relationships (including the Save the Children Chief Executive Officer forum and Global Programme Director's Group) to interrogate and support the Operational Platform Strengthening work that is underway in our country programmes. In 2015, we also strengthened our award management frameworks across Save the Children.

The trustees gained assurance over the operations of our subsidiaries (ie, Merlin and the Humanitarian Leadership Academy) through regular reports from their respective boards to our own trustees.

MANAGING FINANCIAL RISKS

Goods and services purchased are subject to contracts with suppliers based on market prices. Market risk is dealt with in the investment management policy section on page 51.

Amounts due from donors overwhelmingly relate to major institutional and corporate donors, and the associated credit risk is therefore considered to be low. The risk of disallowances arising from donor audits is also considered to be low. There are no external borrowings, and processes are in place to monitor cash flows in order to minimise liquidity risk, in conjunction with our reserves and investment policies described above.

We closely monitor the performance of our investments throughout the year and keep our investment policy under review.

We are managing a deficit of c£25.5 million in the Pensions Trust Defined Benefit scheme, driven by the economic slowdown, resulting in low interest rates and increasing longevities. We are contributing some £4 million cash contributions per annum from October 2014, increasing to £4.6 million per annum from April 2016, £4.65 million from April 2017, and £4.7 million from April 2018 to March 2023 (£39 million total over 8.5 years) to close this deficit.

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

GOING FORWARD

Every year we strive to make improvements in our approach to risk management, in order to stay in line with best practice. In 2016, we will:

- revisit our agreed risk appetite statement with the executive directors and trustees, to ensure it is still current
- revise our risk policy and accountability framework, to ensure roles and responsibilities for risk management and assurance across the charity are captured, strengthened and clarified
- continue to strengthen our first and second lines of defence, and build this into our internal communications, staff training programme and job descriptions, to ensure that staff understand and are equipped to manage risk to the best of their ability.

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. The charity's articles of association provide that its trustees are the only members of the charity. The business of the charity is governed by the Board of Trustees (whose members during the year are listed on page 52). The trustees are responsible for overseeing the management of all the affairs of Save the Children, and delegate day-to-day management of the organisation to the Chief Executive and Executive Directors.

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 is responsible for ensuring 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 executive directors. Trustees are able, where appropriate, to take independent professional advice if it helps them to fulfil their role.

Save the Children has three subsidiaries:

- Save the Children (Sales) Limited, its wholly-owned trading subsidiary, 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 £2.3 million to the charity's funds, up from £1.6 million in 2014. See note 16a in the financial statements for further details.
- Medical Emergency Relief International (Merlin) is a charitable company limited by guarantee and registered in England and Wales, of which Save the Children became the sole member in July 2013. Merlin is managed by an independent Board of trustees, and its principal activity is to end the needless loss of life in the poorest countries caused by a lack of effective healthcare. By 2015 all of Merlin's country programmes had transitioned to SCI except Sudan (which closed) and Pakistan, which was Merlin's only area of operation in 2015. In November 2015, the Merlin Board of Trustees decided to close its operations due to the increasing restrictions being placed on NGOs by the Pakistan authorities. Merlin's results have been included in the group's results and the subsidiary has made a deficit of £0.9 million, down from a deficit of £1.4 million in 2014. See note 16b in the financial statements for further details.
- Humanitarian Leadership Academy (the Academy/HLA) was incorporated as a company limited by guarantee in January 2015, with Save the Children as its sole member, and registered as a charity with the Charity Commission in May 2015. The Board appointed three external Trustees for the Academy at its incorporation. In addition, the Board appointed Fiona McBain (Trustee of Save the Children) and Janti Soeripto (Deputy Chief Executive of Save the Children International) to the Board of the Academy with effect from April 2015. The charity was dormant until 1 November 2015, when Save the Children transferred its Humanitarian Leadership Academy business unit to the new charity. It also agreed to provide support to the new Academy charity, including a grant of £300,000 to the Academy's reserves, the sub-grant of awards received from donors to support its work, and various operational support services. The principal activity of the subsidiary is to enable people around the world to prepare for and respond to crises in their own countries. The HLA works with the humanitarian sector and new partners from the technology industry, private sector and universities to help communities become more resilient in the face of disaster and give them the training and skills to respond to crises in their own countries. The HLA's results have been included in the group's results and the subsidiary has generated a surplus of £0.3 million. See note 16c in the financial statements for further details.

Save the Children is a member of the Start Network, a consortium of 27 Member NGOs that is working to

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

TRUSTEES' RESPONSIBILITIES

The trustees (who are also the 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, including FRS 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 a 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. This information is given and should be interpreted in accordance with the provisions of the Companies Act 2006 s418. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE BOARD AND COMMITTEES

In 2015, the Board had four formal all-day meetings and several ad hoc meetings. At each formal meeting, it reviewed overall progress of the charity on the basis of reports from the Chief Executive, and reviewed the financial position and risks of the organisation. It reviewed the charity's achievements in delivering the Ambition 2015 strategy between 2012 and 2015. The Board approved a new strategy for 2016-18 within the framework of an overall strategy for the Save the Children movement, agreed by members in June 2015. It approved the budget for 2016.

The Audit Committee is appointed by the Board. During 2015 it consisted of three Board members, including the Honorary Treasurer, and two external members. Following the completion of the terms of the two external members in November 2015, the Board decided to appoint a fourth Board member, and not to appoint further external members. The Audit Committee met four times in 2015. The Committee oversaw preparation of the 2014 Annual Report. It reviewed the assurances provided to Trustees about the control environment during 2014, and considered reports from the external auditor. It agreed a programme of internal audits to be conducted between April 2015 and 2016, received reports of completed reviews, and checked delivery of agreed actions. It supervised preparations for implementation in the 2015 accounts of the new Statement of Recommended Practice (SORP) and Financial Reporting Standard 102. The Committee received updates on key risks, including on implementation of programmes by Save the Children International, child safeguarding, and fundraising activities.

The Finance Committee is appointed by the Board and as at 31 December had three Board members, including the Honorary Treasurer, and one external member. The Finance Committee met five times in 2015. It reviewed the financial out-turn from 2014, and in-year forecasts for 2015. It supervised preparation of the budget for 2016, approved all decisions for SCUUK to accept awards worth more than £10 million, and reviewed business cases for

investments in SCUK's operating systems. The Finance Committee reviewed proposals in relation to the income recognition policy to be applied in 2015.

The Investments and Pensions Committee is an advisory sub-committee of the Finance Committee. As at 31 December it had two Board members and five external members with investment, pension and treasury expertise. It met four times in 2015 to review investment, pension and treasury matters and the performance of Save the Children's Investment Manager and Defined Benefit Pension Fund. It oversaw discussions with the Pensions Trust about implementation of a revised ethical investment policy, the triennial valuation of the pension fund, and the deficit recovery plan.

The Donations Acceptance Committee (formerly the Donation Decision-Making Panel) is appointed by the Board and consists of up to four Board members and three executive directors. It considers potential donations to Save the Children and makes decisions about whether it is in the best interests of the charity to accept a donation. Information was shared by email and telephone over the year 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. During 2015, three new trustees were appointed to the Board on the recommendation of the Committee. Following the resignation of the Chief Executive Officer, the Board asked the Committee to oversee the process for selecting a successor. 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 four Board members. It reviews the performance of the executive directors and key senior staff, and makes recommendations to the Board on their remuneration, benefits and terms of employment. The Committee had two meetings during the year.

The Merlin Committee, which provided the Save the Children Board with oversight of the transition of Merlin's operations to Save the Children, stood down in April with the completion of the main phase of the transition.

ORGANISATIONAL STRUCTURE

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

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; we are 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, learn and be protected. 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.

Save the Children has increased its income to £390 million. In 2015 this enabled us to reach 17.5 million children – more than at any other point in our history. 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 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, who are deemed to be key management personnel. To do this, the Board appoints 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 Adviser, 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 2015, 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 £9.40 per hour in London, £8.25 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 10 in the financial statements (page 73).

FUNDRAISING INFORMATION

In 2015, Save the Children launched a Supporter Promise, outlining our guarantee to supporters when they choose to engage with us. This promise, included below, is the guiding principle for all fundraising activities by the charity, whether undertaken by a volunteer, a paid staff member, or a professional fundraising agency:

1. Transparency about how we use your donations.

- We spend donations so they have the most impact for children.
- We value every gift and we will always put your gift to work as quickly as we can.

2. Amazing stories that show how you're helping transform children's lives.

- Your support helps children all over the world. We'll share stories of our work and be honest about the challenges we face.
- When an emergency strikes, we'll do our best to contact you to let you know how children are affected.

3. Respect for your privacy and your generosity.

- We will not make cold telephone calls to members of the general public.
- We'll never sell your data and only share it if you ask us to.

4. An approach that's right for you.

- We'll make it clear and easy for you to choose how you hear from us. If you ask us not to contact you, we won't, unless it's a legal requirement.
- Our staff, suppliers and volunteers will adhere to the Institute of Fundraising's policy on vulnerable people.

5. A friendly and open response when you get in touch.

- Sometimes we work with external suppliers to contact you, simply because our team isn't big enough. We'll train, monitor and regulate our external suppliers to meet our standards.
- When we get things wrong, we'll be upfront about our mistakes, we'll apologise and we'll fix them.

We fully comply with all relevant statutory regulations, including the Data Protection Act 1998, the Privacy and Electronic Communications Regulations 2003 and the Telephone Preference Service. We also strive for best practice in fundraising by complying with a range of voluntary regulation schemes; for example, we are members of the Institute of Fundraising, Fundraising Standards Board, and Public Fundraising Regulatory Association. We have also pledged support for the new Fundraising Regulator, to be established in 2016. Save the Children has complied with all schemes for regulating fundraising in 2015.

We use a wide range of fundraising approaches to raise money – from working with philanthropists and corporate supporters, to our chain of charity shops; from volunteer groups to individuals completing sporting challenges

like the London Marathon; from advertising on TV and elsewhere to talking to our existing supporters. Much of this activity is done by our own internal team, but we engage professional fundraising agencies to fundraise face-to-face on high streets and in other sites such as shopping centres, to visit potential supporters door-to-door and to speak to existing supporters on the phone. We monitor all of our agencies through a combination of mystery shopping, spot checks and call listening. We take part in sector-wide monitoring run by the Public Fundraising Regulatory Association.

Our supporter care team received a total of 2,505 complaints in 2015 – down 58% on 2014. 1,530 of these related to fundraising. In 2015 we reclassified our reporting of fundraising complaints to include additional topics, for example, data processing errors. However, on a like for like basis we saw a 16% reduction in fundraising complaints between 2014 and 2015

We have continued to ensure that vulnerable supporters and members of the public are afforded the highest levels of support, respect and protection. Guidance for staff on protecting vulnerable people was updated in 2015 and the agencies we worked with adhered to industry best practice (IOF Treat Donors Fairly Policy) on vulnerable people.

PUBLIC BENEFIT

Charity Trustees have a duty to report in the Trustees' Annual Report on their charity's 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 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.

INVESTMENT POLICY

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 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 Limited manages our portfolio of equity and fixed-interest investments of £26.1 million, including £3.2 million of endowment funds. The portfolio recorded a loss of £0.7 million. The portfolio is held for the long term, and over a five-year period has been broadly in line with its benchmark.

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.

ACCOUNTABILITY AND TRANSPARENCY

More detail on how we manage our affairs is provided in our separate Accountability and Transparency Report.

AUDITORS

Deloitte LLP have expressed their willingness to continue to act as auditors. A resolution to reappoint them, under section 485 of the Companies Act 2006, will be proposed at the forthcoming Board of Trustees Meeting in July.

ADMINISTRATIVE DETAILS

TRUSTEES

Sir Alan Parker	Committees*	P
Mark Esiri (Vice Chair)		F, N, P
Richard Winter (resigned 15/07/2015)		
Robert Hingley (resigned 09/12/2015)		
Tamara Ingram		N
Kevin Watkins (resigned 11/05/2016)		D
Sophie McCormick		P
Naomi Eisenstadt		CS, W
Fiona McBain (Vice Chair)		N
Adèle Anderson		A
Sebastian James		P, D
Jamie Cooper		
Diana Carney		D
Devi Sridhar (resigned 31/05/2016)		
Gareth Davies (Hon. Treasurer)		A, F, I
Peter Bennett-Jones (Chair) (appointed 25/02/2015)		P, N
Farah Ramzan Golant (appointed 25/02/2015)		
Mark Swallow (appointed 25/02/2015)		A, F, I

INDEPENDENT MEMBERS AND EXTERNAL ADVISERS

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

* Committee membership as at 31 December 2015

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

**The Donation Acceptance Committee comprises both Trustees and Executive Directors. On 31 December 2015, Executive Directors on the Committee were Tanya Steele, Kitty Arie and Sam Sharpe

DIRECTORS' GROUP as at 31/12/2015

Justin Forsyth	Chief Executive
Jennifer Geary	Chief Operating Officer
Sam Sharpe	Chief Financial Officer
Paul Cutler	Human Resources
Kitty Arie	Policy and Advocacy (interim)
Fergus Drake	Global Programmes
Tanya Steele	Marketing, Fundraising 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

Fund Custodians

The Bank Of New York Mellon

London Branch
One Canada Square
London E14 5AL

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 M99 1EF

The Pensions Trust

6 Canal Wharf
Leeds LS11 5BQ

LEGAL ADVISERS

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 29 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 2015 addressed issues faced by children in Scotland, as well as contributing to the global aims of Save the Children.

