

# Save the Children International

Trustees' report  
and financial statements  
for 2012





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# Who we are and what we do

We are the world's leading independent organisation for children.

## **Our vision**

A world in which every child attains the right to survival, protection, development and participation.

## **Our mission**

To inspire breakthroughs in the way the world treats children, and to achieve immediate and lasting change in their lives.

## **Our values**

- Accountability
- Ambition
- Collaboration
- Creativity
- Integrity

SAVE THE CHILDREN IS COMPRISED of 30 members (25 full members and five associate members\*) as well as Save the Children International. All the members of Save the Children, with combined revenues of nearly 1.6 billion dollars, are working to deliver a shared strategy, including vision, mission, values and theory of change. While each member continues to direct and support its own programmes, internationally these are being transitioned to Save the Children International to be delivered through a merged operation with c14,000 staff, managed through seven regional hubs and reporting to a relatively small central office.

All members have joined Save the Children's global campaign, EVERY ONE, to stop children dying from preventable causes before their fifth birthday, and contribute to Save the Children becoming the leading humanitarian response agency for children. In addition, members lead global initiatives on health and nutrition, education, child protection and child rights governance.

We are nearing the end of the transition of international programmes to Save the Children International, helping us become more efficient, more aligned, a better partner, a stronger advocate, a magnet for world-class people and relevant for the 21st century.

This multi-year re-alignment of our movement as one joined up Save the Children is about achieving our mission – to inspire breakthroughs in the way the world treats children, and to achieve immediate and lasting change in their lives.

\* An associate member is entitled to use the Save the Children brand but, until progression to full membership, does not have rights under the Save the Children Bylaws, including no voting rights

# What we achieved in 2012

2012 WAS THE THIRD YEAR of Save the Children's new strategy. At the end of the three years our aim was to be:

- delivering our international programmes through a strong integrated global team
- on the way to achieving a breakthrough in newborn and child survival
- becoming more effective and relevant for the 21st century
- growing and poised for future growth.

At the end of 2012 we feel that we have made good progress towards these goals. During the year Save the Children's work touched the lives of more than 100 million children in the 42 countries in which Save the Children International worked (and over 125 million children around the world).

## International programs

As planned, regional offices have now been established in all seven regions, with one regional office awaiting registration. A total of 33 country offices transitioned to Save the Children International in 2012, in addition to 9 countries in 2011, with a further 8 going live since the start of 2013. In-country registration, the main factor outside our control, caused us to fall behind our planned target of 40 country office transitions in 2012. With the bulk of the country offices now up and running, the transition team is being scaled down and plans implemented to ensure any delayed or new transitions are managed by the centre as part of day-to-day operations.

To facilitate the transition, in 2012, we improved business processes and systems to support the implementation of the programmes delivered by country offices. During the country annual planning process we gained a global view of all Save the Children country office budgets and plans for the first time. We simplified the country annual review process and the first version of the award management system was launched allowing countries, regions and members to access award information and streamline workflows. We made steady progress in laying the foundations for a new organisational quality framework, helping ensure we deliver even more impactful programmes for children.

In 2012 Save the Children as a movement further defined our global ambitions for children, by agreeing four specific breakthroughs, which we want to inspire the way the world treats children. These are:

- no child under five dies from preventable causes, and public attitudes will not tolerate high levels of child deaths (Health and Nutrition and EVERY ONE)
- all children can read by the time they leave primary school; and children caught up in humanitarian crises have access to quality education (Education)
- all children thrive in a safe family environment and no child is placed in harmful institutions (Child Protection)
- all children, especially the poorest, benefit from greater public investment and better use of society's resources in realising their rights (Child Rights Governance)

In order to accelerate progress towards these breakthroughs we launched the concept of signature programmes, great examples of our full theory of change in practice. In December 2012 our first two signature programmes were approved. Literacy Boost in Pakistan is an innovative programme that improves children's ability to read with comprehension through an integrated approach that involves coordinating teacher training, providing children with opportunities to practice their skills in the community and better teaching materials. In 2012 it was being replicated in 15 countries across Africa and Asia. Essential Newborn Care is a package of interventions that has been demonstrated to reduce by up to 60 per cent deaths due to birth asphyxia, infection and prematurity / low birth weight. In Nepal, Essential Newborn Care is being implemented in 34 of the country's 75 districts. Please see our Annual Review on [www.savethechildren.net](http://www.savethechildren.net) for further information on these programmes and our work in 2012.

## Humanitarian

In 2012 Save the Children responded to 77 humanitarian crises in the Middle East, Africa, Asia and Latin America. In the Middle East our response in **Yemen** reached over 500,000 children and family members and we secured \$35.5 million towards our appeal. Across the region we scaled up operations to meet the massive humanitarian needs of **Syrian refugees** in Jordan, Lebanon and Iraq. At the end of 2012, we had raised \$20.6 million for the Syria regional response and were running 50 Child and Youth friendly spaces, distributing winter clothes, implementing a massive "back to school" operation and doing a large scale food and food voucher distribution targeting thousands of refugee children and youth.

In **Africa** the four-country humanitarian response for the Sahel (Burkina Faso, Mali, Mauritania, Niger) was "declared" in June 2012 and has raised \$37 million to date, reaching over 1.5 million beneficiaries. We focused on saving the lives of children threatened by malnutrition, enabling families affected by the food crisis to provide for their children, supporting children and their families displaced by the violence in Mali, building long-term resilience at a community level and campaigning for international support to end the emergency.

We have strengthened our humanitarian communications, fundraising and advocacy work, successfully achieving wide media coverage and successfully raising the profile of critical humanitarian needs for children and their families.

Through 2012 we invested in the quality and capacity of our humanitarian work. We recruited leaders in "quality and capacity development" and "intelligence and analysis" to improve our ability to understand the contexts in which we work. We are confident this will translate into more accountable humanitarian programmes.

## **EVERY ONE – our global campaign to stop children dying from preventable causes**

2012 was a hugely successful year for our global EVERY ONE campaign with the launch of our nutrition focus and Save the Children teams around the world taking critical steps to raise awareness and build a common voice across civil society and in the political sphere on malnutrition.

Our collective Save the Children impact has been strengthened by building dynamic partnerships with influential partners. These have included: the Swedish Government, who committed to a three year investment in advocacy and community mobilisation; the Bill & Melinda Gates Foundation investment in EVERY ONE advocacy, advocacy and research on newborns (Saving Newborn Lives) and our influencing of the post-2015 agenda; a new partnership agreement with UNICEF; a campaign partnership with White Ribbon Alliance; and a global corporate partnership with Unilever.

The Global Campaign team at Save the Children International led the process of agreeing global crunch moments and coordinating action to support them. These successful global events have driven forward progress in advocacy in countries around the world.

Key moments included:

- the launch of the nutrition phase of the campaign, with major work delivered by key members such as Save the Children UK, reaching over 5.5 million people with events and social media activities
- the publication of the State of the World's Mothers report, led by Save the Children US, resulting in media coverage in over 50 countries and high level advocacy engagement
- global engagement at the G8 and UN General Assembly, by working with the New York advocacy office and members, helping move forward our advocacy agenda and secure political commitments
- the *Race for Survival*, our biggest ever global child participation event, funded by Save the Children Sweden, which involved over 20,000 children taking part in activities in 45 countries on World Food Day.

In 2012 the Global Campaign team at Save the Children International also led a review of our investment in all pillars of the campaign and a revision of our strategy.

## **21st century organisation**

We have made good progress in operationalising our networked leadership model, with members leading for the whole where it makes sense. Save the Children International has coordinated the development of agreed guidelines and principles across nine areas: global advocacy, global media, global corporate partnerships, humanitarian, global campaign and four global initiatives, focusing on our main thematic areas (Education, Health, Child Protection and Child Rights Governance). To support effective knowledge-sharing Save the Children International has led the delivery of a global Save the Children collaboration platform, OneNet.

In 2012 our IT functions have begun to come together across the movement to start to leverage on our scale, and have agreed a system of governance going forward. Strong relationships have been built with partners including Microsoft, and further partnerships are in development. Our new finance system (Agresso) has been rolled out in all our transitioned country offices, and benefits are being realised. Work on a new award management system has been progressed during the year, to go live in 2013, as well as updating our extranet and a series of other smaller projects going live during the year.

In 2012, we began scoping out the key elements of a Save the Children talent management system and made strong progress on diversity through the recruitment of our leadership teams, in countries, regions and the centre. By the end of 2012, 37% of our Save the Children International leadership positions were filled by women and 23% by people from non-OECD countries. However, we still have a long way to go to feel that we are a truly diverse organisation that reflects more the countries and their children we seek to serve.

## **Growth – supporting members to grow and develop**

In 2012 we continued to support and invest in our existing member development programme, at the same time as launching a member-wide review of our global member growth strategy. In May 2012, Save the Children South Africa as Save the Children's newest associate member was set up. In September 2012, a new member growth strategy was endorsed which sets a clear course for Save the Children through the remainder of the 2010–2015 strategic period.

Key priorities identified within the new member growth strategy include the need to:

- take action to increase our unrestricted income
- diversify our current market and product portfolio with a focus on new strategic market development
- strengthen our accountability framework to help foster member growth, by introducing different member roles and a peer review process, and
- strengthen the link between our fundraising goals and our programmatic ambitions.

Alongside these priorities the Save the Children movement agreed the need to set some key performance indicators to help the movement measure success and guide our performance. Save the Children members successfully secured a number of new global corporate partnerships benefiting multiple members and programmes for children.

# Our plans for 2013

IN 2013 WE REACH THE mid-point of our strategy. We are conducting a mid-term review to check in on global progress across the movement towards our 2015 goals and to identify focus areas for the next few years. With the world changing, we need to be sure that we are responding to key external trends. Inequality is rising with 75% of the world's poor now living in middle income countries, whilst traditional, institutional donors are diverting funds from these countries, making it even more important for us to find ways to still deliver impact for children in these contexts. Urbanisation is another external change which is affecting where and how we need to work. Against this background we plan to focus on the following elements of our strategy in 2013:

## International programs

2013 is an important year as we complete the transition process and focus on moving beyond transition to re-focus on quality and impact of programmes. Over the year we will:

- ensure that all our international programme countries are properly resourced and have had the right training to enable them to deliver quality programmes in line with our full theory of change. A specific focus will be strengthening our advocacy capacity globally and ensuring that we have the right advocacy resources in countries
- further strengthen the quality of our programmes by evolving our monitoring and evaluation system and developing signature programmes across our main thematic areas. These signature programmes will be model programmes that demonstrate the full theory of change and will be used in both our advocacy and fundraising work
- continue to work across the movement to ensure that our approach to delivering programmes is as efficient and effective as possible
- grow our roster of humanitarian specialists to increase our capacity to respond at scale.

