

Save the Children
International

Trustees' report,
strategic report and
financial statements for

2014



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Save the Children International Trustees' report, strategic report and financial statements for 2014

The trustees are pleased to present their annual report, strategic report and the audited consolidated financial statements of Save the Children International and its trading subsidiaries for the year ended 31 December 2014.

Who we are and what we do

Save the Children is the world's leading independent organisation for children.

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

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

Our values Accountability, Ambition, Collaboration, Creativity, Integrity.

Save the Children comprises 30 members (26 full members and 4 associate members*) as well as Save the Children International. All the members of Save the Children, with combined revenues of over \$2 billion, are working to deliver a shared strategy, including vision, mission, values and theory of change.

Our aim is to make Save the Children greater than the sum of its parts, increasing our impact and results for children. While we are clear that we want to see ourselves, and others to see us, as one Save the Children, we also need to be clear about our particular role as Save the Children International, and where we expect to add value for Save the Children as a whole, as outlined below.

Delivering world-class international programmes

We are stepping up the quality of our programmes in line with our theory of change and quality standards. As part of this, we are delivering signature programmes that help inspire our targeted breakthroughs. A central priority is developing empowered and accountable country teams that drive their own country strategies in line with our shared global strategy.

Facilitating, supporting and co-leading one Save the Children

Our global Save the Children strategy is wider than international programmes. It has been developed and is taken forward by different parts of Save the Children, working together in a networked leadership model. Save the Children International plays a central role in coordinating and delivering this, helping to build trust, set parameters and ensure accountability and improved performance.

* 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 those relating to voting rights.

What we achieved in 2014

During 2014, Save the Children's work around the world directly reached over 55 million children. Around 51 million children were reached directly in countries where Save the Children International worked.

Our refreshed strategy from 2013 to the end of 2015 focuses on strengthening the quality and impact of our programmes, humanitarian work and global campaign. Other priorities are growing our unrestricted income and our presence in strategic markets, and improving our efficiency, effectiveness and ways of working. 2014 saw significant achievements in many of these areas.

We made progress in improving the quality of our programmes in several ways. We started to strengthen our operations platform, rolled out organisation-wide quality standards, established integrated systems and launched a new global initiative to tackle child poverty. We executed an effective humanitarian response to the new threat of Ebola.

During the year, we created 11 senior advocacy positions in priority countries and began fundraising in three new markets.

However, we need to do more to ensure that all members achieve our targets for unrestricted income. Our main efficiency initiatives also fell short of targets, but we laid strong foundations for progress in 2015.

International programs

Following four years of transformational change, Save the Children International now operates out of 55 country offices, seven regional hubs and four advocacy offices as well as a central office in London. The only countries still due to transition to Save the Children International are Pakistan and Sudan.

Our ambition to reach the world's most vulnerable children leads to us working in countries suffering from extreme poverty, conflict, disease and natural disasters. We do not underestimate how difficult it is in these circumstances to recruit suitable, qualified staff and to establish a robust controls environment. We are determined to build strong operations platforms in our country offices, but we recognise that at times this objective is subject to setbacks and struggles.

During 2014, we embarked on a three-year operations platform-strengthening initiative to underpin our quality programmes for children. This has involved system strengthening, staff development and capability building in 11 of our most challenging country environments. We launched a global quality framework to ensure consistent high standards in our programmes, delivered related training in all regional offices and embedded the framework in a number of country offices.

Data analysis and learning is increasingly contributing to improvements in our programme quality. We started rolling out an integrated approach to monitoring, evaluation, accountability and learning in 30 countries in 2014 – double our target. To date, we have approved five signature programmes that reflect our full theory of change by being evidence based, replicable in other countries, scalable and creating positive impacts for children.

Our existing global initiatives (health and nutrition, education, child protection and child rights governance) worked in more cohesive and integrated ways, notably on global strategy development. Our board approved a new global theme to address child poverty and its impact. We made a strong start by establishing a core team, workplan and budget to take this theme forward across Save the Children.

Humanitarian

In 2014, we progressed towards our goal to be the leading humanitarian response agency for children. We increased our reach to 9.4 million people, including 4.3 million children, affected by 103 emergencies. We generated \$363 million in new income, bringing the humanitarian portfolio value to \$607 million.

The integration of health charity Merlin and Save the Children is almost complete. This has strengthened our humanitarian health and nutrition capacity and resulted in a new emergency health unit, comprising an outpatient service and a surgical platform.

In order to deal with the unforeseen nature of the Ebola crisis, we had to build health infrastructure and information systems that would normally take years to develop in challenging environments. In Sierra Leone, Guinea and Liberia, we directly reached 867,000 people, including more than 410,000 children, with life-saving care and awareness raising, sanitation and hygiene kits.

During 2014, we increased the scale of our response to the Syria crisis, working in partnership with local and global organisations in Syria and surrounding countries to achieve impact for children. We declared a second emergency in Iraq to support communities affected by instability and population displacement due to ongoing conflict.

Other significant humanitarian achievements include supporting people affected by the South Sudan refugee crisis and concluding the emergency phase of our response to Typhoon Haiyan in the Philippines. This response reached more than 220,000 children in five months, demonstrating the impact we can achieve through our new global structure.

EVERY ONE – our global campaign to end preventable child deaths

In 2014, we focused our campaigning on securing an ambitious action plan at the World Health Assembly to help tackle the growing concentration of child deaths during the first month of life. We set the media and political agenda at the start of the year with the launch of our flagship report, *Ending Newborn Deaths*, in over 50 countries around the world.