Tackling child poverty is our priority in Scotland. In 2015 we embedded our core community-based programmes across Scotland, reaching more than 2,600 children, and we successfully campaigned 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 18 cycles in 10 schools, reaching 684 children in 342 families. The average retention rate was strong at 81%. FAST was delivered in schools in Edinburgh, Fife, Glasgow, West Dunbartonshire and Renfrewshire, Midlothian, North Ayrshire, and Inverclyde. FAST aims to enable parents to better support their children's education, take an active role in their child's school and play a greater role in their local community.

We commissioned the Robert Owen Centre for Educational Change, at the University of Glasgow, to undertake qualitative research in four local authority areas, to assess the impact of FAST and to draw out learning on effective early intervention approaches. The

research findings were shared at an event in the Scottish Parliament, which was attended by MSPs, parents, and professionals from the education sector.

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 Edinburgh, West Dunbartonshire, Inverness, Glasgow, Fife, and Renfrewshire. During 2015, we delivered 942 grants reaching 1,919 children and their families, who benefited from receiving essential items such as beds, cookers, pushchairs and toys to help their children eat, sleep, learn and play.

We did further testing of Families Connect, a new programme that aims to support parents and carers to enhance their child's learning at home. The programme recognises the role parents play in the education of children and the value in creating a home environment that is conducive to learning. Families Connect was delivered in two schools in Glasgow and Edinburgh, reaching 34 children in 14 families.

We also tested Journey of Hope, a programme that aims to build children's resilience and help them to develop the skills and capabilities to cope with the challenges in their lives. The programme is delivered in schools alongside teaching staff, and involves a range of games and activities that support children to explore feelings and ways of dealing with difficulties. Journey of Hope was delivered to two groups of children in one school in Edinburgh, reaching 20 children.

We have been working in partnership with other children's charities, University of Glasgow, and STV Appeal, to deliver Stronger Communities, a new initiative that aims to tackle the impact of poverty on children's lives at a neighbourhood level. We are working in Renfrewshire and Perth and Kinross, and have engaged with hundreds of children and families and worked alongside existing services and support agencies to develop approaches that better meet the needs of children growing up in poverty. We hope to build on the success of this initiative in the coming year.

We continued to build momentum with our campaign, Read on. Get on, which aims to get all children reading well by the end of primary school, by 2025. We produced a report, Ready to Read, highlighting the need to focus on closing the language gap in the early years. The report received a great deal of coverage in the media and was well-received by policy makers, political parties, and other stakeholders.

Last year for the launch of the campaign, we produced an interactive bookcase containing stories written by children about what reading means to them. In 2015, the bookcase

did a tour of Scottish Libraries and invited children to add their voices to the campaign. The bookcase tour even attracted a visit from Scotland's First Minister.

Playing a more global role, Save the Children in Scotland has assisted in fundraising for emergency appeals, to support the humanitarian response for children affected by disasters such as the Nepal Earthquake and the escalating child refugee crisis in Syria, the neighbouring region and in Europe. We contributed to the Scottish Government's Refugee Summit, and we are an active member of the Refugee Integration Forum, which supports the resettlement of Syrian refugees as part of the UK Government's Vulnerable Person's Relocation scheme; and we advocated for 3,000 unaccompanied child refugees to be resettled and cared for in the UK.

We launched a landmark new partnership with Heart of Midlothian FC, the first of its kind in the UK, which has resulted in significant funding for our programmes in Edinburgh and the surrounding area. This new partnership provides a great opportunity to reach out to new supporters and to raise the profile of our work in Scotland, and enables us to reach hundreds more children and families who need our support.

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. We helped organise a fundraising gig led by Scottish rock group Belle and Sebastian, involving other well-known Scottish bands, which attracted thousands of fans in support of our Child Refugee Crisis Appeal. Our shops have also continued to raise valuable funds and support for our work in Scotland and overseas.

VOLUNTEER INVOLVEMENT

Over the past year, our 13,317 volunteers have made a huge contribution to realising our ambition for children. By giving their time to run our shops, fundraise, organise events, provide specialist expertise and to campaign, volunteers have raised millions in income and raised awareness of Save the Children across the UK. We are immensely proud of the role that volunteers play at every level of Save the Children, and we are incredibly grateful for the valuable gift of time that they give on a daily basis.

EMPLOYEE INVOLVEMENT

Our decision-making processes include employee consultation through the line management structure, and we communicate through team briefings, a weekly bulletin, monthly all-staff meetings and regular updates from the Chief Executive.

Save the Children recognises the trade union Unite for the purposes of consultation 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

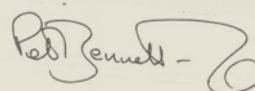
Save the Children is committed to the principle and practice of equal opportunities and aims to be an equal opportunities employer. Our employment policy seeks to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, ethnic origin, disability, age, 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

In 2015 we updated our Environmental Policy Statement, which outlines our commitment to limiting the environmental impact of our work, by ensuring that our staff minimise the environmental impact of their activities including travel, paper use, waste and recycling. See the Accountability & Transparency Report for further details. In particular, it specifies that:

- All Save the Children staff and volunteers are accountable for using our resources responsibly for purposes that are both relevant and beneficial to our mission, to inspire breakthroughs in the way the world treats children, and to achieve immediate and lasting change in their lives.
- We monitor and review our environmental performance by measuring the carbon footprint of our London Headquarters, UK regional offices and charity retail shops each year.
- We minimise the consumption and wastage of natural resources as far as reasonably and economically practicable.
- We have robust procurement procedures and policies in place so that the environment is considered as part of our decision-making processes.
- Our Headquarters has used a renewable energy supplier since 2012.

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



Peter Bennett-Jones CBE
Chair of Trustees, Save the Children
14 July 2016

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 2015, 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 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

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

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information

that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2015 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 MATTERS 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

14 July 2016

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 2015

	Notes	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2015 £000	Total funds year to 31/12/2014 restated £000
Income and endowments from:					
Donations and legacies	3	84,152	43,349	127,501	125,994
Charitable activities	4	–	249,327	249,327	234,218
Other trading activities	6	9,693	–	9,693	9,281
Investments	7	925	–	925	978
Other	8	2,096	175	2,271	2,367
Total income		96,866	292,851	389,717	372,838
Expenditure on:					
Raising funds	9	33,413	998	34,411	38,615
Charitable activities					
Nutrition	9	2,698	28,479	31,177	34,324
Livelihoods	9	3,010	23,413	26,423	25,836
Health	9	9,181	78,212	87,393	66,862
HIV/AIDS	9	17	199	216	553
Protection	9	1,718	9,095	10,813	13,811
Rights	9	314	1,120	1,434	4,392
Education	9	7,320	46,732	54,052	43,592
Rapid onset emergencies	9	12,866	97,848	110,714	100,348
Campaigning and awareness	9	16,677	7,362	24,039	19,567
Total charitable activities		53,801	292,460	346,261	309,285
Other	9	1,209	3	1,212	1,570
Total expenditure		88,423	293,461	381,884	349,470
Net (losses)/gains on investments	15	(577)	(82)	(659)	1,157
Movement on share of associates' (deficit)/surplus	16d	(8)	–	(8)	26
Net income		7,858	(692)	7,166	24,551
Transfers between funds	23	2,064	(2,064)	–	–
Actuarial gains/(losses) on defined benefit pension scheme	27	3,398	–	3,398	(6,974)
Net movement in funds		13,320	(2,756)	10,564	17,577
Reconciliation of funds:					
Total funds brought forward as previously stated		13,187	94,907	108,094	93,748
Changes on transition to FRS102	29	(2,667)	(56,430)	(59,097)	(62,328)
Total funds brought forward as restated		10,520	38,477	48,997	31,420
Fund balances carried forward		23,840	35,721	59,561	48,997

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

The restricted fund balances carried forward include £3,236,000 (2014: £3,318,000) which relate to endowment funds.

There were no new endowments in this period and there were losses in the funds in the current period of £82,000 (2014: gain £395,000).

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

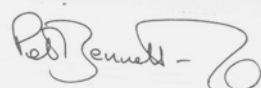
CONSOLIDATED AND CHARITY BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Notes	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
Fixed assets					
Intangible assets	13	5,080	4,422	5,080	4,422
Tangible assets	14	2,972	2,845	2,972	2,845
Investments	15	26,084	26,768	26,334	27,018
Associates	16d	1,392	1,400	–	–
		35,528	35,435	34,386	34,285
Current assets					
Stocks	17	5,649	1,768	4,991	1,736
Grant debtors	18a	36,980	39,944	34,272	33,104
Other debtors	18b	48,534	21,332	48,201	20,159
Short-term deposits		40,172	43,962	40,172	43,962
Cash at bank and in hand		13,807	36,641	12,027	34,597
		145,142	143,647	139,663	133,558
Creditors: amounts falling due within one year	19a	(79,075)	(78,491)	(77,528)	(73,155)
Net current assets		66,067	65,156	62,135	60,403
Total assets less current liabilities		101,595	100,591	96,521	94,688
Creditors: amounts falling due after more than one year	19b	(1,500)	(1,747)	(1,500)	(1,747)
Provisions for liabilities	20	(13,655)	(16,549)	(10,865)	(13,481)
Net assets excluding pension liability		86,440	82,295	84,156	79,460
Defined benefit pension scheme liability	27	(26,879)	(33,298)	(26,879)	(33,298)
Total net assets		59,561	48,997	57,277	46,162
Unrestricted funds					
General reserve	23	38,121	31,379	37,760	30,091
Revaluation reserve	23	3,168	3,745	3,168	3,745
Designated funds:					
Tangible fixed assets reserve	23	7,383	6,545	7,383	6,545
Associates	23	1,392	1,400	–	–
St John's Lane reserve fund	23	655	749	655	749
Total unrestricted funds excluding pension reserve		50,719	43,818	48,966	41,130
Pension reserve	27	(26,879)	(33,298)	(26,879)	(33,298)
Total unrestricted funds		23,840	10,520	22,087	7,832
All restricted and endowed funds					
Restricted income funds	24	32,485	35,159	31,954	35,012
Endowment funds	25	3,236	3,318	3,236	3,318
Total restricted funds		35,721	38,477	35,190	38,330
Total funds		59,561	48,997	57,277	46,162

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

The financial statements on pages 57 to 97 were approved by the Board of Trustees on 6 July 2016 and signed on their behalf by the Chair and Honorary Treasurer on 14 July 2016.



Peter Bennett-Jones CBE – Chair



Gareth Davies – Honorary Treasurer

Company Number: 178159

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Net cash flows from operating activities	(a)	(25,372)	5,217
Cash flows from investing activities			
Bank interest received		174	180
Dividends received		751	798
Purchase of intangible fixed assets	13	(1,632)	(2,141)
Purchase of tangible fixed assets	14	(632)	(483)
Proceeds from sale of fixed assets		54	–
Purchase of investments	15	(6,475)	(5,015)
Proceeds from sale of investments	15	5,360	5,857
Net cash movement in investments	15	1,140	(852)
Investment in associate	16d	8	(26)
Net cash used in investing activities		(1,252)	(1,682)
Change in cash and cash equivalents in the year	(b)	(26,624)	3,535
Cash and cash equivalents at the beginning of the year		80,603	77,068
Cash and cash equivalents at the end of the year		53,979	80,603

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

		Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
NOTES TO THE CASH FLOW STATEMENT			
(a) Reconciliation of net income to net cash flow from operating activities			
Net income		7,166	24,551
Investment income		(925)	(978)
Losses/(gains) on investments		659	(1,157)
Adjustment for pension funding	27	1,380	1,632
Payments to defined benefit pension scheme	27	(4,401)	(4,415)
Net gain on disposal of fixed assets		(13)	–
Depreciation charge		438	405
Amortisation charge		958	216
Impairment charge		42	45
Increase in stocks		(3,881)	(1,222)
Increase in debtors		(24,238)	(1,429)
Increase/(decrease) in creditors falling due within one year		584	(10,356)
Decrease in creditors falling due in more than one year		(247)	(712)
Decrease in provisions		(2,894)	(1,363)
Net cash flows from operating activities		(25,372)	5,217
(b) Analysis of cash and cash equivalents			
	At 01/01/2015 £000	Cash flow £000	At 31/12/2015 £000
Cash at bank and in hand	36,641	(22,834)	13,807
Short-term deposits	43,962	(3,790)	40,172
	80,603	(26,624)	53,979

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

The group is complying with Charities SORP (FRS 102) for the first time for the year ended 31 December 2015 and the accounting policies applicable to the group are set out below. Comparative information is presented for the year ended 31 December 2014 prepared under Charities SORP (FRS 102). This involved preparation of an opening Charities SORP (FRS 102) balance sheet as at 1 January 2014, which is the group's date of transition to Charities SORP (FRS 102) reporting. Further details are included within note 29.