## EVERY ONE

During 2013 the Global Campaign team at Save the Children International will ensure members and countries come together around a series of set opportunities that will deliver our stated change objectives and drive country level implementation. These will include:

- delivering on four agreed global moments: State of the World's Mothers report in May, G8 in June, UNGA (including wider global advocacy) in September and a mass-mobilisation event
- developing two to three new global partnerships to build campaign momentum in terms of funding, advocacy and mass-market communications
- following through on global campaign mid-term review recommendations.

As part of the new EVERY ONE strategy, we will undertake a global public refresh of the campaign in October 2013, focused on the steps needed to achieve our campaign goal by 2015 and end preventable child deaths within a generation. In the final phase of the campaign we will be pushing for governments

– working with others – to take the bold steps needed to ensure that every child is within reach of a health worker able to prevent and treat the leading causes of child mortality, and has access to newborn care, immunisation and proper nutrition.

## 21st century organisation

Over 2013 we will continue to build and develop our network leadership model in line with our agreed principles, guidelines and responsibilities. The main purpose of this model is to ensure we deliver on our ambitions for children, on a global platform with a global brand, while leveraging the strength of our national member organisations working in an inter-dependent way.

We will increase our focus on talent management, specifically looking at top talent identification, succession planning and career development, with a particular emphasis on national staff in our country programmes. We will also focus on building our internal culture including strengthening our child safeguarding worldwide and taking forward a shared internal communication plan.

We will develop and begin to implement a global IT strategy which encompasses the whole movement, and focuses on collaborative platforms, greater leverage and using technology to deliver more for children on the ground. We are already working with selected partners and will be leveraging this work and other relationships across the world, as well as building on common systems in the areas of finance, award management, logistics and knowledge management. Procurement in this and all areas of the organisation will be addressed as part of our efficiency, effectiveness and productivity drive, which is additionally looking more broadly at everything we do, and represents a cultural change and a new way of working, again with the end aim in mind of delivering more for children. Some examples of work already commenced in 2013 are: looking at a new treasury model, focusing on capacity-building and efficient organisational design in country offices, and addressing duplicative structures and more virtual working.

## Growth – supporting members to grow and develop

Our new member growth strategy is designed to support our global priorities, and respond to key external trends. Over 2013 we will focus on three main areas:

- firstly, we will invest strategically to secure the long-term and sustainable growth of private income through investment in key priority countries
- secondly, we will strengthen our accountability framework to effectively support member growth. 2013 will see the introduction of a peer review process, based on a set of criteria for assessing member performance, which will include areas such as financial sustainability and growth, quality programmes, advocacy, governance and leadership etc. The new accountability framework will also look at different member roles within the organisation to ensure that they reflect the diversity of their situation and context. The objective is to pilot at least two peer reviews during the second half of the year
- finally, we plan to drive best practice sharing and benchmarking through dashboards and skill share activities to enable more effective fundraising across the membership and to enhance understanding of all income elements.

# Financial performance

2012 WAS ANOTHER TRANSITION YEAR for Save the Children International and our income once more grew significantly. Our financial performance will look very different again in 2013, with 2014 being the first year with meaningful like-for-like comparators.

In 2012, 33 country offices transitioned from members into Save the Children International, a further 8 since the start of 2013 and only five remain to transition in order to complete our global transformation. Note 3 gives detail of the countries and assets transitioned during the year.

Our total income was \$338.3 million, compared to \$100.8 million in 2011, and our expenditure was \$325.9 million compared to \$89.7 million in 2011. This increase represents the additional funding received from members for country and regional offices as the countries and regions went live. Analysis of income is given in note 2 to the accounts and an analysis of expenditure by programmatic theme and geographic location is given in note 3. Net incoming resources for the year of \$12.4 million reflect members' contributions to the charity's international programming reserves (\$1.4 million) together with grant income received from members in advance (see note 13).

The table below shows how income has built up year on year, given we are in a transition period with country offices coming on stream at different times over a period of approximately two years. It shows the data by time period of transition to SCI, to give a sense of the relevant growth. \$75.1m of the 2012 increase comes from a full year of activity in offices which transitioned in 2011, and suggests like-for-like growth from those offices, although the precise transition date is not factored in. Given the scale of operations which transitioned in the second half of 2012, further significant growth of SCI is expected in 2013.

Period in which office went live	2012 income USD 000s	2011 income USD 000s
Q1 2011	30,767	15,404
Q2 2011	31,731	29,348
Q3 2011	55,200	17,592
Q4 2011	6,263	2,248
Q1 2012	37,316	-
Q2 2012	32,989	-
Q3 2012	28,826	-
Q4 2012	63,347	-
SCI Centre	51,861	36,147
<b>Total income</b>	<b>338,300</b>	<b>100,758</b>

The balance sheet for the charity shows net assets of \$29.3 million, compared with \$16.9 million in the previous year, representing the increased operational working capital and reserves necessary to deliver the programmes that have transferred to Save the Children International during 2012.

## Reserves

We hold reserves to meet the following purposes:

- the operating expenses of the charity in the event of a downturn in income and / or unforeseen increases in costs
- the costs of unforeseen liabilities for employment or other legal claims not covered by insurance
- the costs of closure or wind-down of the core operations of the charity. Costs associated with the closure / wind-down of the charity's international programming work are covered separately by member indemnities up to a maximum of \$20 million.

Total reserves at 31st December 2012 were \$29.3 million (2011: \$16.9 million). We hold restricted reserves of \$17.1 million (2011: \$9.3 million) and unrestricted reserves of \$12.2 million (2011: \$7.6 million). Restricted reserves are those funds that have been received for particular purposes and projects, and are shown in detail in note 13 to the financial statements. They include \$1.7 million of fixed assets relating to our global finance system and \$1.0million of amounts which will reduce members' 2013 contributions (as a result of a 2012 surplus), as well as funding received from certain members and not yet expensed (\$14.4million).

During 2011 and 2012 Save the Children International has been transitioning international programming work from members to itself, which has meant a phased transfer of international programming risk from April 2011 onwards. We assessed that specific risk in 2010 as part of the transition planning and determined a target level of reserves, against international programming risk, of \$15 million as at 31 December 2012, to coincide with the fact that the majority of international programming risk would have transferred to Save the Children International by that time. Our target level has been arrived at by an assessment of the various risks connected to international programming operations, excluding potential closure / wind-down costs which are separately covered by member indemnities up to a maximum of \$20 million.

As at 31 December 2011, members had contributed \$4.7million to the charity's international programming reserve in cash. An additional \$9.7million has been committed to the charity in 2012 by members, who may choose to contribute cash or put in place letters of credit which give the charity unconditional and irrevocable access on demand to funds in the event of reserves being required. As at 31 December 2012 the charity held international programming cash reserves of \$6.1 million and a contingent asset of \$8.3 million reflecting additional member commitments to fund this reserve as required. We will build up the remaining \$0.6million to the \$15million target over time, the \$0.6million gap having arisen from some transitional arrangements with a small number of members, agreed by the whole membership.

In addition, the board has historically earmarked part of the charity's unrestricted reserves to be used for a closure reserve. This represents funds to cover the costs of closure / wind-down of the non-international programming part of the charity. The board considers a target level of \$1.5million, to cover salary costs, rent and other lease and office costs, appropriate for these purposes at the date of signing of this report. As at 31 December 2012 the closure reserve remained at the 2011 level of \$0.9million. It has not been possible to increase this reserve in the current year due to other demands on funding but the shortfall will be addressed by consulting with members and building up sufficient reserves over time.

### **Grant making policy**

Save the Children International 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 humanitarian relief. The grants we make to partner organisations help local organisations provide sustainable benefits for poor communities, and so further our own objectives. We carefully consider the experience, reach and governance of potential partners, as well as the value they will add to our work with vulnerable children. We monitor how all grants are spent.

### **Going concern**

We have set out above a review of financial performance and the charity's reserves position and we have a reasonable expectation that we have the resources to continue in operational existence for the foreseeable future.

We believe there are no material uncertainties that call into doubt the charity's ability to continue as a going concern. The accounts have therefore been prepared on the basis that the charity is a going concern.

# Governance and management

SAVE THE CHILDREN INTERNATIONAL IS a charitable company limited by guarantee not having share capital, governed by its Articles of Incorporation as last amended on 12 March 2012. It is registered with Companies House and the Charity Commission and must comply with the Companies Act 2006 and Charities Act 2011. Save the Children International's sole member is Save the Children Association, a Swiss Association formed pursuant to articles 60–79 of the Swiss Civil Code. Save the Children International had five wholly owned subsidiaries at 31 December 2012, the details of which are given in note 14 of the financial statements.

## Board of trustees

Save the Children International's board of trustees mirrors the board of Save the Children Association. During 2012, the Save the Children International board consisted of:

- nine individuals who are the nominees of each member organisation which contributed at least eight percent of the combined total income of all members of Save the Children Association
- three individuals who are elected by member organisations which contributed less than eight percent of the combined total income of all members of Save the Children Association
- two\* independent trustees, one of whom is appointed by the nominated trustees and the other of whom is elected by the member organisations which elect the three individual trustees to the board.

We have in place an induction programme for each new trustee which covers aspects of the role and the organisation and includes the information required to fulfil the role and legal duties. Trustees also participate in ongoing activities to develop and evaluate the board's ways of working and performance, and participated in a board review in 2011, working with an external partner, Egon Zehnder International, the outcomes of which were implemented in 2012 leading to improved efficiency and focus of the board.

The Save the Children International board manages the business of the charity and exercises all the powers of the charity. The board seeks to ensure that all activities are within UK law and agreed charitable objects. Its work includes oversight of, and agreeing financial plan for, international programmes.

When the first board was appointed in 2010, its membership was frozen for 3 years from 1 January 2010. In 2012, in anticipation of the end of this 3 year term, the Governance Committee together with the Save the Children Association Assembly Nominating Committee planned for orderly board succession in order to provide continuity of experience on the board while allowing for an appropriate level of turnover. This resulted in changing of personnel on the board with effect from 1 January 2013 with 7 existing board members serving a second term and 6 new board members being appointed / elected to the board following the voluntary resignation of 7 board members. Details are given on page 11.

## Auditors

KPMG LLP will be deemed appointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

The Audit and Finance Committee oversees the charity's monitoring of external auditor objectivity and independence in relation to non-audit services. The auditor is excluded from undertaking a range of work on behalf of the charity to ensure that the nature of non-audit services performed or fee income relative to the audit fees does not compromise, or is not seen to compromise, the auditor's independence, objectivity or integrity.

## Trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

\* One of the independent trustees resigned on 15 March 2012.

In so far as the trustees are aware:

- there is no relevant audit information of which the charity's auditor is unaware
- the trustees have taken all the steps 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.

## Committees

At least two members of each committee must be members of the Save the Children International board of trustees. Currently all committee members are trustees of Save the Children International.

The **Audit and Finance Committee** is appointed by the board of trustees and has four members including a chair (who must not be the same person as the chair of the board). The committee meets at least four times a year to consider reports from the management team and external auditors. The committee advises the board on financial management, reporting and control. It also oversees the Global Assurance function.