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

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

The financial statements have been prepared on the going concern basis as discussed in the trustees' report on page 41.

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

Save the Children International (SCI) carries out international programming on behalf of Save the Children UK (SCUK) and other movement members. SCUK has treated the investment in SCI as an associate owing to the significant influence 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 SCUK's long-term funding contributions to SCI, being the reserve funding invested by SCUK in SCI when SCI was established. As such the value

of the investment is not derived from a percentage share in SCI's income and expenditure.

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

Save the Children UK has 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 associates' surplus or deficit.

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

The Start network is hosted by Save the Children UK and is a consortium of 27 NGOs that are working together with the aim of strengthening the humanitarian aid system. As the principal charity within the consortium, Save the Children UK is legally responsible to donors for the charitable application of funds. Funding for the consortium is recognised by Save the Children UK as a separate restricted fund under the agreement with the donors.

(B) COMPANY STATUS

The charity is a company limited by guarantee. The members of the company are the trustees named on page 52. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

(C) FUND ACCOUNTING

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

Donations and legacies

Donations

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

Legacies

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

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

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

Gifts in kind

Gifts for onward distribution

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

Gifts for resale

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

Donated facilities and support

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

Volunteers

At Save the Children UK, we are one team and we believe in volunteers and staff collaborating across the organisation and in every area of our work. We currently involve over 13,000 regular volunteers in all of our divisions and across most of our departments. Every day their enormous range of skills, experience and expertise strengthens our organisation by enabling us to reach more people, establish wider networks and champion the rights of children in more communities than ever before.

There are many types of volunteers at Save the Children UK, including Events Managers, Area Leaders, Voluntary Interns, Pro-bono Specialists, Organisers, Community Campaigners, Bloggers, Trustees and Ambassadors. In accordance with the SORP, no monetary value has been attributed to their work although their work is considered vital to the activities of the charity.

Income from charitable activities

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

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

Other trading activities

Other trading activities includes retail income from the sale of new and donated goods through shops, branches

1. ACCOUNTING POLICIES (CONTINUED)

and online. Where applicable, income is recognised net of value added tax.

(E) EXPENDITURE

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

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

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

Support costs, such as general management, governance, human resources, financial management, programme support, information systems and premises costs are allocated across the categories of charitable activities and costs of raising funds. The basis of the cost allocation has been explained in the notes to the accounts.

(F) TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

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

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

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

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

(G) INTANGIBLE FIXED ASSETS AND AMORTISATION

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

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

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

(H) INVESTMENTS

Investments are stated at market value at the balance sheet date. The SOFA includes the net gains or losses arising on revaluation and disposals throughout the year. Investments in subsidiaries are stated in the charity only balance sheet at their historical cost (i.e. the fair value of the consideration given by the company) less, where appropriate, impairment provisions for any permanent decrease in value.

(I) STOCKS

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

(J) PENSION COSTS

For **Defined benefit schemes**, the amounts charged in expenditure are the costs arising from employees' services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the statement of financial activities and

1. ACCOUNTING POLICIES (CONTINUED)

included within finance costs or credits similar to interest. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in actuarial gains/losses on defined benefit pension schemes.

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

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

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

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan that 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. The growth plan is accounted for as a defined contribution scheme and a liability is recognised on the balance sheet in respect of the committed contributions.

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

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

(K) FINANCE AND OPERATING LEASES

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

(L) FOREIGN CURRENCIES

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

(M) PROVISIONS

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

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

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

(N) TAXATION

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

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

(O) FINANCIAL INSTRUMENTS

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

Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount

1. ACCOUNTING POLICIES (CONTINUED)

prepaid, net of any trade discounts due. Creditors and provisions are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party, and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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

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

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

Revenue recognition

Due to the range and complexity of the group's funding streams, revenue recognition is deemed to be an area that requires judgement to appropriately apply the income accounting policies explained in accounting policy 1d. In light of the increasing complexity of donor

agreements and in light of the Charity SORP (FRS 102) guidance on performance-related conditions, the group has changed the criteria by which a grant is identified as performance-related. This change is explained in further detail in note 29. The recognition and valuation of legacy income also requires significant judgement, see note 1d for further details.

Pension liability

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

Provisions

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

Cost allocation

The cost allocation methodology requires a judgement as to what are the most appropriate bases to use to apportion support costs; these are reviewed annually for reasonableness. The bases used are outlined in note 9e.

2. SEGMENT INFORMATION – GEOGRAPHICAL SEGMENTS

	Income by destination of spend	
	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
United Kingdom	22,207	26,023
East Africa	63,695	66,228
West and Central Africa	49,790	48,419
Asia	71,987	76,166
Latin America, Caribbean, Southern Africa, Middle East and South-East Europe	51,483	50,943
Non-geographically specific ¹	108,886	90,433
START Network	21,669	14,626
Total	389,717	372,838

¹ Non-geographically specific refers to income received with no restriction on location of spend.

3. DONATIONS AND LEGACIES

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
(a) Donations and gifts				
Individual giving	45,720	9,179	54,899	52,702
Trusts and major donors	3,407	6,857	10,264	8,313
Community fundraising	5,580	4,886	10,466	7,795
Corporate fundraising	1,793	7,408	9,201	7,539
Save the Children global member development	32	635	667	2,071
Grant from Department for International Development (see note 5a)	9,409	–	9,409	24,661
Other	–	–	–	588
	65,941	28,965	94,906	103,669
(b) Gifts in kind by type				
Gifts in kind for distribution ¹	–	12,791	12,791	4,318
Headquarters professional services	–	214	214	660
Fundraising	–	858	858	1,168
	–	13,863	13,863	6,146
(c) Legacies				
Legacies ²	18,211	521	18,732	16,179
Total donations and legacies	84,152	43,349	127,501	125,994

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

² The estimated amount of legacies for which the charity has received notice of entitlement, but which has not been accrued, whether because probate has not yet been obtained, or on grounds of insufficient certainty, was £4.2 million (2014: £5.1 million).

4. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Performance related grants				
UK central government (see note 5b)	–	127,778	127,778	102,439
United States government	–	140	140	7,277
Irish government (see note 5b)	–	2,422	2,422	802
Other national governments	–	2,898	2,898	3,195
UK local and regional government	–	421	421	419
European Commission including European Commission Humanitarian Organisation of £16,774,000 (2014: £27,626,000)	–	32,810	32,810	47,522
Disasters Emergency Committee	–	11,069	11,069	7,140
United Nations	–	30,945	30,945	29,550
Global Fund to fight AIDS, tuberculosis and malaria	–	766	766	1,596
Total government and multilateral organisations	–	209,249	209,249	199,940

4. INCOME FROM CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Comic Relief	–	1,798	1,798	1,705
Bill & Melinda Gates Foundation	–	5,894	5,894	2,873
Big Lottery Fund	–	298	298	566
Corporate partners	–	15,050	15,050	17,305
Trusts	–	–	–	2,850
Save the Children members	–	2,654	2,654	5,601
Other	–	14,384	14,384	3,378
Total income from charitable activities	–	249,327	249,327	234,218

The above grant income can also be expressed as:

Grants made directly to Save the Children	–	208,873	208,873	195,439
Grants from other Save the Children members	–	2,654	2,654	5,601
Donor grants sub-granted by other Save the Children members	–	1,845	1,845	6,735
Donor grants sub-granted by non-Save the Children intermediaries	–	35,955	35,955	26,443
	–	249,327	249,327	234,218

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

5. INCOME FROM UK AND IRISH GOVERNMENTS

(a) Reported as income from donations

Income from the Department for International Development in the year ended 31 December 2015

Countries Supported	Project	£000
Global	Programme Partnership Agreement Contribution	9,409
		9,409

(b) Reported as income from charitable activities

Income from the Department for International Development in the year ended 31 December 2015

Countries Supported	Project	£000
- All Countries -	DFID Post-2015 roundtables March 2015	21
Afghanistan	Steps Towards Afghan Girls' Educational Success (STAGES)	2,841
Afghanistan	Strengthening the Resilience of Afghanistan's Vulnerable Communities Against Disasters	213
Bangladesh	Phase-2 Household Economic and Food Security of Extreme Poor	1,089
Bangladesh	SHIREE Household Economic and Food Security of Extreme Poor	80
Bangladesh	Shiree Innovation Fund 4	11
Bangladesh	Shiree Nutrition Innovation Fund	60
Bangladesh	Suchana – Ending the Cycle of Undernutrition in Bangladesh	774
Bangladesh	UCEP Technical Assistance Project	456
Burkina Faso	Emergency Health and Nutrition Food Assistance and resilience support to vulnerable communities affected by food and nutrition crisis	(8)
Central African Republic	Emergency assistance to crisis affected communities in Central African Republic	566
Central African Republic	Emergency assistance to displaced and conflict-affected areas in Basse-Kotto health Prefecture	8
Central African Republic	Empowering communities to reduce poverty through improved maternal and child health for 93,599 people in Nana Mambere	461

5. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

Countries Supported	Project	£000
Central African Republic	Response to emergency health, nutrition and child protection needs	954
Democratic Republic of Congo	Alternative Responses for Communities in Crisis (ARCC) – Phase II	126
Democratic Republic of Congo	Emergency Child Protection and Education Response in Kitchanga and environs	2
Democratic Republic of Congo	Girl's Education Challenge	3,208
Ethiopia	Africa Climate Change Resilience Alliance-Ethiopia (ACCRA)	(14)
Ethiopia	Pastoralists Afar Girls' Education Support Project (PAGES)	2,318
Ethiopia	Peace and Development in the Somali Region of Ethiopia	11,236
India	Individual Partnership Action Plan	5
Iraq	Rapid Response Facility – Emergency Aid for Displaced Populations	861
Kenya	Accelerating Reduction in Maternal and Newborn Mortality in vulnerable and marginalised counties in Kenya	1,000
Kenya	Adolescent Girls Initiative Kenya (AGI-K) Implementation Phase	459
Kenya	Arid Lands Support Programme (ASP)	729
Kenya	Delivering Increased Family Planning Across Rural Kenya	28
Kenya	Delivering Increased Family Planning Across Rural Kenya – Phase 2	128
Kenya	DFID Enhancing Nutrition Preparedness Surveillance and Resilience in Kenya	952
Kenya	Evidence on Cash Transfers for Education in Garissa	181
Kenya	Registration of households in Wajir and Mandera counties as part of DFID's hunger safety net programme	36
Lebanon	Community-Based Alternatives for Strengthening Education	351
Lebanon	Emergency Assistance for crisis-affected families in North and East Lebanon	1,385
Malawi	Cash Transfer Intervention for Keeping Girls in School (KGIS)	640
Malawi	Cash Transfer Intervention for Keeping Girls in School (KGIS) – Implementation Phase	675
Malawi	Humanitarian assistance and resilience building for vulnerable households in Malawi	7
Malawi	Improving the school experience and environment for adolescent girls (SE) – Implementation Phase	710
Malawi	KGIS 2 Improving the school experience and environment for adolescent girls	734
Malawi	Malawi Vulnerability Assessment Committee Cash Consortium	1,276
Mozambique	Citizen's Engagement Programme	196
Mozambique	COSACA Emergency Rapid Response and Disaster Resilience	794
Mozambique	DFID Girls' Education Challenge	2,046
Mozambique	Influencing Strategy for Africa Climate Change Resilience Alliance-ACCRA II 2014-2016	135
Multi-country	Humanitarian Relief for children and their families affected by conflict in Syria	13,246
Multi-country	Inter-Agency Research on Strengthening Community-Based Child Protection for Children in Sierra Leone	20
Multi-country	Mid-West Flood and Landslide Joint Response and Transitional Recovery Project	43
Multi-country	Nepal Earthquake Response 2015 Emergency Health Unit	978
Multi-country	Providing essential life-saving shelter assistance to earthquake-affected populations in Nepal Phase II	369
Multi-country	Surgical Platform Gaza Deployment	5

5. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

Countries Supported	Project	£000
Multi-country	Addressing the Education and Protection Needs of Syrian Refugee Children in Jordan and Lebanon	1,287
Myanmar	Process-led Support through CBOs to Remote Communities in Conflict and Displacement Areas in the Eastern Half of Myanmar	390
Myanmar	Provision of Lifesaving Humanitarian Assistance to Children and their Families Affected by Violence in Rakhine State, Myanmar	5,090
Nepal	DFID RRF Nepal Earthquake Response 2015	468
Nepal	DFID Technical Assistance for Strengthening NewBorn Care Programme	472
Nepal	DFID LBW Cost Effective Research 11-14	19
Nepal	UNDP Earthquake Recovery DRR	11
Niger	Urban Africa: Risk and Capacity-URBAN ARC	48
Nigeria	Child Development Grant Programme (CDGP), Northern Nigeria	4,769
Nigeria	Education Sector Support – ESSPIN	270
Nigeria	Northern States Maternal and Newborn Initiative in Nigeria – MNCH	4
Nigeria	Women for Health Initiative	356
Nigeria	Working to Improve Newborn and Child Nutrition in Northern Nigeria	2,639
Pakistan	Psycho-Social Support	234
Philippines	Cash and market-based recovery support for vulnerable children, households and communities	1,574
Philippines	Food Security and Livelihoods Assistance to Households affected by Typhoon Haiyan	123
Philippines	Rapid Response Facility – Cyclone Haiyan Response Consortium	(2)
Philippines	Supporting resilient children in school: Child-centred PSS and DRR Education in Panay	28
Rwanda	Burundi Refugee Influx Response	358
Rwanda	Emergent Literacy and Numeracy Initiative	156
Rwanda	Rwandan Children's Book Initiative	162
Sierra Leone	Education Consortium for Sierra Leone	402
Sierra Leone	Establishment and Management of a Treatment Centre in Freetown, Sierra Leone	6,889
Sierra Leone	Freetown Urban WASH Consortium Phase 2	576
Sierra Leone	Protection of Vulnerable Groups during the Ebola Outbreak Response	136
Sierra Leone	Rapid Response to Ebola Outbreak in Sierra Leone in Consortium	462
Sierra Leone	Strengthening WASH Infrastructure in Government Hospitals	66
Somalia	Emergency and Recovery Assistance for Vulnerable Households in Somalia	7
Somalia	Harmonised Support for Somali Maternal and Child Health HSSMCH programme	1,378
Somalia	Integrated emergency response in Somalia	2,741
Somalia	Strengthening Nutrition Security in South Central Somalia: combining life-saving treatment and prevention.	2,037
Somalia	Supporting Sustainable Approaches Towards Building Resilient Communities in Somalia	1,440
South Sudan	Alternative Education for All in Southern Sudan	3,252
South Sudan	Equitable Access to Quality BPHNS in Kapoeta North	1,067
South Sudan	Establishment and scale up of CEmONC in County Hospitals – HPF Nimule Hospital	1,010
South Sudan	Health Pooled Fund Wulu County	358

5. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

Countries Supported	Project	£000
South Sudan	Health Services in Lakes – Rumbek East	222
South Sudan	Health Services in EES – Lopa Lafon County	1,107
South Sudan	Health Services in EES – Torit County	895
South Sudan	Health Services in Lakes – Rumbek Centre	219
South Sudan	Health Services in Nimule Hospital	6
South Sudan	Integrated Community Case Management for Diarrhoea, Malaria, Pneumonia and SAM	808
START Network	START CAR Refugee Response Cameroon	2,918
START Network	START Ebola preparedness and health system strengthening	2,649
START Network	START Network DEPP (DFID)	4,619
START Network	START Network DEPP Coordination Budget	214
START Network	START Network European Refugee Response	11,023
Syrian Arab Republic (Syria)	Humanitarian Relief for Children and their Families Affected by the Conflict in Syria	34
Tajikistan	Women's wealth and influence in Tajikistan	572
U.K.	DFID action/2015 campaign support	204
U.K.	DFID Preparation of SUN CSN Publications	9
U.K.	DFID Surgical Platform IETR Support	510
U.K.	ELRHA HiF – Strengthening Innovations in Int Humanitarian Action	1,177
U.K.	HLA DFID Contribution 2015-2020	468
U.K.	Nutrition Research Programme Consortium	50
U.K.	Operational Research Impact Evaluation	5
U.K.	The Research for Health in Humanitarian Crises (R2HC)	1,998
Uganda	Africa Climate Change Resilience Alliance	1
Ukraine	Providing Immediate Protection and Emergency Response in Eastern Ukraine DFID Consortia	427
Vanuatu	Humanitarian Response to Tropical Cyclone Pam	245
Yemen	Improved food security in Lahj and Taiz	4,281
Zimbabwe	Community Accountability for Zimbabwe MNCH Programme	399
		127,728
Total income from the Department for International Development		137,137

The total above includes grant income of £21,423,000, which has been received by Save the Children as principal charity within the START network.

5. INCOME FROM UK AND IRISH GOVERNMENTS (CONTINUED)

Income from the Foreign and Commonwealth Office in the year ended 31 December 2015

Countries Supported	Project	£000
China	Access to protective and rehabilitation services for all children in need in China	50
		50
Total UK central government income from charitable activities		127,778
Total UK central government income		137,187

Income from the Irish government in the year ended 31 December 2015

Countries Supported	Project	£000
Ethiopia	Ethiopian Civil Society Coalition for Scaling up Nutrition (ECSC-SUN)	177
Lao PDR	Key Nutrition Interventions in Lao PDR	60
Malawi	INGO consortium food crisis reponse	757
Malawi	Malawi Vulnerability Assessment Committee Cash Consortium	530
Sierra Leone	Fambul Welbodi II	135
Sierra Leone	Fambul Welbodi Programme	172
Tanzania	Harnessing Agriculture for Nutrition Outcomes	266
Tanzania	Hunger Reduction Commitment Index (HANCI)	3
Tanzania	Working Together for Better Nutrition in Tanzania	238
Vietnam	Improving the nutrition status of children 0-24 months-phase 2	89
Vietnam	Improving the Nutrition Status of Children Vietnam	(5)
Total Irish government grants		2,422

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

6. OTHER TRADING INCOME

Retail income and costs

	Charity £000	Save the Children (Sales) Ltd £000	Total year to 31/12/2015 £000	Total year to 31/12/2014 restated £000
Retail income	9,121	572	9,693	9,281
Cost of sales	–	(191)	(191)	(207)
Direct expenses	(7,395)	(190)	(7,585)	(6,321)
Total expenses	(7,395)	(381)	(7,776)	(6,528)
Surplus	1,726	191	1,917	2,753

Additional net income was raised in relation to shops, which is disclosed elsewhere and includes £509,000 (2014: £685,000) of donations raised in shops, and £79,000 (2014: £53,000) of property income, totalling £588,000 (2014: £738,000).

7. INVESTMENT INCOME

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Dividends on investments listed on a recognised stock exchange	751	–	751	798
Interest on bank deposits and other investments	174	–	174	180
	925	–	925	978

8. OTHER INCOME

	Unrestricted funds £000	Restricted funds £000	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Rental income	1,550	–	1,550	1,782
Gain on disposal of fixed assets	35	–	35	–
Other income	511	175	686	585
	2,096	175	2,271	2,367

9. EXPENDITURE

(a)

	Grant funding of activities (note 9b) £000	Activities undertaken directly					Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
		Staff costs (note 10) £000	Other direct costs £000	Depreciation and impairment £000	Gifts in kind £000	Allocation of support costs (note 9e) £000		
Expenditure on raising funds								
Expenditure on raising donations and legacies (note 9d)	–	8,028	15,820	–	–	2,657	26,505	31,959
Expenditure on other trading activities	–	2,136	4,734	383	–	501	7,754	6,513
Investment management costs	–	–	146	–	–	6	152	143
	–	10,164	20,700	383	–	3,164	34,411	38,615
Charitable activities								
Nutrition	24,540	598	2,279	3	1,876	1,881	31,177	34,324
Livelihoods	22,590	602	1,508	3	36	1,684	26,423	25,836
Health	65,140	2,516	7,459	8	6,947	5,323	87,393	66,862
HIV/AIDS	175	1	25	–	–	15	216	553
Protection	9,341	126	655	1	7	683	10,813	13,811
Rights	1,094	189	52	–	1	98	1,434	4,392
Education	45,107	2,156	2,844	5	444	3,496	54,052	43,592
Rapid onset emergencies	85,431	8,389	9,089	11	230	7,564	110,714	100,348
Campaigning and awareness (note 9c)	5,406	8,672	6,924	–	62	2,975	24,039	19,567
	258,824	23,249	30,835	31	9,603	23,719	346,261	309,285
Support costs	913	15,122	9,353	1,045	497	(26,930)	–	–
Other expenditure ¹	–	–	1,165	–	–	47	1,212	1,570
Total expenditure	259,737	48,535	62,053	1,459	10,100	–	381,884	349,470
Prior year restated	217,140	54,388	72,165	666	5,111	–	349,470	

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

(b) Grant funding of activities

During the year ended 31 December 2015, Save the Children UK made grants to partner organisations carrying out work to help children. This includes payments to Save the Children International and other Save the Children members, as described in note 12. A list of grants is made available at www.savethechildren.org.uk/resources/online-library/annual-report-2015

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

These have several objectives, including:

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

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

9. EXPENDITURE (CONTINUED)

(d) Costs of raising donations and legacies

	Year to 31/12/2015 £000	Year to 31/12/2014 restated ¹ £000
Individual giving	17,280	21,209
Trusts and major donors	1,962	1,994
Community fundraising	4,784	5,281
Corporate fundraising	1,749	2,542
Legacies	730	933
	26,505	31,959

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

Management and administration costs	Basis of apportionment	Year to 31/12/2015 £000	Year to 31/12/2014 restated ¹ £000
General management	Pro-rata by expenditure	1,477	1,960
Governance	Pro-rata by expenditure	998	922
Human resources	Pro-rata by salary costs	2,415	2,899
Financial management	Pro-rata by expenditure	3,583	3,851
Premises and facilities	Pro-rata by building usage	5,116	5,216
Information systems	Pro-rata by expenditure	5,664	4,477
Programme support	Pro-rata by expenditure	9,058	9,985
Programme support contributions to SCI	Pro-rata by expenditure	11,136	9,339
		39,447	38,649
Other support costs			
Gifts in kind (pro-bono professional services)	Pro-rata by expenditure	497	660
Losses/(Gains) on foreign exchange	Pro-rata by expenditure	1,189	(209)
Net interest cost ²	Pro-rata by expenditure	1,046	1,188
		42,179	40,288
Indirect cost recovery ³		(15,249)	(14,603)
		26,930	25,685

¹ In addition to the FRS 102 adjustments detailed in note 29, management have also re-categorised certain costs to a more appropriate basis and restated 2014 accordingly.

² This is the net interest cost on the pension schemes, see note 27 for further details

³ Indirect cost recoveries are the contributions received from donors for the overhead costs of running our programming activities

(f) Total resources expended include the following amounts:

Group auditor's remuneration	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Fees payable to the group auditor for the audit of the group annual accounts	128	107
Fees payable to the group auditor for other services	4	—
Audit of the accounts of subsidiaries	13	7
Other statutory requirements	5	5
	150	119

Deloitte LLP provided pro-bono services worth £9,600 in relation to a review of the fundraising performance management framework.

Lease rentals: land and buildings	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Retail	2,347	2,259
Programme offices	397	600
Headquarters	3,778	3,693
	6,522	6,552

Ex-gratia payments

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

10. STAFF COSTS

(a)

	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Wages and salaries	39,241	44,595
National Insurance	3,896	3,680
Pension costs defined contribution scheme	3,390	2,871
Pension costs defined benefit scheme	334	405
Other staff costs	1,674	2,837
	48,535	54,388

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

Staff costs and average number of employees have reduced in the year as a result of the transition of Merlin employees to Save the Children International.

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

	Average headcount		Average FTE headcount	
	Year to 31/12/2015 number	Year to 31/12/2014 number	Year to 31/12/2015 number	Year to 31/12/2014 number
Charitable activities	1,446	2,638	1,415	2,617
Raising funds	261	246	265	240
	1,707	2,884	1,680	2,857

Figures above include average staff numbers of 618 (2014: 1,782) relating to Merlin.

(c) At 31 December 2015 the number of staff was as follows:

	Headcount ¹ number	Headcount equivalent ² number
UK HQ	872	854
UK non-HQ	130	127
International	724	715
	1,726	1,696

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 617 (2014: 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, 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 31/12/2015 number	Year to 31/12/2014 number
£60,001-£70,000	22	12
£70,001-£80,000	7	8
£80,001-£90,000	4	2
£90,001-£100,000	1	2
£100,001-£110,000	1	3
£110,001-£120,000	3	1
£120,001-£130,000	–	–
£130,001-£140,000	–	2
£140,001-£150,000	1	–
	39	30

10. STAFF COSTS (CONTINUED)

(e) 2015 Executive Director remuneration – Group and Charity

The trustees delegate the day-to-day running of the organisation to the Executive Directors who are considered to be the key management personnel.

Emoluments for all permanent Executive Directors employed at Save the Children UK for the year ended 31 December 2015 are detailed below.