The **Governance Committee** is appointed by the board of trustees and has four members, including a chair, who meet at least twice a year. The committee advises the board on Save the Children International's governance framework, its constitution and governance systems and processes as well as board processes and effectiveness.

The **Compensation and Organisation Committee** is appointed by the board of trustees and has four members, including a chair, who meet at least twice a year. The committee advises the board on the compensation of the Chief Executive Officer and senior management of Save the Children International, and its organisational design.

The **Member Engagement Committee** was appointed by the board of trustees and had three members, including a chair, who met at least twice a year. The committee advised the board on consulting, engaging and communicating with members via members' boards in relation to issues considered and decisions taken by the Save the Children International board of trustees. This Committee was disbanded in December 2012 as it was deemed that other mechanisms for encouraging member communication were more effective.

The **Programs Oversight Committee** was appointed by the board of trustees and had four members, including a chair, who met at least twice a year. The committee advised the board on the performance and quality of programming. In December 2012 it was agreed that the work previously dealt with by the Program Oversight Committee would be best dealt with at board level and therefore the Program Oversight Committee was disbanded.

## Organisational structure

The trustees delegate the day-to-day running of the charity to the Chief Executive Officer (CEO) and the senior leadership team who are responsible for particular areas of the charity as listed on page 11. The Chief Executive Officer reports to the chair of the board.

## Risk management and internal control

### Identification of key risks, and their management

Save the Children International exists to help the most vulnerable children in the world, operating in some of the world's most fragile and high-risk countries. To safeguard our staff, and to meet our obligations to those who fund us, we must be fully aware of – and effectively manage – the risks we face wherever we work.

Save the Children International is taking steps to ensure that, at all levels of the organisation, staff members have access to the tools and information they need to help them effectively identify and therefore manage the risks they face. Necessarily, as the organisation has become internationally operational, the roll-out of these tools commenced in the centre but in 2012 we have begun introducing appropriate risk management processes to regional and country office programme staff, to assist them in helping children wherever we operate.

Save the Children International considers all types of risk at both strategic and operational levels, including but not limited to: internal risks (e.g. financial, operational, reputational, governance, compliance) and external risks (e.g. political, environmental, social, technical, legal, economic).

Key risks are those that are highly likely to occur and would have a severe impact on our work, our reputation or our ability to achieve our ambitions. These risks are reported to trustees through the risk management process. This allows the board to challenge any assumptions the charity has made about risks and understand the context in which decisions are taken. This helps them ensure the most serious risks are being managed effectively.

The trustees recognise that if Save the Children International is to achieve its objectives, it is necessary to accept some risks that are outside the charity's control and which cannot be fully mitigated. The senior leadership team are charged with actively monitoring such risks, but the trustees recognise that any system of risk management cannot completely eliminate risk. It therefore provides reasonable, but not absolute, assurance that the organisation is protected.

The trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that reasonable systems and procedures are in place to manage those risks, and that appropriate actions are being taken where further mitigation is required. The most significant risks in 2012 included: child safeguarding; adverse political environments; securing our resources and programmes against the risk of fraud; the safety and security of our staff, particularly those operating in unstable environments; ensuring sufficient unrestricted funding for the global Save the Children movement; and a variety of risks relating to the transition of overseas programmes from member management to Save the Children International. These risks will remain equally relevant throughout 2013 and on-going (apart from transitional risks).

## Child safeguarding

The charity complies with the requirements of Save the Children's child protection protocol, which sets out procedures and standards for ensuring that the children we work with are kept safe. These requirements include criminal records bureau checks for all staff that have frequent contact with children and young people, and staff training on child protection measures. We have dedicated child safeguarding experts advising the global movement and training staff on this important topic.

## Adverse political environments

Save the Children operates in a number of countries where the political climate can become very challenging, impacting ability to operate. These situations are carefully monitored and where necessary a crisis management team is convened to address and diffuse critical risk.

## Fraud

A senior fraud manager has been appointed and a programme of awareness to detect and prevent fraud and corruption is underway. Our stance is one of zero tolerance to fraud and corruption. A whistleblowing process is established and communicated.

## Safety & security

In pursuit of its mission, which includes operating in insecure environments, Save the Children has a comprehensive safety & security strategy. This is being implemented globally, supported by a professional team of security staff.

## Global assurance

The Save the Children International global assurance function has been established in order to provide an independent and objective opinion to the senior management, trustees and members on the adequacy and effectiveness of Save the Children International's risk management, governance and control systems. In practice, this means auditing a range of activities and processes, across all departments and overseas programmes and structures, as well as providing support and consultancy services to management.

As a result of these audits management develops and agrees action plans to address any control weaknesses, and progress against these plans is summarised and both reported to the Audit & Finance Committee as well as followed up on an ongoing basis.

## Public benefit

The trustees ensure that the activities of the charity are consistent with its charitable objects and aims. In agreeing our annual plans, the trustees take into account public benefit as set out in the Charity Commission's general guidance on public benefit in relation to the prevention and relief of poverty, the advancement of education and health and the relief of those in need. The trustees believe there is clear public benefit derived from the activities of the charity.

## Venture partners and volunteer involvement

This year the charity has continued to benefit from ongoing strategic partnerships with:

- the Boston Consulting Group which has provided important support to implement our strategy
- Freshfields Bruckhaus Deringer LLP for the provision of legal services in implementing our governance structure and international programming strategy
- Baker & McKenzie for the provision of legal services in implementing our international programming strategy and supporting us in the areas of brand protection and employment law
- Egon Zehnder International for provision of our board review and governance and recruitment support across the membership
- Standard Chartered Bank for provision of support in the area of leadership development and support to HR to drive our shared culture through our Vision, Mission and Values.
- Fragomen LLP for the provision of legal services in the field of UK immigration

We are also grateful to the number of volunteers, interns and secondees who worked on a broad range of projects and activities during 2012.

We would like to thank our partners, volunteers, interns and secondees for their continuing contributions which are invaluable in realising our ambition for children.

## Communicating with staff

Our decision-making processes include employee consultation through the line management structure, and we communicate through team briefings and regular updates from the Chief Executive Officer and senior management. All staff receive a weekly newsletter and our Chief Executive and other senior managers communicate regularly via monthly updates and open calls. We have launched a new extranet OneNet as a communication and collaboration platform, which includes a news section, blogs and social media tools. In 2012 we engaged out staff through regular "pulse surveys", gathering views and taking actions as appropriate and in 2013 we will undertake a full engagement survey.

## Diversity and equality

Save the Children International is fully committed to providing diversity and equality to all in employment, irrespective of their gender, race, ethnic origin, disability, age, nationality, national origin, sexuality, religion or belief, marital status and social class. We oppose all forms of unlawful and unfair discrimination. All employees and volunteers, whether part time, full time or temporary, will be treated fairly and equally. Selection for employment, promotion, training or any other benefit will be on the basis of aptitude and ability. All employees will be helped and encouraged to develop their full potential and the talents and resources of the workforce will be fully utilised to maximise the efficiency of the organisation.

# Administrative details

## Trustees during 2012 and as at date of approval of the report

Charles Perrin (Chair)  
Adèle Anderson (appointed 1.1.13)  
Inger Ashing  
Nina Bhatia (resigned 1.1.13)  
Vivien Bridgwater (appointed 1.1.13)  
William Haber (resigned 1.1.13)  
Mimi Jakobsen  
Irene Khan  
Borger Lenth (resigned 1.1.13)  
Charles MacCormack (appointed 1.1.13)  
Mark Malloch-Brown (resigned 1.1.13)  
Nils Øveraas (appointed 1.1.13)  
Bradley C Palmer  
Alan Parker  
Joy Phumaphi (resigned 14.03.12)  
Marie-Andrée Romisch Diouf (appointed 21.2.13)  
Harpal Singh  
Pernille Spiers-Lopez (appointed 1.1.13)  
Helene Sullivan (resigned 1.1.13)  
Claudio Tesauro (resigned 1.1.13)

## Board Committees

### Audit and Finance Committee

Borger Lenth (Chair, until 1.1.13)  
Adèle Anderson (Chair, from 21.1.13)  
Mimi Jakobsen (from 21.1.13)  
Irene Khan (until 29.04.12)  
Charles MacCormack (from 21.1.13)  
Joy Phumaphi (until 14.03.12)  
Harpal Singh  
Helene Sullivan (until 1.1.13)

### Governance Committee

Bradley C Palmer (Chair)  
Inger Ashing  
Irene Khan (from 21.1.13)  
Borger Lenth (until 1.1.13)  
Alan Parker  
Claudio Tesauro (until 1.1.13)

### Member Engagement Committee (disbanded 7.12.12)

Claudio Tesauro (Chair) (until 7.12.12)  
Mimi Jakobsen (until 7.12.12)  
Bradley C Palmer (until 7.12.12)  
Harpal Singh (until 7.12.12)

### Compensation and Organisation Committee

Nina Bhatia (Chair) (until 1.1.13)  
Pernille Spiers-Lopez (Chair) (appointed 21.1.13)  
Vivien Bridgwater (appointed 21.1.13)  
William Haber (until 1.1.13)  
Mimi Jakobsen (until 21.1.13)  
Nils Øveraas (appointed 21.1.13)  
Alan Parker (until 21.1.13)  
Marie-Andrée Romisch Diouf (appointed 21.2.13)  
Helene Sullivan (until 1.1.13)

### Program Oversight Committee (disbanded 7.12.12)

Mark Malloch-Brown (Chair) (until 7.12.12)  
Inger Ashing (until 7.12.12)  
Mimi Jakobsen (until 7.12.12)  
Irene Khan (until 7.12.12)  
Joy Phumaphi (until 14.03.12)

## Senior Leadership Team

<i>Chief Executive Officer</i>	Jasmine Whitbread
<i>Chief Financial Officer</i>	Caroline Stockmann
<i>Chief People Officer</i>	Madalyn Brooks
<i>Deputy Chief Executive Officer</i>	Janti Soeripto
<i>Global Campaign and Advocacy Director</i>	Patrick Watt
<i>International Programs Director</i>	Imran Matin (from 1.1.13) Rudolph von Bernuth (until 31.12.12)

## Registered office

St Vincent House  
30 Orange Street  
London WC2H 7HH

**Company Secretary** Elizabeth Stephen

**Registered number** 3732267

**Registered charity number** 1076822

## Principal Bankers

*Barclays Bank Plc*  
Hammersmith Branch  
PO Box 14576  
London W6 9GQ

*EcoBank*  
EBI SA, Representative Office  
2nd Floor, 20 Old Broad Street  
London EC2N 1DP

*Standard Bank Plc*  
20 Gresham Street  
London EC2V 7JE

*Standard Chartered Bank*  
1 Basinghall Avenue  
London EC2V 5DD

## Auditors

*KPMG LLP*  
15 Canada Square  
Canary Wharf  
London E14 5GL

Signed on behalf of the board of trustees by:



Charles Perrin, 17 June 2013  
Chair, Save the Children International

# Independent auditors' report

WE HAVE AUDITED THE FINANCIAL statements of Save the Children International for the year ended 31 December 2012 set out on pages 13 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

## Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 8, 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.