Position	Name		Actual gross salary* 2015	Full-time equivalent annual salary 2015	Full-time equivalent annual salary 2014
Chief Executive Officer (CEO)	Justin Forsyth (to 21 Apr 2016)		£148,774	£149,865	£145,500
Chief Operating Officer (COO)	Anabel Houtt (to 31 Jul 2015)		£62,392	£146,983	£144,100
Chief Operating Officer (COO)	Jennifer Geary (from 01 Sep 2015)		£43,317	£129,950	–
Marketing, Fundraising and Communications Director	Tanya Steele		£119,019	£119,892	£116,400
Global Programmes Director	Fergus Drake		£118,099	£118,965	£115,000
Chief Financial Officer (CFO)	Sam Sharpe		£116,725	£117,300	£115,000
Marketing & Communications Director	Sue Allchurch (to 27 Mar 2015)		£28,875	£115,500	£115,500
Policy & Advocacy Director	Brendan Cox (to 16 Sep 2015)		£72,185	£113,559	£110,278
Human Resources Director	Paul Cutler (to 31 Mar 2016)		£105,560	£106,080	£104,000
			£814,946		

*Differences between full-time annual salaries and actual gross salary arise due to annual pay rises that take effect in April each year, from part-time hours, periods of sick or maternity leave, joining or leaving Save the Children UK during the reporting period. Interim appointments are excluded. In addition to the gross salary, £195,704 was paid for employer's national insurance, pension contributions and life insurance in respect of the above individuals.

Jennifer Geary provided maternity leave cover for the COO, Anabel Houtt, until May 2015 during which time 80% of her services have been supplied by Barclays, which has been recorded as a gift in kind. From September 2015 she became Chief Operating Officer.

During 2015 the Marketing & Communications and Fundraising divisions combined, prior to this Tanya Steele was the Fundraising Director.

11. TRUSTEES' REMUNERATION

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

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

	Year to 31/12/2015 Number of trustees	Year to 31/12/2014 Number of trustees	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Expenses including travel and subsistence	4	2	3	1

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

Save the Children has purchased indemnity insurance at a cost of £7,738 (2014: £7,579) that provides cover:

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

12. RELATED PARTY TRANSACTIONS

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

The charity was invoiced £281,904 (2014: £387,367) for advertising and creative services provided by adam&eve DDB during the year, and an additional amount of £256,179 (2014: £341,976) was invoiced for creative production services that adam&eve DDB arranged on behalf of Save the Children UK and passed directly onto separate production companies. One of the agency founders is the brother of the charity's ex Chief Executive, but the relationship pre-dates the Chief Executive's employment by the charity and he has had no input into the awarding of contracts. In the trustees' opinion, the contract has been entered into on an arm's length basis and, in May 2015, adam&eve DDB were successfully awarded the charity's business for its global campaign, Every Last Child, following a competitive pitch process. Of the total amount invoiced, £nil was outstanding as at 31 December 2015 (2014: £nil).

12. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group is a member of the Disasters Emergency Committee (DEC) and in the year paid a subscription of £146,100 (2014: £141,854). Save the Children's Chief Executive is a trustee of the DEC. The group's income in the year included £11,069,000 (2014: £7,140,000) receivable from DEC appeals.

Jamie Cooper is trustee for The Children's Investment Fund Foundation UK (CIFF UK). In 2015 Save the Children UK received £1,062,432 (2014: £248,355) from CIFF for project funding in relation to Ebola Recovery in Sierra Leone and Nutrition Advocacy, and refunded £15,177 unspent project funding for Assessing Coverage of CMAM Services in Nigeria and Building Government Monitoring Capacity. £nil was outstanding at 31 December 2015. (2014: £nil)

During the year the charity was invoiced £75,029 (2014: £586) by the Overseas Development Institute, of which Save the Children UK trustee Kevin Watkins is executive director. £10,000 was a contribution to the HPG Response to Ebola Crisis Study, £5,000 was for evaluating anti-discrimination measures, £780 for research to support the launch of Action 2015, and £59,249 was fees for case studies for the Humanitarian Innovation Fund (HIF). £nil was outstanding at 31 December 2015. (2014: £nil)

Save the Children UK trustee Naomi Eisenstadt is trustee for the National Literacy Trust, which during the year invoiced Save the Children UK for £10,433 (2014: £53,803). £5,760 was for work on the Families Connect Programme, and £4,673 was for "8-11 year olds in Scotland: The state of play and trends". £nil was outstanding as at 31 December 2015. (2014: £nil)

As well as donating their time and expertise during 2015, the trustees made unconditional donations of £210,603 (2014: £107,314) to the charity.

Two trustees on the Save the Children UK board in 2015 were also trustees for Save the Children International during 2015 (Sir Alan Parker and Adele Anderson).

Two trustees on the Save the Children UK board in 2015 were also trustees for Medical Emergency Relief International (Merlin) during 2015 (Richard Winter and Mark Esiri).

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

Transactions with Save the Children International (SCI), Merlin, the Humanitarian Leadership Academy (HLA) and the William Belmer Rush Foundation are disclosed in note 16.

Transactions with the pension schemes are disclosed in note 27.

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 31/12/2015 £000	Year to 31/12/2014 £000
Amounts sub-granted to other members in countries where Save the Children UK does not have a presence or is not the lead member	7,699	11,927
Other amounts paid to other members	2,626	622
	10,325	12,549
Total grants receivable directly from other Save the Children members or channelled through them	4,140	6,221
Total gifts in kind directly from other Save the Children members or channelled through them	–	85
Total unspent grant funds returned to other Save the Children members in the year following transition of their programming to SCI	–	(92)
Other income received from other members	726	2,823
Net income from other Save the Children members recognised during the year	4,866	9,037

At 31 December 2015, £428,580 (2014: £800,000) was payable to other Save the Children members and £262,895 (2014: £2,787,000) was due from other Save the Children members.

13. INTANGIBLE FIXED ASSETS

Group and Charity

	Computer software £000	Assets under construction £000	Total £000
Cost at 1 January 2015	5,821	2,721	8,542
Additions	1,233	399	1,632
Transfers of assets available for use	2,724	(2,724)	–
Disposals	(123)	–	(123)
Cost at 31 December 2015	9,655	396	10,051
Accumulated amortisation at 1 January	4,120	–	4,120
Charge for the period	958	–	958
Disposals	(107)	–	(107)
Accumulated amortisation at 31 December 2015	4,971	–	4,971
Net book value at 31 December 2015	4,684	396	5,080
Net book value at 31 December 2014	1,701	2,721	4,422

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

14. TANGIBLE FIXED ASSETS

(a) Group and Charity

	Freehold property £000	Leasehold property improvements £000	Computer equipment £000	Total £000
Cost at 1 January 2015	1,401	4,920	28	6,349
Additions	12	620	–	632
Disposals	(30)	(234)	–	(264)
Cost at 31 December 2015	1,383	5,306	28	6,717
Accumulated depreciation at 1 January 2015	530	2,961	13	3,504
Charge for the period	28	405	5	438
Disposals	(11)	(228)	–	(239)
Impairment	42	–	–	42
Accumulated depreciation at 31 December 2015	589	3,138	18	3,745
Net book value at 31 December 2015	794	2,168	10	2,972
Net book value at 31 December 2014	871	1,959	15	2,845

(b) Capital expenditure contracted for but not provided in the financial statements was £nil (2014: £nil).

15. FIXED ASSET INVESTMENTS

(a) Group	Total 31/12/2015 £000	Total 31/12/2014 £000
Market value at start of period	26,768	25,601
Acquisitions	6,475	5,015
Sales proceeds	(5,360)	(5,857)
Net movement in cash balances	(1,140)	852
Net realised investment gains	394	1,316
Net unrealised investment losses	(1,053)	(159)
Market value at end of period	26,084	26,768
(b) The market value is represented by:		
Equities	20,445	20,502
Bonds	5,173	4,708
Cash	466	1,558
	26,084	26,768

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

(d) Investments held by the charity (and included in the charity balance sheet) also include an additional £250,000 investment in Save the Children (Sales) Limited at cost – see note 16(a).

16. GROUP MEMBERS

Subsidiary undertakings		Registration number	Country	Principal activity	Accounting year end
Save the Children (Sales) Limited	See note 16a	00875945	UK	Retail activities and commercial promotions	31 Dec
Medical Emergency Relief International (Merlin)	See note 16b	02823935 1135111	UK	International development and humanitarian response charity	30 Jun
Humanitarian Leadership Academy (HLA)	See note 16c	09395495 1161600	UK	Global learning initiative to enable preparedness and response to crises	31 Dec
Associate undertakings		See note 16d			
Save the Children International	See note 16e	03732267 1076822	UK	International development and humanitarian response charity	31 Dec
William Belmer Rush Foundation	See note 16f	00307079	UK	Grant-making charity	31 Mar
Lead Consortium member					
The Start Network	See note 16g	9286835	UK	Humanitarian response charity	N/A

For entities with non co-terminous year ends, results for the 12-month period to 31 December 2015 have been consolidated. Following the decision to close operations in Pakistan (see note 28) the Merlin period end for 2015 has been extended to 30 June 2016, prior to this the year end was 31 December.

(a) Save the Children (Sales) Limited

(i) Introduction

Save the Children UK has a wholly-owned trading subsidiary, Save the Children (Sales) Limited, which is registered in England and Wales. Although the principal activity of the subsidiary is 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 the website. The subsidiary's taxable profits are donated under deed of covenant to Save the Children UK.

16. GROUP MEMBERS (CONTINUED)

(ii) Income and expenditure items

	Promotions year to 31/12/2015 £000	Promotions year to 31/12/2014 restated £000	Retail year to 31/12/2015 £000	Retail year to 31/12/2014 restated £000	Total year to 31/12/2015 £000	Total year to 31/12/2014 restated £000
Turnover	2,425	1,606	572	610	2,997	2,216
Cost of sales	(56)	–	(191)	(259)	(247)	(259)
Gross profit	2,369	1,606	381	351	2,750	1,957
Total expenses	(309)	(172)	(190)	(155)	(499)	(327)
Intercompany interest	–	–	1	5	1	5
Profit for the year	2,060	1,434	192	201	2,252	1,635
Donation to parent charity					(2,252)	(1,635)
Retained profit for the year					–	–

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

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

(iii) Balance sheet items

The aggregate of the assets, liabilities and funds was:

	As at 31/12/2015 £000	As at 31/12/2014 restated £000
Assets	2,002	718
Liabilities	(1,752)	(468)
Funds	250	250

(b) Medical Emergency Relief International (Merlin)

(i) Introduction

Medical Emergency Relief International (Merlin) is a charitable company limited by guarantee and, as of July 2013, the sole member of the charity is Save the Children UK. By 2015 all of Merlin's country programmes had transitioned to Save the Children International except Sudan (which closed) and Pakistan, which was Merlin's only area of operation in 2015. See note 22f and note 28 for further details.

(ii) Income and expenditure items

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Income from:		
Donations and legacies	2,783	4,217
Charitable activities	7,602	21,423
Other	1	11
Expenditure on:		
Cost of raising funds	1	112
Charitable activities	11,286	26,947
Net movement in funds	(901)	(1,408)
(iii) Balance sheet items		
	As at 31/12/2015 £000	As at 31/12/2014 £000

The aggregate of the assets, liabilities and funds was:

Assets	4,277	10,340
Liabilities	(3,229)	(8,391)
Funds	1,048	1,949

16. GROUP MEMBERS (CONTINUED)

c) Humanitarian Leadership Academy (HLA)

(i) Introduction

The Humanitarian Leadership Academy (HLA) was incorporated as a company limited by guarantee in January 2015 and registered as a charity with the Charity Commission in May 2015. Until 30 October 2015 the charity was dormant, while preparatory work continued within Save the Children UK. On 1 November 2015, Save the Children UK transferred to the HLA the business unit, which had worked on preparation for the HLA; made a grant of £300,000 to the HLA's reserves; sub-granted to the HLA awards received from donors to support the HLA's work; and signed an agreement to provide support services to the HLA. The principal activity of the subsidiary is to enable people around the world to prepare for and respond to crises in their own countries. The HLA works with the humanitarian sector and new partners from the technology industry, private sector and universities to help communities become more resilient in the face of disaster and give them the training and skills to respond to crises in their own countries.

(ii) Income and expenditure items	Period to 31/12/2015 £000
Income from:	
Donations	300
Charitable activities	805
Expenditure on:	
Charitable activities	805
Net movement in funds	300
(iii) Balance sheet items	
As at 31/12/2015 £000	
The aggregate of the assets, liabilities and funds was:	
Assets	998
Liabilities	(698)
Funds	300

(d) Associates

	Group Year to 31/12/2015 £000	Group Year to 31/12/2014 £000
At 1 January	1,400	1,374
Additions	–	–
Share of retained (loss)/profit for the year	(8)	26
At 31 December	1,392	1,400

(e) Save the Children International

(i) Introduction

Save the Children UK is a member of the Save the Children Association (SCA), which consists of 29 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 the United Kingdom and registered in England and Wales. Save the Children UK has treated SCI as an associate owing to the significant influence exerted over its financial and operating policies.