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 (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## 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 charitable company's affairs as at 31 December 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information in the trustees' 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 requires us to report to you if, in our opinion:

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

For and on behalf of KPMG LLP, Statutory Auditor,  
Chartered Accountants:



M G Fallon (Senior Statutory Auditor), 17 June 2013  
5 Canada Square, Canary Wharf, London E14 5GL

## Consolidated statement of financial activities for the year ended 31 December 2012 (including an income and expenditure account)

	notes	Unrestricted USD 000s	Restricted USD 000s	<b>2012 Total USD 000s</b>	2011 Total USD 000s
<b>Incoming resources</b>					
Incoming resources from generated funds					
Voluntary income					
Grants and donations		6,341	285,886	<b>292,227</b>	86,174
Gifts in kind	2 (b)	17,128	28,464	<b>45,592</b>	14,545
<b>Total voluntary income</b>	2 (a)	<b>23,469</b>	<b>314,350</b>	<b>337,819</b>	100,719
Investment income	2 (c)	-	117	<b>117</b>	15
Other incoming resources	2 (d)	29	335	<b>364</b>	24
<b>Total incoming resources</b>		<b>23,498</b>	<b>314,802</b>	<b>338,300</b>	100,758
<b>Charitable activities</b>					
International programs					
Development		1,831	243,649	<b>245,480</b>	61,739
Humanitarian		417	51,325	<b>51,742</b>	11,200
Campaigning and advocacy		3,473	2,942	<b>6,415</b>	5,314
Growth and development of Save the Children		319	1,384	<b>1,703</b>	2,648
<b>Total charitable activities</b>	3 (a)	<b>6,040</b>	<b>299,300</b>	<b>305,340</b>	80,901
Governance costs	3 (c)	746	2,627	<b>3,373</b>	2,125
<b>Total resources expended before exceptional items</b>		<b>6,786</b>	<b>301,927</b>	<b>308,713</b>	83,026
<b>Exceptional costs</b>					
Costs incurred on transition to Save the Children International		-	4,315	<b>4,315</b>	5,407
Non-capital assets donated by members on transition (gifts in kind)		12,897	-	<b>12,897</b>	1,239
<b>Total exceptional costs</b>	3 (d)	<b>12,897</b>	<b>4,315</b>	<b>17,212</b>	6,646
<b>Total resources expended</b>	3 (a)	<b>19,683</b>	<b>306,242</b>	<b>325,925</b>	89,672
<b>Net incoming resources for the year</b>		<b>3,815</b>	<b>8,560</b>	<b>12,375</b>	11,086
Transfers between funds		720	(720)	-	-
Fund balances brought forward		7,636	9,310	<b>16,946</b>	5,860
<b>Fund balances carried forward</b>	13	<b>12,171</b>	<b>17,150</b>	<b>29,321</b>	16,946

All gains and losses recognised in the period are included above. There is no difference between the net incoming resources before other recognised gains and losses above and the historical cost equivalent. All activities are continuing. The charity uses the exemption conferred by section 408 of the Companies Act 2006 in not preparing a separate income and expenditure account for the charity as a separate entity. The group structure is explained in note 14 and net income for the charity alone for the year ended 31 December 2012 was USD 12,416,000 (2011 USD 14,179,000). The notes on pages 16 to 33 form part of these financial statements.

## Consolidated and charity balance sheet as at 31 December 2012

	notes	Group USD 000s 2012	Charity USD 000s 2012	Group USD 000s 2011	Charity USD 000s 2011
Tangible fixed assets					
Furniture, fittings and equipment		2,807	2,764	2,581	2,509
Motor vehicles		2,398	2,398	533	533
Leasehold property		419	419	525	525
Freehold property		1,226	1,226	-	-
	5	<b>6,850</b>	<b>6,807</b>	3,639	3,567
Current assets					
Debtors	6	90,662	90,214	17,846	17,789
Cash at bank and in hand	7	61,091	59,783	23,937	23,837
		<b>151,753</b>	<b>149,997</b>	41,783	41,626
Current liabilities					
Creditors: amounts falling due within one year	8	(117,806)	(116,547)	(27,053)	(26,872)
		<b>(117,806)</b>	<b>(116,547)</b>	(27,053)	(26,872)
Net current assets		<b>33,947</b>	<b>33,450</b>	14,730	14,754
Provisions for liabilities and charges	9	(11,476)	(10,895)	(1,423)	(1,375)
<b>Net assets</b>		<b>29,321</b>	<b>29,362</b>	16,946	16,946
Charitable funds					
Unrestricted funds					
General funds		113	129	713	713
Designated funds		12,058	12,015	6,923	6,923
Total unrestricted funds	13	<b>12,171</b>	<b>12,144</b>	7,636	7,636
Restricted funds	13	<b>17,150</b>	<b>17,218</b>	9,310	9,310
<b>Total charitable funds</b>		<b>29,321</b>	<b>29,362</b>	16,946	16,946

The notes on pages 16 to 33 form part of these financial statements.

Approved by the board of trustees and signed on its behalf by:



Charles Perrin, 17 June 2013  
Chair, Save the Children International



Adèle Anderson, 17 June 2013  
Trustee, Save the Children International

## Consolidated cash flow statement for the year ended 31 December 2012

	<b>2012</b>	2011
	<b>USD 000s</b>	USD 000s
Cash inflow from operating activities		
Net incoming resources	<b>12,375</b>	11,086
Tangible fixed assets donated by members on transition	<b>(3,466)</b>	(683)
Interest received	<b>(117)</b>	(15)
Increase in debtors	<b>(72,816)</b>	(13,198)
Increase in creditors	<b>90,753</b>	22,764
Increase in provisions	<b>10,053</b>	1,423
Loss on disposal of fixed assets	<b>6</b>	-
Depreciation	<b>1,282</b>	794
	<b>38,070</b>	22,171
Cash outflows from capital expenditure		
Payments to acquire tangible fixed assets	<b>(1,033)</b>	(798)
Returns on investment and servicing of finance		
Interest received	<b>117</b>	15
<b>Net cash inflow for the year ended 31 December</b>	<b>37,154</b>	21,388
Analysis of cash at bank and in hand		
Balance at start of period	<b>23,937</b>	2,549
Net cash inflow for the period	<b>37,154</b>	21,388
<b>Balance at end of period</b>	<b>61,091</b>	23,937

## Notes to the accounts for the year ended 31 December 2012

### I Accounting policies

#### a Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with the Statement of Recommended Practice (SORP) "Accounting and reporting for Charities" published in March 2005, and applicable UK law and accounting standards. All income and expenditure relates to continuing operations. The financial statements comply with the requirements of the charity's Memorandum and Articles of Association. The financial statements have been prepared on a going concern basis.

In 2011 the charity finalised a range of contractual agreements with the then 29 Save the Children members which provide, among other matters, for the programming activity of Save the Children members outside their home territories to be delivered by Save the Children International. The charity commenced transitioning country offices from members into Save the Children International in January 2011. Note 15 to the accounts provides more information on the transition.

#### b Basis of consolidation

The group accounts incorporate those of the wholly owned subsidiaries of the charity as detailed in note 14 to the financial statements. The results of each subsidiary are consolidated on a line by line basis.

#### c Company status

The charity is a company limited by guarantee, not having share capital. The corporate members of the charitable company are the trustees named on page 11.

#### d Income recognition

Income is recognised in the period in which Save the Children International is legally entitled to the income, is reasonably certain of receipt and the amount can be measured with sufficient reliability.

International programming grant income from Save the Children members is recognised when the charity can demonstrate entitlement to the income. This is the earlier of cash receipt or submission of an expenditure claim based on programme activity. International programming grant income is credited to restricted income within the SOFA, with unspent balances being carried forward to the following year within the relevant fund.

Grant income to fund international programming operational activity not directly attributable to projects, investment activity and the financial management system is recognised when entitlement falls due following the agreed schedule in accordance with a Member Contribution Agreement. Income is credited to restricted income within the SOFA, with unspent balances being carried forward to the following year within the relevant fund.

Grant income from Save the Children Association and from members to establish Save the Children International reserves is recognised when entitlement falls due. Income is credited to unrestricted income within the SOFA with unspent balances carried forward to the following year.

All other sources of income are recognised as entitlement falls due in accordance with agreed contractual agreements.

#### e Gifts in kind

Gifts in kind donated for distribution by country programmes (such as food, clothing and medical supplies) are included at valuation and recognised as income when they are distributed to the projects. These gifts in kind are valued by Save the Children International staff with regard to market prices when distributed.

Gifts in kind for pro bono services are valued either at market value or, where this is not available, an appropriate estimate of the value to the charity is made.

Tangible fixed assets donated by members for ongoing use within country offices have been recognised at an estimated market value upon receipt. Such assets have been capitalised or expensed in line with the charity's fixed asset policy.

Services donated by members are valued at cost.

In preparing these accounts no value has been attributed to the work performed by volunteers in accordance with the SORP.

#### f Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Expenditure is charged inclusive of any irrecoverable taxation.

A sizable proportion of the programme work of Save the Children International is undertaken by making grants to operational partners who perform the work on the ground and report back to Save the Children International on the work they have done.

Save the Children International recognises the expenditure on these grants when payment is due to the partner organisation in accordance with the terms of the agreement. (The related income on grants which will be used to cover these payments is recognised at the same time in accordance with the charity's standard income recognition policy.) Standard partner agreements are typically for a year's duration but can span several years. The agreements contain certain conditions, the fulfilment of which is under the control of the charity. Save the Children International assesses partner performance prior to agreements being signed and rigorously monitors their performance for the duration of the agreement.

Governance costs represent those costs associated with the strategic, as opposed to day-to-day, management of the charity's activities. They include legal advice for trustees, the costs of trustees' meetings, audit fees and an estimate of staff time related to governance, e.g. for the board, Audit and Finance Committee, other board committees and the preparation of financial statements.

The costs associated with the restructuring of Save the Children International are treated as exceptional costs due to their material non-recurring nature and include the costs of change management, pro-bono professional services and costs of implementing new policies and systems. Change management

represents costs of preparing country offices for transition to Save the Children International, including organisational design, due diligence and project management. Pro-bono professional services primarily represents legal fees to support contract finalisation and strategic consultancy.

Support costs which include the central and regional office functions such as general management, payroll administration, budgeting and accounting, human resources and information technology are allocated across the categories of charitable activities and governance costs. The basis for the cost allocation is explained in note 4b to the accounts.

#### g *Taxation*

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly the charity is exempt from taxation in respect of income and capital grants received within categories covered by Chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxable of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The charity and its subsidiary, The Save the Children Alliance Trading Limited, have a group registration for VAT. Country offices are subject to local tax legislation.

#### h *Foreign currencies*

The functional currency of Save the Children International is US Dollars. The exchange rate to Sterling at 31st December was 1.6132.

Where Save the Children International has entered into forward contract for the purchase of foreign currencies, expenditure in those currencies covered by the forward contract are translated into US Dollars at the forward contracted rate. Transactions denominated in other currencies are translated at the rate of exchange at the time of the transaction.

Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date. Foreign currency gains and losses are included in the SOFA against the expenditure for the period in which they are incurred.

#### i *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Motor vehicles	5 years
Computer software	5 years
Computer hardware	3 years
Furniture, equipment & fixtures	5 years
Freehold property	25–50 years
Leasehold property	Shorter of 10 years and lease term

The charity does not capitalise assets purchased as part of international programme grant expenditure, nor individual expenditure items below USD 5,000.

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.

#### j *Leased assets and obligations*

Where assets are financed by leasing agreements that give rights approximating to ownership (“finance leases”), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account using the straight line method.

Where assets are financed by operating lease agreements, the lease rentals are charged to the income and expenditure account over the life of the lease on a straight line basis.

#### k *Pensions*

The pension costs charged in the financial statements represent the contributions payable by the company to the defined contribution scheme during the year in accordance with FRS17.

#### l *Provisions*

Provisions for future liabilities are recognised when the charity has a legal or constructive financial obligation, that can be reliably estimated, and for which there is an expectation that payment will be made. Provisions for delapidations are made where the liabilities can be measured with some certainty.

#### m *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 which 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 explained in the notes to the financial statements.

Restricted funds are funds that are to be used in accordance with the specific restrictions imposed by donors. The costs of administering such funds are charged against the specific fund in line with the donor agreements. The aim and use of each restricted fund is set out in note 13.

Investment income and gains are allocated to the appropriate fund.

#### n *Investments*

Investments in subsidiaries are stated at cost.

## 2 Incoming resources

a <i>Voluntary income</i>	2012	2012	2012	2012	<b>2012 Total USD 000s</b>	2011 Total USD 000s
	Grants and donations USD 000s	Gifts in kind donated services USD 000s	Gifts in kind donated goods USD 000s	Assets donated by members on transition USD 000s		
Amounts received directly from Save the Children member organisations						
Australia	12,900	-	465	-	<b>13,365</b>	5,587
Canada	4,010	159	-	565	<b>4,734</b>	115
Denmark	12,361	38	-	378	<b>12,777</b>	2,762
Finland	1,776	-	-	33	<b>1,809</b>	889
Germany	40	-	-	-	<b>40</b>	-
Italy	9,652	5	-	-	<b>9,657</b>	1,333
Japan	5,266	-	11	-	<b>5,277</b>	2,484
Korea	5,327	-	152	-	<b>5,479</b>	1,432
Netherlands	5,583	-	34	4	<b>5,621</b>	4,923
New Zealand	695	-	-	-	<b>695</b>	266
Norway	26,874	-	-	1,831	<b>28,705</b>	12,054
Spain	4,250	-	-	27	<b>4,277</b>	3
Sweden	27,125	373	-	972	<b>28,470</b>	2,786
Switzerland	-	-	-	-	<b>-</b>	1
United Kingdom	58,050	736	1,375	6,527	<b>66,688</b>	13,520
United States	113,353	1,943	19,082	6,026	<b>140,404</b>	39,348
Total amounts received directly from members	287,262	3,254	21,119	16,363	<b>327,998</b>	87,503
Other amounts						
Save the Children Association Professional services directly provided to Save the Children International	4,947	-	-	-	<b>4,947</b>	6,380
Other gifts in kind	-	4,856	-	-	<b>4,856</b>	6,804
Other grants and donations	18	-	-	-	<b>18</b>	8
Total other amounts	4,965	4,856	-	-	<b>9,821</b>	13,216
<b>Total voluntary income</b>	292,227	8,110	21,119	16,363	<b>337,819</b>	100,719
Grants and donations includes USD 58,621,199 (2011: USD 15,213,518) originating from the United States Agency for International Development (USAID).						
b <i>Gifts in kind</i>					<b>2012 USD 000s</b>	2011 USD 000s
Donated services						
Professional services					<b>4,856</b>	6,804
Services donated by members					<b>3,254</b>	2,854
Total donated services					<b>8,110</b>	9,658
Donated goods						
Food aid					<b>20,537</b>	2,570
Pharmaceutical supplies					<b>131</b>	388
Other supplies					<b>451</b>	7
Total donated goods					<b>21,119</b>	2,965
Donated assets on transition						
Tangible fixed assets donated by members on transition					<b>3,466</b>	683
Non-capital assets donated by members on transition					<b>12,897</b>	1,239
Total donated assets on transitions					<b>16,363</b>	1,922
<b>Total gifts in kind</b>					<b>45,592</b>	14,545

At 31 December 2012 there was USD 849,218 of gifts in kind, mainly consisting of food aid, which had not been recognised as incoming resources as the goods had not yet been distributed (2011: USD 5,357,000).

c <i>Investment income</i>	<b>2012</b> <b>USD 000s</b>	2011 USD 000s
Interest on bank deposits	<b>106</b>	15
Other interest	<b>11</b>	-
<b>Total investment income</b>	<b>117</b>	15

d <i>Other incoming resources</i>	<b>2012</b> <b>USD 000s</b>	2011 USD 000s
Sales of goods and assets	<b>286</b>	24
Rental income	<b>24</b>	-
Other income	<b>54</b>	-
<b>Total other incoming resources</b>	<b>364</b>	24

### 3 Resources expended

a <i>Analysis of total resources expended</i>	Staff costs USD 000s	Grants and payments to partners USD 000s	Gifts in kind USD 000s	Other direct costs USD 000s	Apportionment of support costs USD 000s	<b>2012</b> <b>Total</b> <b>USD 000s</b>	2011 Total USD 000s
Charitable activities							
Education	18,667	24,329	1,320	35,229	4,123	<b>83,668</b>	27,721
Livelihoods	7,107	6,190	326	11,995	1,315	<b>26,933</b>	14,624
Health	10,655	6,008	910	18,629	1,777	<b>37,979</b>	7,163
Child protection	7,741	10,438	593	10,387	1,448	<b>30,607</b>	3,972
Nutrition	6,697	8,745	10,076	9,079	1,781	<b>36,378</b>	3,464
HIV / AIDS	3,123	9,479	871	3,243	887	<b>17,603</b>	3,443
Child rights governance	3,141	4,942	184	3,447	598	<b>12,312</b>	1,352
Total development programmes	57,131	70,131	14,280	92,009	11,929	<b>245,480</b>	61,739
Humanitarian	8,668	6,848	11,486	22,122	2,618	<b>51,742</b>	11,200
Campaigning and advocacy	2,677	-	818	1,882	1,038	<b>6,415</b>	5,314
Growth and development of Save the Children	678	-	-	480	545	<b>1,703</b>	2,648
Support costs (b)	9,003	-	1,776	5,905	(16,684)	<b>-</b>	-
Total charitable activities	78,157	76,979	28,360	122,398	(554)	<b>305,340</b>	80,901
Governance costs (c)	1,488	-	333	998	554	<b>3,373</b>	2,125
Total resources expended before exceptional items	79,645	76,979	28,693	123,396	-	<b>308,713</b>	83,026
Exceptional transition costs (d)	1,611	-	13,433	2,168	-	<b>17,212</b>	6,646
<b>Total resources expended</b>	<b>81,256</b>	<b>76,979</b>	<b>42,126</b>	<b>125,564</b>	<b>-</b>	<b>325,925</b>	<b>89,672</b>
2011 resources expended	25,188	22,634	13,745	28,105	-	89,672	

A list of grants made to partner organisations with whom Save the Children has worked during 2012 is available at [www.savethechildren.net](http://www.savethechildren.net)

b <i>Support costs and the basis of their allocation</i>		2012 USD 000s	2011 USD 000s
Support category:	basis of allocation:		
Leadership	estimated time	3,236	1,511
Financial management	pro-rata by thematic programme expenditure	4,915	2,494
Information systems	pro-rata by thematic programme expenditure	2,190	1,793
Human resources	headcount	2,189	1,577
Facilities and administration	headcount	2,651	2,393
Total management and administration expenditure		15,181	9,768
Members' donated services	according to support category	1,020	908
Pro-bono professional services	according to support category	756	2,080
Gains on foreign exchange	pro-rata by thematic programme expenditure	(273)	(71)
<b>Total support costs</b>		<b>16,684</b>	<b>12,685</b>

c <i>Governance costs</i>		2012 USD 000s	2011 USD 000s
Board / trustee expenses		33	19
Audit fees		208	171
Legal and compliance		1,401	630
Global assurance		844	239
Pro-bono professional services		333	133
Apportionment of support costs		554	933
<b>Total governance costs</b>		<b>3,373</b>	<b>2,125</b>

d *Exceptional transition costs*

Exceptional costs represent those associated with the transition of international programming activity from members to Save the Children International, which was substantially complete by the end of 2012.

	Staff costs USD 000s	Gifts in kind USD 000s	Other direct costs USD 000s	2012 total USD 000s	2011 USD 000s
Change management	805	536	850	2,191	3,221
System implementation	806	-	1,318	2,124	2,186
Non-capital assets donated by members on transition	-	12,897	-	12,897	1,239
<b>Total exceptional transition costs</b>	<b>1,611</b>	<b>13,433</b>	<b>2,168</b>	<b>17,212</b>	<b>6,646</b>

Change management represents costs of preparing country offices for transition to Save the Children International, including organisational design, due diligence and project management.

System implementation costs represent the non-capital costs of implementing the new Agresso financial management system together with training and transition support for country and regional office staff.