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

16. GROUP MEMBERS (CONTINUED)

(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 2015, Save the Children UK made the following payments:

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Funds transferred for programme delivery	207,450	188,283
Country operating costs	4,482	3,894
Central and regional operating costs	7,783	6,881
Member growth	900	–
Core contributions	2,453	2,458
	223,068	201,516

(iii) Balance sheet items

	Group 31/12/2015 £000	Group 31/12/2014 £000	Charity 31/12/2015 £000	Charity 31/12/2014 £000
SCI prepayment for programme activity	24,064	5,298	24,064	5,298
Cost of services incurred by Save the Children UK to be settled by SCI in the future	358	844	358	844
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 2015, Save the Children UK's share of this was approximately USD \$6.6 million (2014: \$5.7 million). Save the Children UK is confident that SCI will continue to provide programming services into the future and that the possibility of it ceasing to operate is so remote that it is not disclosed as a contingent liability.

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

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

- 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; and
- the costs of closure or wind-down of the core operations of the charity.

As at 31 December 2015, no amounts had been drawn down on this facility, accordingly no provision has been made in relation to this facility.

16. GROUP MEMBERS (CONTINUED)

(f) 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 that empowers the trustees to distribute the investment income but not the capital. Save the Children UK can appoint one of the four trustees of the Foundation, who meet annually to review the way in which the capital is invested to maximise the income potential from capital growth whilst continuing to ensure capital security and conform to the investment wishes of the founder. The income from the Foundation is split between three charities, with Save the Children UK receiving 50% of the total. In addition, Save the Children UK receives an administration fee to cover the costs of acting as administrators for the Foundation.

(ii) Income and expenditure items

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

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Grant funding	36	38
Administration fee	1	1
	37	39

(iii) As at 31 December 2015, there were no balances outstanding with the William Belmer Rush Foundation (2014: £nil).

(g) Start Network

(i) Introduction

The Start Network is hosted by Save the Children UK and is a consortium of 27 NGOs that are working to strengthen the humanitarian aid sector. As the lead agency within the consortium, Save the Children UK is legally responsible to donors for the charitable application of funds. Funding for the Start Network consortium is recognised by Save the Children UK as a separate restricted fund under the agreement with donors. In 2015, £21.7 million was raised by the Start Network. The Start Fund, one of the flagship initiatives of the Start Network, is the first multi-donor-pooled fund managed exclusively by NGOs. Built on the principles of collaboration, the Start Fund provides rapid response funding to small scale crises through a peer-reviewed project selection process. These responses are delivered by member NGOs and local partners. The Start Disasters Emergency Preparedness Programme (DEPP) is another flagship initiative and one of the largest investments of its kind in collaborative capacity building to better prepare humanitarian workers and communities to respond to crises.

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
(ii) Income and expenditure items		
Restricted funds brought forward	12,104	499
Income received in the year	21,669	14,626
Grants made in the year to consortium members	(31,645)	(3,021)
Net (expenditure)/income	(9,976)	11,605
Net restricted funds balance	2,128	12,104
(iii) Balance sheet items		
	As at 31/12/2015 £000	As at 31/12/2014 £000
Amounts due to consortium members	(470)	—
Amounts due from donors	—	—

17. STOCKS

	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
Gift in kind stock for distribution ¹	5,211	1,422	4,634	1,422
Emergency	325	266	325	266
Goods for resale	81	32	–	–
Head office	32	48	32	48
	5,649	1,768	4,991	1,736

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

18. DEBTORS

(a) Grant debtors

	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
UK central government	12,940	7,105	12,940	7,105
United States government	410	1,872	410	1,544
Other national governments	489	2,096	103	777
UK local and regional government	192	80	192	80
European Commission including European Commission Humanitarian Organisation	10,953	17,459	9,020	13,753
Disasters Emergency Committee	1,133	208	1,133	208
United Nations	5,206	5,120	4,835	4,401
Global Fund to fight AIDS, tuberculosis and malaria	266	–	266	–
Total government and multilateral organisations	31,589	33,940	28,899	27,868
Comic Relief	57	169	57	169
Big Lottery Fund	54	65	54	65
Corporate partners	1,178	392	1,178	392
Save the Children members	237	2,037	237	1,928
Other	3,865	3,341	3,847	2,682
Total other	5,391	6,004	5,373	5,236
Total grant debtors	36,980	39,944	34,272	33,104

Grant debtors above include amounts both billed and unbilled.

(b) Other debtors

	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
Trade debtors	437	655	401	655
Legacy debtors	10,302	9,264	10,275	8,979
Amount owed by subsidiary undertakings	–	–	1,698	–
Taxes recoverable	3,649	355	3,692	350
Prepayments and accrued income	9,206	3,691	7,301	3,280
Save the Children International	24,421	6,298	24,421	5,954
Other debtors	519	1,069	413	941
	48,534	21,332	48,201	20,159

All debtors are falling due within one year.

Higher debtor balance from Save the Children International relates to funding in advance for future programmatic activity.

19. CREDITORS

(a) Amounts falling due within one year

	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
Trade creditors	2,075	8,988	2,016	8,116
Taxes and social security	1,130	1,304	1,109	1,038
Amount owed to subsidiary undertakings	–	–	550	797
Accruals	2,986	3,823	2,694	3,055
Deferred income ¹	69,584	59,805	68,615	56,163
Operating lease incentives ²	182	182	182	182
Grant obligations	1,935	3,647	1,647	3,151
Other creditors	1,183	742	715	653
	79,075	78,491	77,528	73,155

(b) Amounts falling in more than one year

Operating lease incentives ²	1,500	1,747	1,500	1,747
	1,500	1,747	1,500	1,747

¹ The deferred income represents cash received from donors prior to entitlement under our income recognition policy and from the sub-let of the headquarters building in London. Deferred income of £61.3m arose in the year and £51.5m brought forward from 2014 was released.

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

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group	At 01/01/2015 £000	Provision created/(released) £000	Provision utilised £000	Total 31/12/2015 £000
Terminal grants and severance	3,521	(1,065)	(1,256)	1,200
Dilapidations	1,247	426	(45)	1,628
Grants	5,848	1,911	(1,880)	5,879
Tax	1,457	(900)	(52)	505
Onerous lease	4,015	–	(316)	3,699
Other	461	297	(14)	744
	13,549	669	(3,563)	13,655

Charity	At 01/01/2015 £000	Provision created/(released) £000	Provision utilised £000	Total 31/12/2015 £000
Terminal grants and severance	2,780	(324)	(1,256)	1,200
Dilapidations	1,247	426	(45)	1,628
Grants	4,127	1,091	(1,447)	3,771
Tax	1,117	(817)	–	300
Onerous lease	4,015	–	(316)	3,699
Other	195	83	(11)	267
	13,481	459	(3,075)	10,865

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

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

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

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

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

21. FINANCIAL COMMITMENTS: OBLIGATIONS UNDER OPERATING LEASES

Group

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

	Property 31/12/2015 £000	Other 31/12/2015 £000	Total 31/12/2015 £000	Property 31/12/2014 £000	Other 31/12/2014 £000	Total 31/12/2014 £000
Total payments due						
Within one year	5,705	–	5,705	5,377	2	5,379
In years two to five	17,821	–	17,821	17,256	–	17,256
After five years	27,306	–	27,306	30,026	–	30,026
	50,832	–	50,832	52,659	2	52,661

Charity

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

	Property 31/12/2015 £000	Other 31/12/2015 £000	Total 31/12/2015 £000	Property 31/12/2014 £000	Other 31/12/2014 £000	Total 31/12/2014 £000
Total payments due						
Within one year	5,681	–	5,681	5,346	–	5,346
In years two to five	17,821	–	17,821	17,232	–	17,232
After five years	27,306	–	27,306	30,026	–	30,026
	50,808	–	50,808	52,604	–	52,604

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

22. FINANCIAL COMMITMENTS: GRANT 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. Following the implementation of a new finance system in 2015 we have the ability to more accurately calculate our future commitments and have hence restated the 2014 balances in this note accordingly.

A proportion of the funds needed for these programmes has already been received and is included within deferred income in note 19. For those not yet received, there are legal agreements with donors to ensure that Save the Children UK will be reimbursed for completion of those projects.

	Group 31/12/2015 £000	Group 31/12/2014 restated £000	Charity 31/12/2015 £000	Charity 31/12/2014 restated £000
Within one year	266,614	223,185	265,772	219,545
Between two and five years	157,081	174,805	157,081	172,515
After five years	3,850	22	3,850	22
	427,545	398,012	426,703	392,082

(b) Save the Children UK has entered into a number of grants, where we are required to find additional funding for the remainder of the project. Donors have already been found for many of these grants but at year end there were still several grants in progress for which no donor had been found – these amounted to £4.2m (2014: £6.9m). A provision of £1.5m (2014: £1.2m) has been recognised as at 31 December 2015 in respect of grants where Save the Children does not expect to be able to find donors for these over the remaining life of the projects.

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

(d) Save the Children 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 (2014: £7.1m) at the year end in relation to grant-prefinancing. It is not anticipated that any claims will arise from these guarantees and, as a result, no liability has been recognised in the balance sheet.

(f) Save the Children UK (Charity) has provided Merlin with the following agreements to enable Merlin to meet liabilities arising from the closure of operations in Pakistan.

Revolving Credit Facility Agreement - provides a working capital facility up to the aggregate amount equal to the Sterling equivalent of £2.5million to enable Merlin to have adequate liquidity.

Core Funding grant – if required, a grant towards the management, technical and administrative and support functions of Merlin's head office to enable Merlin to carry on its operations.

Letter of Comfort – This provides assurance that Merlin will remain solvent as it winds down its activities, through the provision of loans, grants and/or letters of credit as needed.

23. STATEMENT OF FUNDS

Group

	As originally stated 01/01/2015 £000	Changes on transition to FRS 102 £000	Restated 01/01/2015 £000	Income £000	Expenditure £000	Other gains/losses £000	Transfers £000	At 31/12/2015 £000
Unrestricted funds								
General reserve	32,746	(1,367)	31,379	96,866	(87,043)	–	(3,081)	38,121
Revaluation reserve	3,745	–	3,745	–	–	(577)	–	3,168
Designated funds:								
Tangible fixed assets reserve	6,545	–	6,545	–	–	–	838	7,383
Associates (note 16)	1,400	–	1,400	–	–	(8)	–	1,392
St John's Lane reserve fund	749	–	749	–	–	–	(94)	655
Total unrestricted funds excluding pension reserve	45,185	(1,367)	43,818	96,866	(87,043)	(585)	(2,337)	50,719
Pension reserve (note 27)	(31,998)	(1,300)	(33,298)	–	(1,380)	3,398	4,401	(26,879)
Total unrestricted funds	13,187	(2,667)	10,520	96,866	(88,423)	2,813	2,064	23,840
All restricted and endowed funds								
Restricted income funds (note 24)	91,589	(56,430)	35,159	292,851	(293,461)	–	(2,064)	32,485
Endowment funds	3,318	–	3,318	–	–	(82)	–	3,236
Total restricted funds	94,907	(56,430)	38,477	292,851	(293,461)	(82)	(2,064)	35,721
Total funds	108,094	(59,097)	48,997	389,717	(381,884)	2,731	–	59,561

Charity

	As originally stated 01/01/2015 £000	Changes on transition to FRS 102 £000	Restated 01/01/2015 £000	Income £000	Expenditure £000	Other gains/losses £000	Transfers £000	At 31/12/2015 £000
Unrestricted funds								
General reserve	31,458	(1,367)	30,091	95,843	(85,393)	–	(2,781)	37,760
Revaluation reserve	3,745	–	3,745	–	–	(577)	–	3,168
Designated funds:								
Tangible fixed assets reserve	6,545	–	6,545	–	–	–	838	7,383
Associates (note 16)	–	–	–	–	–	–	–	–
St John's Lane reserve fund	749	–	749	–	–	–	(94)	655
Total unrestricted funds excluding pension reserve	42,497	(1,367)	41,130	95,843	(85,393)	(577)	(2,037)	48,966
Pension reserve (note 27)	(31,998)	(1,300)	(33,298)	–	(1,380)	3,398	4,401	(26,879)
Total unrestricted funds	10,499	(2,667)	7,832	95,843	(86,773)	2,821	2,364	22,087
All restricted and endowed funds								
Restricted income funds (note 24)	87,827	(52,815)	35,012	283,657	(284,351)	–	(2,364)	31,954
Endowment funds	3,318	–	3,318	–	–	(82)	–	3,236
Total restricted funds	91,145	(52,815)	38,330	283,657	(284,351)	(82)	(2,364)	35,190
Total funds	101,644	(55,482)	46,162	379,500	(371,124)	2,739	–	57,277

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 historical cost of fixed asset investments and their revalued amount.