Assets donated by members on transition of country offices are as detailed in note 15.

e Geographical analysis of expenditure

	Date of transition to SCI	2012 USD 000s	2011 USD 000s
Afghanistan	I April 2011	29,295	25,730
Bangladesh	I October 2011	47,439	11,452
Bhutan	I January 2011	1,061	586
Kyrgyzstan	I April 2011	698	2,351
Nepal	I January 2011	29,889	13,690
Tajikistan	I April 2011	1,998	1,150
Regional office	I November 2010	2,574	1,660
<b>South and Central Asia</b>		<b>112,954</b>	<b>56,619</b>
Cambodia	I November 2011	6,274	2,235
DPRK	I August 2011	3,698	1,967
Laos	I September 2011	6,228	2,278
Myanmar	I October 2012	7,347	-
Philippines	I January 2012	9,590	-
Vietnam	I January 2012	6,586	-
Regional office	I November 2010	2,307	1,659
<b>South East Asia</b>		<b>42,030</b>	<b>8,139</b>
Albania	I April 2012	2,030	-
Armenia	I March 2012	1,572	-
Northwest Balkans	I April 2012	2,092	-
Georgia	I March 2012	2,085	-
Occupied Palestinian Territory	I May 2012	5,689	-
Iraq	I January 2012	9,358	-
Jordan	I March 2012	7,965	-
Kosovo	I April 2012	995	-
Lebanon	I June 2012	4,977	-
Yemen	I April 2012	11,730	-
Regional programming	not applicable	159	-
Regional office	I October 2011	2,357	142
<b>Middle East and Europe</b>		<b>51,009</b>	<b>142</b>
Colombia	I August 2012	2,297	-
Ecuador	I September 2012	707	-
El Salvador	I September 2012	1,024	-
Nicaragua	I June 2012	4,761	-
Peru	I August 2012	2,651	-
Regional office	I March 2012	1,155	-
<b>Latin America and Caribbean</b>		<b>12,595</b>	<b>-</b>
Burkina Faso	I September 2012	2,238	-
Cote d'Ivoire	I November 2012	2,462	-
Democratic Republic of the Congo	I September 2012	6,439	-
Liberia	I November 2012	1,384	-
Nigeria	I November 2012	2,822	-
Senegal	I August 2012	1,457	-
Sierra Leone	I August 2012	2,585	-
Regional office	I September 2012	856	-
<b>West and Central Africa</b>		<b>20,243</b>	<b>-</b>
Ethiopia	I October 2012	25,627	-
Kenya	I November 2012	2,696	-
Rwanda	I October 2012	494	-
Somalia	I November 2012	8,720	-
Tanzania	I November 2012	1,219	-
Uganda	I October 2012	5,112	-
Regional office	I September 2012	1,316	-
<b>East Africa</b>		<b>45,184</b>	<b>-</b>
Malawi	I November 2012	4,850	-
Mozambique	I September 2012	7,614	-
Regional office	I April 2013	258	-
<b>Southern Africa</b>		<b>12,722</b>	<b>-</b>
<b>Save the Children International centre</b>		<b>29,188</b>	<b>24,772</b>
<b>Total expenditure</b>		<b>325,925</b>	<b>89,672</b>

Total expenditure includes USD 17,212,000 (2011: USD 6,646,000) of exceptional costs incurred in the process of transition to Save the Children International. (see note 3d)

e *Net incoming resources for the year are stated after charging:*

	<b>2012</b>	2011
	<b>USD 000s</b>	USD 000s
Auditors' remuneration:		
Audit of these financial statements	<b>208</b>	171
Amounts receivable by the charity's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the charity	<b>20</b>	20
Other assurance services	<b>499</b>	150
Lease rental payments	<b>8,278</b>	2,560
Depreciation	<b>1,282</b>	794
Loss on disposal of fixed assets	<b>6</b>	-

f *Trustees' remuneration:*

None of the trustees received any remuneration from the charity during 2012 (2011: nil). None of the trustees received any other benefits in kind during 2012 (2011: nil)

Out-of-pocket expenses, including travel and subsistence were reimbursed to trustees as follows: 6 trustees totalling USD 11,344 (2011: 5 trustees totalling USD 10,402)

Save the Children International's parent undertaking (Save the Children Association) paid CHF 8,600 (USD 9,247) to purchase trustee indemnity insurance to the value of CHF 5 million (USD 5.38 million) which covers the trustees or other officers of the charity. The charity paid a further CHF 2,440 (USD 2,624) to purchase additional indemnity insurance to the value of CHF 1 million (USD 1.08 million). These insurances provide cover:

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

#### 4 **Staff costs**

	<b>2012</b>	2011
	<b>USD 000s</b>	USD 000s
a <i>Staff costs</i>		
Wages and salaries	<b>68,834</b>	21,491
Social security costs and payroll taxes	<b>2,131</b>	984
Pension contributions	<b>530</b>	276
Terminal grants and long term savings plans	<b>3,099</b>	475
Benefits in kind	<b>4,352</b>	1,067
Other staff costs	<b>2,310</b>	895
<b>Total direct staff costs</b>	<b>81,256</b>	25,188
Donated staff costs from members	<b>3,052</b>	2,560
<b>Total staff costs</b>	<b>84,308</b>	27,748

Save the Children International contributes to a defined contribution scheme for staff at the centre, an occupational money purchase scheme (OMPS). Employers' contributions of USD 531,000 (2011: USD 276,000) are charged to the consolidated statement of financial activities. Employer pension contributions made for employees whose emoluments are in excess of USD 90,000 were USD 463,224 (2011: USD 136,000).

Save the Children International contributes to a long term savings plan for programme staff on international contracts. Employers' contributions charged to the consolidated statement of financial activities were USD 887,223 (2011: USD 126,000).

Donated staff costs from members represents secondees from members provided for no consideration. The value of these secondees is included within gifts in kind in note 2b.

b *In addition to the direct staff costs reported in note 4a, the charity incurred the following costs:*

	<b>2012</b>	2011
	<b>USD 000s</b>	USD 000s
Temporary and casual labour	<b>3,365</b>	1,067
Secondment costs from Boston Consulting Group	<b>333</b>	159
	<b>3,698</b>	1,226

c The average number of Save the Children International employees calculated on a full-time equivalent basis was:	Country offices	Regional offices	Centre	<b>2012 Total</b>	2011 Total
Charitable activities	8,035	75	122	<b>8,232</b>	1,947
Governance					
- of the charity	-	-	18	<b>18</b>	18
- of the association	-	-	1	<b>1</b>	1
	8,035	75	141	<b>8,251</b>	1,966

d The table below shows the number of staff (including secondees from members) with emoluments falling in the following ranges. Emoluments include salary, taxable benefits in kind and other payments to employees but not employer pension contributions.

The highest paid employee received emoluments amounting to USD 386,893 in 2012. (USD 393,012 for the year ended 31 December 2011). For key members of staff working in our international programmes, emoluments may include accommodation and other benefits, which allow us to be appropriately competitive in recruiting and retaining staff. Employees based in Save the Children International's centre office receive salary amounts in GBP and therefore foreign exchange movements between GBP and USD will impact comparisons between financial years.

	<b>2012</b>	2011
USD 0 – USD 15,000	<b>9102</b>	2081
USD 15,001 – USD 30,000	<b>704</b>	116
USD 30,001 – USD 45,000	<b>141</b>	35
USD 45,001 – USD 60,000	<b>73</b>	26
USD 60,001 – USD 75,000	<b>61</b>	22
USD 75,001 – USD 90,000	<b>27</b>	13
USD 90,001 – USD 105,000	<b>23</b>	14
USD 105,001 – USD 120,000	<b>22</b>	11
USD 120,001 – USD 135,000	<b>7</b>	3
USD 135,001 – USD 150,000	<b>10</b>	6
USD 150,001 – USD 165,000	<b>4</b>	-
USD 165,001 – USD 180,000	<b>5</b>	3
USD 180,001 – USD 195,000	<b>4</b>	2
USD 195,001 – USD 210,000	<b>2</b>	-
USD 210,001 – USD 225,000	<b>2</b>	-
USD 225,001 – USD 240,000	<b>2</b>	-
USD 255,001 – USD 270,000	<b>1</b>	1
USD 285,001 – USD 300,000	<b>1</b>	-
USD 315,001 – USD 330,000	<b>1</b>	1
USD 330,001 – USD 345,000	<b>1</b>	-
USD 375,001 – USD 390,000	<b>1</b>	-
USD 390,001 – USD 405,000	<b>-</b>	1

## 5 Fixed assets

<i>Group</i>	Furniture, fittings and equipment USD 000s	Motor vehicles USD 000s	Leasehold property USD 000s	Freehold property USD 000s	<b>Total USD 000s</b>
<b>Cost</b>					
Brought forward at 1 January 2012	3,252	670	561	-	4,483
Additions	756	277	-	-	1,033
Assets donated by members on transition	172	2,056	-	1,238	3,466
Disposals	-	(14)	-	-	(14)
Carried forward at 31 December 2012	4,180	2,989	561	1,238	8,968
<b>Depreciation</b>					
Brought forward at 1 January 2012	671	137	36	-	844
Charge for the year	702	462	106	12	1,282
Disposals	-	(8)	-	-	(8)
Carried forward at 31 December 2012	1,373	591	142	12	2,118
Net book value					
<b>31 December 2012</b>	<b>2,807</b>	<b>2,398</b>	<b>419</b>	<b>1,226</b>	<b>6,850</b>
1 January 2012	2,581	533	525	-	3,639
<b>Charity</b>					
<b>Cost</b>					
Brought forward at 1 January 2012	3,149	670	561	-	4,380
Additions	756	277	-	-	1,033
Assets donated by members on transition	167	2,050	-	1,238	3,455
Disposals	-	(14)	-	-	(14)
Carried forward at 31 December 2012	4,072	2,983	561	1,238	8,854
<b>Depreciation</b>					
Brought forward at 1 January 2012	640	137	36	-	813
Charge for the year	668	456	106	12	1,242
Disposals	-	(8)	-	-	(8)
Carried forward at 31 December 2012	1,308	585	142	12	2,047
Net book value					
<b>31 December 2012</b>	<b>2,764</b>	<b>2,398</b>	<b>419</b>	<b>1,226</b>	<b>6,807</b>
1 January 2012	2,509	533	525	-	3,567

All fixed assets are held for direct charitable purposes.

Leasehold property amounts all relate to long-term leases.

Furniture fittings and equipment includes USD 245,000 of software systems in development as at 31 December 2012.

## 6 Debtors

	<b>2012</b> <b>USD 000s</b> <b>Group</b>	<b>2012</b> <b>USD 000s</b> <b>Charity</b>	2011 USD 000s Group	2011 USD 000s Charity
Amounts due from Save the Children Association	1	1	-	-
Amounts due from Save the Children members	<b>82,003</b>	<b>81,590</b>	15,376	15,341
Amounts due from subsidiary undertaking	-	<b>421</b>	-	202
Trade debtors	-	-	-	-
Other debtors	<b>3,772</b>	<b>3,745</b>	131	124
Prepayments and accrued income	<b>4,886</b>	<b>4,457</b>	2,339	2,122
	<b>90,662</b>	<b>90,214</b>	17,846	17,789

## 7 Cash at bank and in hand

	<b>2012</b> <b>USD 000s</b> <b>Group</b>	<b>2012</b> <b>USD 000s</b> <b>Charity</b>	2011 USD 000s Group	2011 USD 000s Charity
Cash held at centre	<b>19,121</b>	<b>19,121</b>	11,311	11,311
Cash held in overseas offices	<b>40,285</b>	<b>38,977</b>	9,194	9,094
Cash relating to member organisations	<b>1,685</b>	<b>1,685</b>	3,432	3,432
	<b>61,091</b>	<b>59,783</b>	23,937	23,837

The cash relating to member organisations represents an account in the name of Save the Children USA to which Save the Children International has unrestricted access to fund working capital requirements.

## 8 Creditors due within one year

	<b>2012</b> <b>USD 000s</b> <b>Group</b>	<b>2012</b> <b>USD 000s</b> <b>Charity</b>	2011 USD 000s Group	2011 USD 000s Charity
Amounts payable to Save the Children Association	-	-	613	613
Amounts payable to Save the Children members	<b>96,882</b>	<b>96,882</b>	21,967	21,967
Trade creditors	<b>3,971</b>	<b>3,794</b>	1,692	1,692
Other short term liabilities	<b>1,480</b>	<b>1,504</b>	231	232
Accruals and deferred income	<b>15,473</b>	<b>14,367</b>	2,550	2,368
	<b>117,806</b>	<b>116,547</b>	27,053	26,872

Amounts payable to Save the Children members includes amounts advanced to Save the Children International to fund working capital.

Accruals and deferred income includes USD 719,000 of deferred income. The amounts represents receipts from member organisations for programmes which, by agreement with the members, will not begin until 2013.

## 9 Provisions

	Opening provision USD 000s	Provisions transferred from members USD 000s	Arising in the year USD 000s	Utilised in the year USD 000s	Provisions released USD 000s	Closing balance USD 000s
Group						
Terminal grant provisions	792	8,286	2,743	(1,073)	(19)	<b>10,729</b>
Property dilapidations	18	-	46	-	-	<b>64</b>
Operating lease provision	436	-	257	(90)	-	<b>603</b>
Provision for tax liability	177	-	103	(146)	(54)	<b>80</b>
	<b>1,423</b>	<b>8,286</b>	<b>3,149</b>	<b>(1,309)</b>	<b>(73)</b>	<b>11,476</b>
Charity						
Terminal grant provisions	792	7,755	2,678	(1,060)	(19)	<b>10,146</b>
Property dilapidations	18	-	46	-	-	<b>64</b>
Operating lease provision	436	-	257	(90)	-	<b>603</b>
Provision for tax liability	129	-	104	(145)	(6)	<b>82</b>
	<b>1,375</b>	<b>7,755</b>	<b>3,085</b>	<b>(1,295)</b>	<b>(25)</b>	<b>10,895</b>

Terminal grant provisions are contractual amounts due to employees in country offices when leaving employment with Save the Children International.

Provisions transferred from members represent accrued terminal grant entitlements to staff in country programmes as at the date of transition to Save the Children International in certain situations where staff transferred with continuous service. (see note 15)

Property dilapidations represent the estimated costs of payments required to make good the condition of properties on the termination of leases.

The operating lease provision represents the value of lease inducements (rent free period) received by Save the Children International. It will be utilised over the term of the lease.

The tax provision represents estimates of the amounts of liabilities for employee taxes in country and regional offices.

## 10 Analysis of net assets between funds

	2012 Unrestricted USD 000s	2012 Restricted USD 000s	2012 Total USD 000s
Group			
Fixed assets	5,124	1,726	<b>6,850</b>
Current assets	136,329	15,424	<b>151,753</b>
Current liabilities	(117,806)	-	<b>(117,806)</b>
Provisions	(11,476)	-	<b>(11,476)</b>
	<b>12,171</b>	<b>17,150</b>	<b>29,321</b>
Charity			
Fixed assets	5,081	1,726	<b>6,807</b>
Current assets	134,505	15,492	<b>149,997</b>
Current liabilities	(116,547)	-	<b>(116,547)</b>
Provisions	(10,895)	-	<b>(10,895)</b>
	<b>12,144</b>	<b>17,218</b>	<b>29,362</b>

## 11 Commitments under operating leases

The amounts payable by the group within the next 12 months on non-cancellable operating leases expiring:

	2012 Land and buildings USD 000s	2012 Other leases USD 000s	2011 Land and buildings USD 000s	2011 Other leases USD 000s
within one year	3,373	70	405	-
between two and five years	4,252	12	1,230	12
after five years	30	-	107	-
	<b>7,655</b>	<b>82</b>	1,742	12

## 12 Financial commitments

a At 31 December 2012, Save the Children International has committed the following amounts in grants to partners subject to satisfactory performance. These amounts will form part of the grants allocated in future years. These amounts are fully funded by Save the Children members.

	2012 USD 000s	2011 USD'000
within one year	60,475	49,032
between two and five years	24,476	21,355
	<b>84,951</b>	70,387

b Save the Children International has entered into a number of long-term contracts for the supply of services all of which are cancellable.

## 13 Consolidated statement of funds

	Balance as at				Balance as at 31 December 2012
	1st January 2012 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	USD 000s
Unrestricted funds					
General funds	713	5,727	(6,096)	(231)	113
Fixed asset fund	1,341	16,363	(13,587)	1,007	5,124
Fixed asset replacement fund	28	28	-	(56)	-
International programming reserve	4,686	1,380	-	-	6,066
Closure reserve	868	-	-	-	868
Total unrestricted funds	7,636	23,498	(19,683)	720	12,171
Restricted funds					
International programme grants	2,206	281,841	(273,629)	-	10,418
International programme operational fund	2,960	24,838	(23,710)	(582)	3,506
International programme investment fund	1,094	1,837	(2,347)	292	876
Donated professional services	-	4,856	(4,856)	-	-
Financial management system fund	2,728	-	(572)	(430)	1,726
Perrin fund	51	-	(40)	-	11
Additional humanitarian funds from Save the Children members	14	-	(14)	-	-
Market development fund	257	1,430	(1,074)	-	613
Total restricted funds	9,310	314,802	(306,242)	(720)	17,150
<b>Total funds</b>	16,946	338,300	(325,925)	-	<b>29,321</b>

	Unrestricted funds USD 000s	Restricted funds USD 000s	Total 2012 USD 000s
Total funds carried forward comprise:			
Funds held in reserve	7,047	-	7,047
Funds for 2013 expenditure	-	15,424	15,424
Funds to be deducted from financial claims to members in 2013	-	-	-
Net book value of fixed assets	5,124	1,726	6,850
<b>Total funds</b>	12,171	17,150	<b>29,321</b>

General funds represent the amounts that trustees are free to use in accordance with Save the Children's charitable objectives.

The fixed asset fund represents the net book value of tangible fixed assets that were originally funded out of unrestricted funds. Fixed assets acquired out of general funds, international programming operational funds, international programming investment fund and the fixed asset replacement fund are shown as a transfer to the fixed asset fund.

The fixed asset replacement fund represents the proceeds from the sale of fixed assets gifted to Save the Children International on transition, in accordance with the member agreements.

International programming reserve represents contributions from members to enable Save the Children International to meet its requirements to hold free reserves in accordance with the reserves policy agreed by the trustees. As well as the USD 6.1million cash receipts, members have committed an additional USD 8.3million to fund this reserve as required. The USD 8.3million will be made available by payment of cash or provision of letters of credit in 2013 (see note 18). In addition potential closure / wind-down costs associated with international programming activities are separately covered by member indemnities up to a maximum of USD 20 million.

The closure reserve represents the funds set aside to provide for the costs in the event of the closure of the non-programming functions of the charity.

International programme grants represent funds received from members for development and humanitarian projects.

The international programming operational fund represents contributions received from members for the running costs of Save the Children International's international programme work, not directly attributable to projects.

The international programming investment fund represents contributions received from members for costs related to one-off investments associated with the set up of Save the Children International's international programming work.

Donated professional services represents the value of services provided directly to Save the Children International free of charge.

The financial management system fund represents contributions from Save the Children UK and Save the Children USA to the design and implementation of the financial management systems of Save the Children International. The balance carried forward represents the net book value of the systems. The surplus funds were transferred to the international programming investment fund with agreement of the members.

The Perrin fund represents donations from Charles and Sheila Perrin which was used in 2012 on specific projects supporting Save the Children International.

The additional humanitarian funds from Save the Children members represents monies received under historic pre-transition agreements for our work in supporting members to meet the most urgent needs of children before, during and after humanitarian crises.

The market development fund represents funds received for our stronger members team in their work to support the continued growth and development of members.

Charity statement of funds

	Balance as at 1st January 2012 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2012 USD 000s
Unrestricted funds					
General funds	785	5,727	(6,097)	(286)	<b>129</b>
Fixed asset fund	1,269	16,244	(13,494)	1,062	<b>5,081</b>
Fixed asset replacement fund	28	28	-	(56)	-
International programming reserve	4,686	1,380	-	-	<b>6,066</b>
Closure reserve	868	-	-	-	<b>868</b>
<b>Total unrestricted funds</b>	<b>7,636</b>	<b>23,379</b>	<b>(19,591)</b>	<b>720</b>	<b>12,144</b>
Restricted funds					
International programme grants	2,206	277,072	(268,792)	-	<b>10,486</b>
International programme operational fund	2,960	24,881	(23,753)	(582)	<b>3,506</b>
International programme investment fund	1,094	1,837	(2,347)	292	<b>876</b>
Donated professional services	-	4,813	(4,813)	-	-
Financial management system fund	2,728	-	(572)	(430)	<b>1,726</b>
Perrin fund	51	-	(40)	-	<b>11</b>
Additional humanitarian funds from Save the Children members	14	-	(14)	-	-
Market development fund	257	1,430	(1,074)	-	<b>613</b>
<b>Total restricted funds</b>	<b>9,310</b>	<b>310,033</b>	<b>(301,405)</b>	<b>(720)</b>	<b>17,218</b>
<b>Total funds</b>	<b>16,946</b>	<b>333,412</b>	<b>(320,996)</b>	<b>-</b>	<b>29,362</b>

#### 14 Subsidiary companies

Save the Children International had five wholly-owned subsidiary entities at 31 December 2012:

*The Save the Children Alliance Trading Limited* is a wholly owned subsidiary of the charity and incorporated in England and Wales (company number 3744223) as a company limited by shares. It was made a dormant company in 2007; its principal activities were the provision of consultancy services to Save the Children International and commercial use of the Save the Children name and logo. The charity holds the entire issued share capital. The cost of this investment is £1.

*Save the Children Asia Regional Office Limited* is a Singapore incorporated public company limited by guarantee with registered Company No: 201124335C and registered as a charity under the Singapore Charities Act. Save the Children International is the sole member of Save the Children Asia Regional Office Limited.

*Spetoni Femijet (Save the Children Albania)* is incorporated as a foundation under Albanian law. Save the Children International appoints the board of trustees of Spetoni Femijet.

*Save the Children International (Kenya)* is incorporated in Kenya under the Non-Governmental Organizations Co-ordination Act. Save the Children International is the sole corporate member of Save the Children International (Kenya).

*Save the Children International (Zambia)* is incorporated in Zambia under the Societies Act with registered no. ORS/102/35/3906. The controlling members of Save the Children (Zambia) are Save the Children International and the International Programming Director of Save the Children International.