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

23. STATEMENT OF FUNDS (CONTINUED)

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

The **St John's Lane reserve fund** represents funds set aside for potential future refurbishment of the headquarters building and the eventual replacement of large capital items. Save the Children UK is responsible for this expenditure on headquarters under its lease with Standard Life. In addition, Save the Children UK has responsibilities towards its sub-tenants who occupy part of the headquarters building. The transfer of £94,000 represents spend on refurbishments that were originally paid from the general reserve.

The **pension reserve** represents the reported liability on the defined benefit pension scheme under FRS 102 (see note 27 for details). Transfers to the pension reserve represent payments into the scheme during the year for both the defined benefit plan (£4,248,000) and the growth plan (£153,000).

The **restricted income funds** represents unexpended balances on donations and grants given for specific purposes (see note 24 for details). Transfers are for projects that were funded by general reserves but can now be funded by donors.

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

24. RESTRICTED FUNDS

(a) Group

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

	At 01/01/2015 restated £000	Income £000	Expenditure £000	Transfers £000	At 31/12/2015 £000
Regions					
East Africa	5,593	59,704	(62,902)	372	2,767
Southern Africa	1,050	13,067	(13,978)	(565)	(426)
West and Central Africa	2,160	46,376	(48,040)	185	681
Asia	2,069	59,978	(61,830)	1,718	1,935
Latin America and Caribbean	31	1,702	(1,765)	–	(32)
Middle East and South–East Europe	1,843	26,337	(33,473)	3,309	(1,984)
United Kingdom	2,625	11,424	(13,224)	1,032	1,857
Multi–region	62	8,104	(8,256)	–	(90)
Emergency Appeals					
Child Refugee Crisis	–	6,043	(284)	(1,374)	4,385
Nepal	–	6,785	(3,024)	(1,663)	2,098
Syria	1,403	2,926	(303)	(1,771)	2,255
Philippines	1,059	4,986	(4,986)	(209)	850
Ebola Crisis Appeal	1,345	2,499	(2,291)	(931)	622
Other	1,041	7,573	(1,991)	(5,161)	1,462
Other Funds					
Children's Emergency Fund ¹	1,163	30	(2,591)	4,042	2,644
UK Funds	955	148	(741)	725	1,087
Thematic/Country Funds ²	–	2,560	(112)	(2,361)	87
Corporate Fundraising	135	4,332	–	–	4,467
START	12,104	21,669	(31,149)	(496)	2,128
HLA	–	878	(888)	310	300
Other	521	5,730	(1,633)	774	5,392
	35,159	292,851	(293,461)	(2,064)	32,485

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

² Funds restricted to a particular thematic objective (eg, health, nutrition).

24. RESTRICTED FUNDS (CONTINUED)

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

(b) Charity

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

	At 01/01/2015 restated £000	Income £000	Expenditure £000	Transfers £000	At 31/12/2015 £000
Regions					
East Africa	5,593	59,737	(62,904)	372	2,798
Southern Africa	1,050	13,067	(13,978)	(565)	(426)
West and Central Africa	2,153	46,381	(48,045)	185	674
Asia	2,006	50,193	(52,333)	1,718	1,584
Latin America and Caribbean	31	1,702	(1,765)	–	(32)
Middle East and South-East Europe	1,827	26,496	(33,473)	3,309	(1,841)
United Kingdom	2,625	11,326	(13,224)	1,032	1,759
Multi-region	–	8,104	(8,248)	–	(144)
Emergency Appeals					
Child Refugee Crisis	–	6,043	(284)	(1,374)	4,385
Nepal	–	6,785	(3,024)	(1,663)	2,098
Syria	1,403	2,926	(303)	(1,771)	2,255
Philippines	1,059	4,986	(4,986)	(209)	850
Ebola Crisis Appeal	1,345	2,499	(2,291)	(931)	622
Other	1,041	7,573	(1,991)	(5,161)	1,462
Other Funds					
Children's Emergency Fund ¹	1,163	30	(2,591)	4,042	2,644
UK Funds	955	148	(741)	725	1,087
Thematic/Country Funds ²	–	2,494	(112)	(2,361)	21
Corporate Fundraising	135	2,474	–	–	2,609
START	12,104	21,669	(31,149)	(496)	2,128
HLA	–	1,265	(1,275)	10	–
Other	522	7,759	(1,634)	774	7,421
	35,012	283,657	(284,351)	(2,364)	31,954

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

² Funds restricted to a particular thematic objective (eg, health, nutrition).

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

24. RESTRICTED FUNDS (CONTINUED)

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

	At 01/01/2015 restated £000	Income £000	Expenditure £000	Transfers £000	At 31/12/2015 £000
Big Lottery Fund					
Colombia Development Grant	–	1	(1)	–	–
Improving Maternal and Newborn Health in Myanmar	–	49	(49)	–	–
Building Sustainable Livelihoods and Resilient Communities	–	64	(64)	–	–
Eat, Sleep, Learn, Play! in Scotland	–	75	(75)	–	–
Third Sector Early Intervention Fund	–	109	(109)	–	–
	–	298	(298)	–	–

25. ENDOWMENT FUNDS – GROUP AND CHARITY

Movements on endowment funds for the year	At 01/01/2015 restated £000	Income £000	Expenditure £000	Other gains/losses £000	Transfers £000	At 31/12/2015 £000
The Oliver Children's Fund	3,318	–	–	(82)	–	3,236
	3,318	–	–	(82)	–	3,236

26. ANALYSIS OF NET ASSETS BETWEEN FUNDS

(a) Group

Fund balances at 31 December 2015 are represented by:	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	Total 31/12/2015 £000
Tangible and intangible fixed assets	669	–	7,383	–	–	–	8,052
Fixed asset investments	19,680	3,168	1,392	–	–	3,236	27,476
Current assets	42,112	–	655	–	102,375	–	145,142
Current liabilities	(9,185)	–	–	–	(69,890)	–	(79,075)
Non-current liabilities	(1,500)	–	–	–	–	–	(1,500)
Provisions for liabilities and charges	(13,655)	–	–	–	–	–	(13,655)
Pension liability	–	–	–	(26,879)	–	–	(26,879)
	38,121	3,168	9,430	(26,879)	32,485	3,236	59,561

(b) Charity

Fund balances at 31 December 2015 are represented by:	General funds £000	Revaluation reserve £000	Designated funds £000	Pension reserve £000	Restricted funds £000	Endowment funds £000	Total 31/12/2015 £000
Tangible and intangible fixed assets	669	–	7,383	–	–	–	8,052
Fixed asset investments	19,930	3,168	–	–	–	3,236	26,334
Current assets	38,422	–	655	–	100,586	–	139,663
Current liabilities	(8,896)	–	–	–	(68,632)	–	(77,528)
Non-current liabilities	(1,500)	–	–	–	–	–	(1,500)
Provisions for liabilities and charges	(10,865)	–	–	–	–	–	(10,865)
Pension liability	–	–	–	(26,879)	–	–	(26,879)
	37,760	3,168	8,038	(26,879)	31,954	3,236	57,277

27. PENSION COSTS

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

(b) – (c) Defined Benefit Triennial Valuation

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

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

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

The pension liability shown in the balance sheet is made up of:

Net movement in pension liability

	Defined benefit scheme £000	Pension Trust growth plan £000	Year to 31/12/2015 £000	Defined benefit scheme £000	Pension Trust growth plan £000	Year to 31/12/2014 restated £000
Net pension liability at start of period	31,998	1,300	33,298	27,753	1,354	29,107
Current service cost	334	–	334	405	–	405
Net interest expense	1,022	24	1,046	1,188	39	1,227
Contributions by employer	(4,248)	(153)	(4,401)	(4,266)	(149)	(4,415)
Net actuarial (gains)/losses in the year	(3,574)	176	(3,398)	6,918	56	6,974
Net pension liability at 31 December	25,532	1,347	26,879	31,998	1,300	33,298

(b) Triennial valuation

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

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

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

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

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

(c) Triennial valuation: assumptions

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

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

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

27. PENSION COSTS (CONTINUED)

(d) FRS 102 valuation of the defined benefit scheme as at 31 December 2015

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

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

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

(e) Net movement in pension liability	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Net pension liability at start of period	31,998	27,753
Current service cost ¹	334	405
Net interest expense	1,022	1,188
Contributions by employer	(4,248)	(4,266)
Net actuarial (gains)/losses in the year	(3,574)	6,918
Net pension liability at 31 December	25,532	31,998

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

(f) Amounts recognised in the balance sheet

	Notes	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Present value of funded obligations	27h	147,870	152,753
Fair value of scheme assets	27i	(122,338)	(120,755)
Net pension liability		25,532	31,998

(g) Amounts recognised in the statement of financial activities

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Interest income	4,096	4,955
Interest expense	(5,118)	(6,143)
Net interest expense	(1,022)	(1,188)
Current service cost	(334)	(405)
Total decrease in net income	(1,356)	(1,593)
Net actuarial gains/(losses) in the year	3,574	(6,918)
Total increase/(decrease) in net funds	2,218	(8,511)

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

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Opening defined benefit obligation	152,753	135,525
Service cost	334	405
Interest cost	5,118	6,143
Contributions by employees	41	52
Actuarial (gains)/losses	(5,541)	15,059
Net benefits paid (including expenses)	(4,835)	(4,431)
Closing defined benefit obligation	147,870	152,753

27. PENSION COSTS (CONTINUED)

(i) Change in the fair value of scheme assets	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Opening fair value of the scheme assets	120,755	107,772
Interest income	4,096	4,955
Actuarial (losses)/gains	(1,967)	8,141
Contributions by employer	4,248	4,266
Contributions by employees	41	52
Net benefits paid (including expenses)	(4,835)	(4,431)
Closing fair value of the scheme assets	122,338	120,755
Actual return on scheme assets	2,129	13,096

(j) The assets at 31 December 2015 are represented by:	At 31/12/2015 Fair value £000	At 31/12/2014 Fair value £000
Equities	73,701	69,706
Property	9,153	8,085
Government bonds	39,108	41,979
Other	376	985
Scheme assets	122,338	120,755

(k) Actuarial assumptions

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

Financial assumptions	Year to 31/12/2015 % p.a	Year to 31/12/2014 % p.a
Discount rate	3.80	3.40
Rate of revaluations for career averaged earnings (RPI related)	3.10	3.10
Rate of increase of pensions (CPI related):		
Limited Price Indexation 5%	2.10	2.10
Limited Price Indexation 2.5%	1.70	1.70
Rate of revaluation of deferred pensions in excess of the Guaranteed Minimum Pension (RPI related)	3.10	3.10
Inflation assumption		
Retail Price Index	3.10	3.10
Consumer Price Index	2.10	2.10

Demographic assumptions**Mortality**

Year to 31/12/2015:	60% before retirement, 89% after retirement SAPS All Pensioners; year of birth; CMI 2015 projections long term improvement rates 1.25% p.a males and 1.00% p.a. females
Year to 31/12/2014:	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

27. PENSION COSTS (CONTINUED)

(l) Defined contribution scheme

Save the Children UK also contributes to a defined contribution scheme. The cost of this is included within salary costs as shown in note 10 and is therefore also included in note 9 and is attributable to the different categories of expenditure according to the employees to which it relates. Employer's contributions are charged to the consolidated statement of financial activities as follows:

	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Pension contributions	3,390	2,871
	At 31/12/2015 £000	At 31/12/2014 £000
Outstanding pension contributions	299	834

These are included within creditors in note 19a.

(m) The Pensions Trust Growth Plan

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan 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 employers ceasing to participate in the plan or the plan winding up. There is also a potential liability where other participating employers are unable to pay their debt relating to the plan.

The last formal triennial valuation of the plan was performed at 30 September 2014 by a professionally-qualified actuary. The valuation revealed that the assets of the plan fell short of the accrued liabilities as at the valuation date. This resulted in a solvency funding level of 82%.

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

The actuary advises that the deficit in the scheme, on an FRS102 basis is £1.3m (2014: £1.3m). The deficit includes Save the Children's share of any 'orphan' liabilities in respect of previously participating employers. Save the Children UK started to make deficit contributions in April 2013. In 2015 Save the Children UK paid £153,000 (2014: £149,000). Contributions from April 2016 are £137,000; It is estimated that this should reduce the potential debt to zero by September 2025. Under FRS 102 Save the Children UK is required to recognise a liability for the deficit funding arrangement which has been agreed relating to past service, however Save the Children UK has no current intention to leave the plan and trigger the contingent liability.