	<b>Save the Children Asia Regional Office Limited</b>		<b>Spetoni Femijet (Save the Children Albania)</b>		<b>Save the Children International (Kenya)</b>	
	<b>2012</b> USD 000s	2011 USD 000s	<b>2012</b> USD 000s	2011 USD 000s	<b>2012</b> USD 000s	2011 USD 000s
Assets	<b>424</b>	421	<b>265</b>	-	<b>1,500</b>	-
Liabilities	<b>(376)</b>	(223)	<b>(265)</b>	-	<b>(1,593)</b>	-
Net assets	<b>48</b>	198	<b>-</b>	-	<b>(93)</b>	-
Income	<b>4,929</b>	3,332	<b>2,031</b>	-	<b>2,603</b>	-
Expenditure	<b>(4,881)</b>	(3,283)	<b>(2,031)</b>	-	<b>(2,696)</b>	-
Net incoming resources	<b>48</b>	49	<b>-</b>	-	<b>(93)</b>	-

Save the Children International (Zambia) had not started trading at 31 December 2012.

## 15 Transition to Save the Children International

In 2011 the charity finalised a range of contractual agreements with the 29 Save the Children members in existence at that time which provide, among other matters, for the programming activity of Save the Children members outside their home territories to be delivered by Save the Children International. Nine countries transitioned in 2011. During 2012, a further 33 country offices transitioned to Save the Children International. The following assets were transferred from members for country offices transitioned during 2012.

Country offices	Date of transition	Tangible fixed assets donated by members on transition* USD 000s	Non-capital assets donated by members on transition** USD 000s	2012 Total USD 000s
Philippines	1 January 2012	9	193	<b>202</b>
Vietnam	1 January 2012	-	86	<b>86</b>
Iraq	1 January 2012	-	335	<b>335</b>
Armenia	1 March 2012	-	53	<b>53</b>
Georgia	1 March 2012	-	35	<b>35</b>
Jordan	1 March 2012	-	41	<b>41</b>
Albania	1 April 2012	12	15	<b>27</b>
Northwest Balkans	1 April 2012	32	57	<b>89</b>
Kosovo	1 April 2012	12	36	<b>48</b>
Yemen	1 April 2012	-	217	<b>217</b>
Occupied Palestinian Territory	1 May 2012	-	89	<b>89</b>
Lebanon	1 June 2012	-	43	<b>43</b>
Nicaragua	1 June 2012	591	250	<b>841</b>
Colombia	1 August 2012	-	56	<b>56</b>
Peru	1 August 2012	-	40	<b>40</b>
Senegal	1 August 2012	27	16	<b>43</b>
Sierra Leone	1 August 2012	211	121	<b>332</b>
Ecuador	1 September 2012	-	47	<b>47</b>
El Salvador	1 September 2012	47	39	<b>86</b>
Democratic Republic of the Congo	1 September 2012	21	1,283	<b>1,304</b>
Burkina Faso	1 September 2012	-	318	<b>318</b>
Mozambique	1 September 2012	1,004	1,201	<b>2,205</b>
Myanmar	1 October 2012	75	719	<b>794</b>
Ethiopia	1 October 2012	920	3,006	<b>3,926</b>
Rwanda	1 October 2012	8	40	<b>48</b>
Uganda	1 October 2012	15	693	<b>708</b>
Cote d'Ivoire	1 November 2012	37	494	<b>531</b>
Liberia	1 November 2012	288	297	<b>585</b>
Nigeria	1 November 2012	-	578	<b>578</b>
Kenya	1 November 2012	-	92	<b>92</b>
Somalia	1 November 2012	84	1,400	<b>1,484</b>
Tanzania	1 November 2012	42	212	<b>254</b>
Malawi	1 November 2012	-	728	<b>728</b>
<b>Total country offices</b>		<b>3,435</b>	<b>12,830</b>	<b>16,265</b>
<b>Regional offices</b>				
West and Central Africa regional office	1 September 2012	31	67	<b>98</b>
Latin America and Caribbean regional office	1 March 2012	-	-	<b>-</b>
East Africa regional office	1 September 2012	-	-	<b>-</b>
Southern Africa regional office	1 April 2013	-	-	<b>-</b>
<b>Total regional offices</b>		<b>31</b>	<b>67</b>	<b>98</b>
<b>Total donated assets</b>		<b>3,466</b>	<b>12,897</b>	<b>16,363</b>

\* Tangible fixed assets donated by members are capitalised where the estimated market value of the asset is greater than USD 5,000 in line with the Save the Children International fixed asset policy.

\*\* Non-capital assets donated by members represents assets which are valued at less than USD 5,000. These have been recognised as a gift in kind with associated income and expenditure recorded in 2012.

Market value of the assets above has been estimated based on implied net book value at date of transition using the useful economic lives as set out in note 1i. The resulting income has been included in gift in kind income (see note 2b).

In addition, terminal grant liabilities of USD 8,286,000 were transferred to Save the Children International in countries where staff transferred with continuous service (see note 9). These liabilities are underwritten by members with agreement for transfer of cash to fund historic liabilities. A corresponding receivable is recorded giving a net impact of nil.

## 16 Related party transactions

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

### a *Save the Children Association*

Save the Children International has been controlled throughout the period by its ultimate parent undertaking Save the Children Association, a Swiss association formed pursuant to Articles 60-79 of the Swiss Civil Code. No other group financial statements include the results of the charity.

At the end of 2012 Save the Children Association comprised 25 members and 5 associate members. Members and associate members are each separate and independent legal entities incorporated under laws of their home country and are bound together as members through: Save the Children Association Bylaws, a Trademark Licence Agreement between Save the Children Association and each member, and an All Member Agreement, entered into in the first quarter of 2011 to implement an international programming strategy.

The boards of the Save the Children Association and Save the Children International have identical membership and both are managed on a day-to-day basis by the same leadership team employed by Save the Children International. During the period, the following types of transactions took place between Save the Children International and Save the Children Association: grants of USD 4,947,000 (2011: USD 6,380,000) were received by Save the Children International from the Save the Children Association.

Current account balances with Save the Children Association are interest-free. At the year end, the group balances with Save the Children Association were:

	2012 Amounts receivable USD 000s	2012 Amounts payable USD 000s	<b>2012 Net balance USD 000s</b>	2011 Net balance USD 000s
Save the Children Association	1	-	<b>1</b>	(613)

### b *Save the Children members*

During the period the following types of transactions took place between Save the Children International and members: (primarily the 14 internationally programming members)

- i Grant income of USD 287,262,000 (2011: USD 79,786,000) was received from the members for international programming activities.
- ii Donated services of USD 3,254,000 (2011: USD 2,854,000) were received from members.
- iii Donated goods of USD 21,119 (2011: USD 4,886,000) were received from members.
- iv Members made contributions to Save the Children International of USD 1,380,000 for international programming reserves and committed a further USD 8,262,000.
- v Contributions to the charity's working capital of USD 24,582,383 (2011: USD 6,929,524) were made by, and are repayable to, members.
- vi Cash was held in an account in the name of Save the Children USA to which Save the Children International has unrestricted access to fund working capital requirements.
- vii Contributions to prefund two months worth of country office expenditure upon transition to Save the Children International.
- viii Donations were received by Save the Children International on behalf of Save the Children members. The sums received are remitted to the relevant member.
- ix Certain balances passed from members to Save the Children International on transition. See note 15 for details.
- x Additional commitments have been made by the members to Save the Children International as set out in note 18.

No profit or loss has arisen on these transactions.

Current account balances with members were interest-free. At the year end, the group's balances with members were:	2012 Amounts receivable USD 000s	2012 Amounts payable USD 000s	2012 Net balance USD 000s	2011 Net balance USD 000s
Save the Children member organisation				
Australia	2,345	(4,299)	<b>(1,954)</b>	(223)
Canada	4,299	(2,438)	<b>1,861</b>	(102)
Denmark	3,427	(4,511)	<b>(1,084)</b>	(259)
Finland	318	(935)	<b>(617)</b>	(48)
Germany	41	-	<b>41</b>	-
Italy	2,823	(3,056)	<b>(233)</b>	199
Japan	308	(377)	<b>(69)</b>	644
Korea	510	(244)	<b>266</b>	47
Mexico	28	-	<b>28</b>	28
Netherlands	2,288	(1,562)	<b>726</b>	43
New Zealand	265	(90)	<b>175</b>	(30)
Norway	5,624	(8,118)	<b>(2,494)</b>	480
Spain	2,161	(1,266)	<b>895</b>	(47)
Sweden	6,375	(7,346)	<b>(971)</b>	183
Switzerland	-	(12)	<b>(12)</b>	(12)
United Kingdom	24,614	(29,218)	<b>(4,604)</b>	(627)
United States	26,577	(33,410)	<b>(6,833)</b>	(6,867)
	82,003	(96,882)	<b>(14,879)</b>	(6,591)

## 17 Post balance sheet events

Save the Children International has taken on the responsibility for programme delivery in the following countries since 31 December 2012 as follows:

Indonesia	1 January 2013
Zambia	1 January 2013
South Sudan	1 February 2013
Haiti	1 March 2013
Niger	1 March 2013
Bolivia	1 April 2013
Sri Lanka	20 April 2013
China	1 June 2013

## 18 Contingent assets

	2012 International programming reserve commitments (a) USD 000s	2012 international programming closure indemnity (b) USD 000s	2012 Total contingent assets USD 000s	2011 Total contingent assets USD 000s
Save the Children member organisation				
Australia	-	395	<b>395</b>	395
Canada	91	138	<b>229</b>	138
Denmark	364	817	<b>1,181</b>	817
Finland	9	170	<b>179</b>	170
Italy	44	308	<b>352</b>	308
Japan	-	204	<b>204</b>	204
Korea	-	88	<b>88</b>	88
Netherlands	-	500	<b>500</b>	500
New Zealand	-	103	<b>103</b>	103
Norway	132	1,804	<b>1,936</b>	1,804
Spain	-	348	<b>348</b>	348
Sweden	1,061	1,640	<b>2,701</b>	1,640
United Kingdom	3,415	6,224	<b>9,639</b>	6,224
United States	3,146	7,261	<b>10,407</b>	7,784
	8,262	20,000	<b>28,262</b>	20,523

- (a) Members have made cash contributions of USD 6,066,000 to enable SCI to meet its requirements to hold free reserves in accordance with the reserves policy agreed by the trustees. In addition, members have committed a further USD 8,262,000 which will be made available by payment of cash or provision of letters of credit in 2013. This amount is payable by members on request by the charity's trustees in line with agreed contractual agreements.
- (b) The costs associated with the closure / wind-down of the charity's international programming work are covered by member indemnities up to a maximum of USD 20 million.

## 19 **Contingent liabilities**

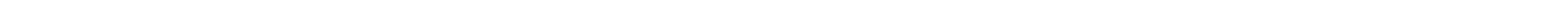
Save the Children International is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on Save the Children International's financial position, changes in net assets, or cash flow.

Save the Children International receives funding from members, for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures, which would be absorbed by Save the Children International, in management's opinion, the ultimate outcome of such audits would not have a significant effect on the financial position, changes in net assets, or cash flows of Save the Children International.

“There is nothing more precious than the life of a child. This is where we find hope for the future. I encourage people around the world to make their voices heard and back this campaign”

**Archbishop Desmond Tutu**

speaking in support of our EVERY ONE campaign  
to end preventable child deaths





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**Save the Children**