	Year to 31/12/2015 £000	Year to 31/12/2014 restated £000
Net movement in the pension liability		
Provision at the start of the period	1,300	1,354
Unwinding of the discount factor (interest expense)	24	39
Deficit contribution paid	(153)	(149)
Remeasurements – impact of any change in assumptions	(33)	56
Remeasurements – amendments to the contribution schedule	209	–
Provision at the end of the period	1,347	1,300

Amounts recognised in the statement of financial activities

	Year to 31/12/2015 £000	Year to 31/12/2014 £000
Interest expense	24	39
Remeasurements – impact of any change in assumptions	(33)	56
Remeasurements – amendments to the contribution schedule	209	–
	200	95

Financial assumptions

	Year to 31/12/2015 % p.a	Year to 31/12/2014 % p.a
Rate of discount	2.5	1.99

28. POST BALANCE SHEET EVENTS

Medical Emergency Relief International (Merlin) is a charitable company of which Save the Children became the sole member in July 2013. Since July 2013, all of Merlin's country programmes have transitioned to SCI except Sudan (which closed) and Pakistan. The closure of the Merlin Pakistan Country Office was initiated in December 2015 and was completed on 31 March 2016. Save the Children UK had provided certain guarantees to enable Merlin to meet liabilities arising from the closure, see note 22f for further details.

29. RESTATEMENT

(a) Transition to Charities SORP (FRS 102)

As stated in 'Accounting policies – Basis of preparation', these are the group's first consolidated financial statements prepared under Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102). The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014, and the date of transition was therefore 1 January 2014. As a consequence of adopting Charities SORP (FRS 102), a number of accounting policies have changed to comply with that standard.

An explanation of how the transition from Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) to Charities SORP (FRS 102) has affected the group's financial performance and financial position is set out in full in the following tables, with accompanying descriptions of the adjustments.

(b) Reconciliation of net movement in funds

Reconciliation of net movement in funds for the year ended 31 December 2014

	Reported under previous UKGAAP £000	Restricted income funds £000	Adjustments				Reported under FRS 102 £000
			Re-classifications £000	Holiday pay £000	Gifts in kind £000	Pensions £000	
Income and endowments from:							
Donations and legacies	128,995	1,296	(5,332)	–	1,035	–	125,994
Charitable activities	228,019	867	5,332	–	–	–	234,218
Other	13,276	–	(650)	–	–	–	12,626
Total income	370,290	2,163	(650)	–	1,035	–	372,838
Expenditure on:							
Raising funds	37,634	–	240	2	–	(12)	37,864
Charitable activities	308,150	–	1,965	19	–	(98)	310,036
Other	2,587	–	(1,017)	–	–	–	1,570
Total expenditure	348,371	–	1,188	21	–	(110)	349,470
Net gain on investments	1,157	–	–	–	–	–	1,157
Movement on share of associates' surplus	26	–	–	–	–	–	26
Net income	23,102	2,163	(1,838)	(21)	1,035	110	24,551
Actuarial loss on defined benefit pension schemes	(8,756)	–	1,838	–	–	(56)	(6,974)
Net movement in funds (Group)	14,346	2,163	–	(21)	1,035	54	17,577
Net movement in funds (Charity)	14,998	1,367	–	(21)	1,035	54	17,433

29. RESTATEMENT (CONTINUED)

This can also be presented to show the impact in terms of the movement on unrestricted and restricted funds as shown below:

Reconciliation of net movement in funds for the year ended 31 December 2014

	Reported under previous UKGAAP £000	Adjustments			Reported under FRS 102 £000	
		Restricted income funds £000	Holiday pay £000	Gifts in kind £000		Pensions £000
Total unrestricted funds	3,609	(1,158)	(21)	–	54	2,484
Total restricted funds	10,737	3,321	–	1,035	–	15,093
Net movement in funds (Group)	14,346	2,163	(21)	1,035	54	17,577
Net movement in funds (Charity)	14,998	1,367	(21)	1,035	54	17,433

(c) Reconciliation of net assets

Reconciliation of net assets at 1 January 2014

	Reported under previous UKGAAP £000	Adjustments			Reported under FRS 102 £000	
		Restricted income funds £000	Holiday pay £000	Gifts in kind £000		Pensions £000
Restricted funds	84,170	(61,174)	–	388	–	23,384
Unrestricted funds	9,578	–	(188)	–	(1,354)	8,036
Total funds (Group)	93,748	(61,174)	(188)	388	(1,354)	31,420
Restricted funds	80,343	(56,763)	–	388	–	23,968
Unrestricted funds	6,303	–	(188)	–	(1,354)	4,761
Total funds (Charity)	86,646	(56,763)	(188)	388	(1,354)	28,729

Reconciliation of net assets at 31 December 2014

	Reported under previous UKGAAP £000	Adjustments			Reported under FRS 102 £000	
		Restricted income funds £000	Holiday pay £000	Gifts in kind £000		Pensions £000
Restricted funds	94,907	(57,853)	–	1,423	–	38,477
Unrestricted funds	13,187	(1,158)	(209)	–	(1,300)	10,520
Total funds (Group)	108,094	(59,011)	(209)	1,423	(1,300)	48,997
Restricted funds	91,145	(54,238)	–	1,423	–	38,330
Unrestricted funds	10,499	(1,158)	(209)	–	(1,300)	7,832
Total funds (Charity)	101,644	(55,396)	(209)	1,423	(1,300)	46,162

29. RESTATEMENT (CONTINUED)

(d) Nature of adjustments

Restricted income funds

Under the Charity SORP (2005), Save the Children recognised restricted grant income as the greater of funding receivable, and approved grant expenditure incurred within the period.

Taking into account the increasing complexity of donor agreements and in light of the Charity SORP (FRS 102) guidance on performance-related conditions, the group has changed the criteria by which a grant is identified as performance-related, which has resulted in more grants being classified as performance-related than previously. The group assesses the level of activity performed by reference to either the achievement of specific milestones as outlined in the grant contract, or, where there are no specific milestones, the extent that resources have been committed to the specific programme being funded is used as a proxy for performance. As a result income we receive in advance on performance-related grants is now reported as deferred income, whereas in previous years we recognised it as income on receipt and included it in our restricted reserves.

The overall impact on the SOFA for the year ended 31 December 2014 was to increase the net movements in funds by £2.2m. The application of this adjustment reduced net assets at 31 December 2014 by £59.0m (1 January 2014 – £61.2m), as this amount is now held within deferred income and is expected to be recognised in the income statement in subsequent periods.

Reclassifications and additional disclosures

Grants that specifically outline the goods and services to be provided to beneficiaries, and are therefore deemed to be performance-related, have been included as income from charitable activities. Grants that provide core funding, or are of a general nature, are included in donations and legacies. This has resulted in some reclassifications between these two income lines on the statement of financial activities as shown above.

As a result of the FRS102 change to expected return on scheme assets, the actuarial loss previously recognised in 2014 of £8.8m has reduced by £1.8m. Under FRS 102, this is reclassified as an interest cost, reducing the original £0.6m finance income on the pension scheme to an expense of £1.2m, which has been shown as a support cost and allocated accordingly.

The Charity SORP (FRS 102) also requires a number of items to be reclassified in the income statement and balance sheet, such as governance costs, which are now included within support costs, and revised or new disclosures in the financial statements relating to lease commitments, trustee donations and the role of volunteers. Under the guidance of FRS 102 computer software costs have been reclassified as intangible assets. Also, following the implementation of a new finance system in 2015, we have the ability to more accurately calculate our future commitments and have hence restated the 2014 balances in note 22 accordingly.

Holiday pay

The Charity SORP (FRS 102) requires that entities must now accrue for holiday pay that has been earned, but not yet taken, in that accounting period. The overall impact on the income statement for the year ended 31 December 2014 was to increase expenditure by £21,000, which has been allocated across expenditure on raising funds and charitable activities accordingly. The application of this adjustment reduced the unrestricted net movement in funds by £21,000 in 2014 and decreased the net assets at 31 December 2014 by £209,000 (1 January 2014 – £188,000).

Gifts in kind

The Charity SORP (FRS 102) requires gifts in kind to be recognised when received, as opposed to when they are distributed to projects. As a result, the impact in 2014 is to increase gift in kind income and stocks by £1,035,000 for undistributed gifts in kind. The application of this adjustment increased the restricted net movement in funds by £1,035,000 in 2014 and increased the net assets at 31 December 2014 by £1,423,000 (1 January 2014 – £388,000).

Pensions

Save the Children UK participates in The Pensions Trust's Growth Plan. This is a multi-employer pension plan that 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.

Under the new standard, the growth plan will still be accounted for as a defined contribution scheme. However, Save the Children UK is required to recognise a liability for the deficit funding arrangement that has been agreed relating to past service.

The overall impact on the income statement for the year ended 31 December 2014 was to reduce the unrestricted net movements in funds by £54,000. The application of this adjustment reduced the net assets at 31 December 2014 by £1.3m (1 January 2014 – £1.4m).

30. CONSOLIDATED – RESTATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 31 DECEMBER 2014

	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2014 £000
Income and endowments from:			
Donations and legacies	81,395	44,599	125,994
Charitable activities	1,305	232,913	234,218
Other trading activities	9,281	–	9,281
Investments	978	–	978
Other	2,366	1	2,367
Total income	95,325	277,513	372,838
Expenditure on:			
Raising funds	37,971	644	38,615
Charitable activities			
Nutrition	3,227	31,097	34,324
Livelihoods	3,301	22,535	25,836
Health	7,340	59,522	66,862
HIV/AIDS	51	502	553
Protection	2,393	11,418	13,811
Rights	969	3,423	4,392
Education	5,477	38,115	43,592
Rapid onset emergencies	7,472	92,876	100,348
Campaigning and awareness	16,884	2,683	19,567
Total charitable activities	47,114	262,171	309,285
Other	1,570	–	1,570
Total expenditure	86,655	262,815	349,470
Net gain on investments	762	395	1,157
Movement on share of associates' surplus	26	–	26
Net income	9,458	15,093	24,551
Transfers between funds			
Actuarial losses on defined benefit pension scheme	(6,974)	–	(6,974)
Net movement in funds	2,484	15,093	17,577
Reconciliation of funds:			
Total funds brought forward as previously stated	9,578	84,170	93,748
Changes on transition to FRS102	(1,542)	(60,786)	(62,328)
Total funds brought forward as restated	8,036	23,384	31,420
Fund balances carried forward	10,520	38,477	48,997

31. SAVE THE CHILDREN UK CHARITY – STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2015

	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2015 £000	Unrestricted funds £000	All restricted and endowment funds £000	Total funds year to 31/12/2014 restated £000
Income and endowments from:						
Donations and legacies	83,769	41,099	124,868	80,779	42,270	123,049
Charitable activities	–	242,383	242,383	276	214,259	214,535
Other trading activities	9,121	–	9,121	8,671	–	8,671
Investments	932	–	932	967	–	967
Other	2,021	175	2,196	2,344	1	2,345
Total income	95,843	283,657	379,500	93,037	256,530	349,567
Expenditure on:						
Raising funds	32,665	998	33,663	37,961	650	38,611
Charitable activities						
Nutrition	2,305	26,878	29,183	2,945	27,198	30,143
Livelihoods	3,010	23,413	26,423	3,301	22,533	25,834
Health	8,270	72,780	81,050	5,853	47,129	52,982
HIV/AIDS	17	199	216	50	500	550
Protection	1,718	9,095	10,813	2,392	11,417	13,809
Rights	313	1,121	1,434	969	3,423	4,392
Education	7,320	46,732	54,052	5,477	38,112	43,589
Rapid onset emergencies	13,268	95,883	109,151	6,541	88,913	95,454
Campaigning and awareness	16,678	7,249	23,927	16,884	2,688	19,572
Total charitable activities	52,899	283,350	336,249	44,412	241,913	286,325
Other	1,209	3	1,212	1,381	–	1,381
Total expenditure	86,773	284,351	371,124	83,754	242,563	326,317
Net (losses)/gains on investments	(577)	(82)	(659)	762	395	1,157
Movement on share of associates' surplus	–	–	–	–	–	–
Net income	8,493	(776)	7,717	10,045	14,362	24,407
Transfers between funds	2,364	(2,364)	–	–	–	–
Actuarial gains/(losses) on defined benefit pension scheme	3,398	–	3,398	(6,974)	–	(6,974)
Net movement in funds	14,255	(3,140)	11,115	3,071	14,362	17,433
Reconciliation of funds:						
Total funds brought forward as previously stated	10,499	91,145	101,644	6,303	80,343	86,646
Changes on transition to FRS102	(2,667)	(52,815)	(55,482)	(1,542)	(56,375)	(57,917)
Total funds brought forward as restated	7,832	38,330	46,162	4,761	23,968	28,729
Fund balances carried forward	22,087	35,190	57,277	7,832	38,330	46,162

Every child has the right to a future. Save the Children works in the UK and around the world to give children a healthy start in life, the chance to learn and be safe. We do whatever it takes to get children the things they need – every day and in times of crisis.

This report tells our story in 2015. From our pioneering response to the refugee crisis, to helping bring millions of people together to push for ambitious new global goals, to our Christmas Jumper Day extravaganza, we demonstrated our determination to help children growing up in the toughest situations.

savethechildren.org.uk

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