We used the launch as a springboard for advocacy towards more than 30 governments, which helped us to secure the adoption of the Every Newborn Action Plan at the World Health Assembly in Geneva, where health ministers from 194 countries committed to targets to end preventable newborn deaths and stillbirths. We consolidated this commitment at the formal launch of the plan during the global forum of the Partnership for Maternal, Newborn and Child Health in South Africa, where Graça Machel and the Norwegian Prime Minister spoke in front of the giant newborn blanket knitted by Save the Children supporters in 12 countries, from Pakistan to the USA. We also played a central role in the adoption of national newborn action plans in India and Indonesia.

Our public campaigning stepped up in 2014, raising the profile of child survival and pushing the issue up political agendas. The Race for Survival, our biggest annual mobilisation, involved nearly 50,000 children from 60 countries who demanded urgent government action to end preventable child deaths. Our *Superheroes* film, released before the race, told the stories of children surviving in some of the world's toughest places and reached a global audience of 700,000 people.

During the UN General Assembly in September, we joined the Social Good Summit for the first time, bringing together grassroots health and advocacy practitioners with the executive director of the UN Population Fund to focus on solutions for children.

At the country level, our mobilisation and advocacy helped to deliver real change. For example, in Pakistan, we helped persuade provincial governments to increase the number of female health workers from around 98,000 to 120,000. In Mali, our campaigning led to a new government committee being formed to implement universal health coverage. And in Nigeria, we worked with partners to secure the enactment of a new national health bill that promises essential healthcare for mothers and children.

In a rapidly changing world, we are also learning to be more agile in our campaigning. When Ebola struck West Africa, we quickly collaborated with other international NGOs to mobilise 165,000 supporters behind our petition to the G20 summit, calling for commitments to halt the crisis. And at the UN in November, we engaged the Norwegian government to help secure a resolution against healthcare user fees.

Ways of working

To achieve our ambitions, we need a workforce with the right capabilities and a shared culture across Save the Children.

We continued to increase the diversity of our leaders to better reflect the countries where we work and to increase gender equality. The proportion of country directors who are women or from the countries where we work grew by 5–6% in the second half of the year, to 34% and 35% respectively.

We tested new approaches to increase the diversity of future leaders in our country and regional offices. We completed the pilot of our Accelerated Coaching Programme in Asia to develop potential leaders, particularly among national staff and women.

Our competency framework is now in general use for individual development and performance management. Eight members have also adopted this framework, demonstrating an increase in resource-sharing across Save the Children.

We agreed a definition of talent that is measurable through our performance management and assessment systems. To underpin this, we established a consistent process to identify talent and development needs. This process includes Save the Children International's 450 leadership positions.

Recognising the vulnerability of the children we work with, we strengthened our global child safeguarding during the year; a detailed analysis of this subject is contained later in this report.

Efficiency, effectiveness and productivity

During 2014, we continued to improve the quality and cost-effectiveness of our IT, finance and counter-fraud procedures to increase our impact for children. Although we hoped to make greater progress in logistics, we conducted efficiency reviews in six of our largest country offices. We worked with members to produce our first Save the Children-wide financial dashboard, providing insights into global resource allocation.

Our mission requires working in difficult contexts where the risk of fraud and diversion of resources remains high. We made considerable progress towards mitigating these risks by introducing a coordinated fraud management strategy, including awareness raising, reporting, prevention and response measures.

We established a single human resources database of all our employees. Our new global 'award management' platform, the first core system that is Save the Children-wide, is improving our efficiency and accountability in programme grants, contracts and funds. We also strengthened our IT capabilities in regional and country offices. This was made possible by pooling IT needs across multiple countries and negotiating better-value supplier contracts.

Supporting members to grow and develop

Our member growth strategy promotes and supports sustainable growth across Save the Children. By strengthening our fundraising leadership, making strategic investments and improving our knowledge sharing, we aim to increase our unrestricted resources and diversify our portfolio.

We continued to increase our investments in strategic countries, diversifying our income portfolio through the launch of three new prospect members: Indonesia, the Philippines and Colombia.

Over 2014, Save the Children International managed \$8 million of member growth funding centrally to facilitate targeted investment, and for the first time this funding was pooled. We also piloted an internal loan process to leverage growth in key countries.

Our new framework for future leaders ensured that members such as Brazil, India, China and South Africa were deeply involved in our strategy development. During the year we also tested our new accountability framework to promote continuous improvement among members. We completed peer reviews of four members, paving the way for Save the Children Germany and Save the Children Switzerland to attain full membership by mid-year.

Our plans for 2015

In 2015, we will make further progress towards the goals of our refreshed strategy. This will enable Save the Children as a whole to make a strong start on our next global strategy.

Our priority areas remain:

- improving the quality of our programmes, humanitarian work and global campaign
- working towards all members generating at least 20% of their income as unrestricted funds
- developing a shared strategy for 2030

For the first time, all parts of Save the Children are contributing to our next global strategy, our *Ambition for Children 2030*. This will be ratified in mid-2015 following our members' meeting. Every part of Save the Children will have a three-year strategic plan that is aligned with, and contributes towards, our breakthroughs.

Our new global strategy represents an opportunity to re-imagine the world for children and for us to have an unprecedented impact as a truly global organisation. This strategy will build on our current strengths, while focusing on areas where we need to respond to external challenges. It is likely to focus on achieving three breakthroughs for children by 2030: ensuring that all children have the right to survive, learn and be protected. We will aim to achieve these breakthroughs for all children, with a special focus on the most deprived.

To achieve these goals, we expect to build our humanitarian and campaigning capabilities and to become much more purposeful about capturing and sharing knowledge. We also anticipate a continued focus on increasing efficiency and driving up unrestricted income to ensure long-term financial sustainability.

International programs and humanitarian

As part of our platform strengthening work in 2015, we aim to ensure that 11 priority country offices are stronger and have critical staff positions filled. This will drive measurable improvement in key performance indicators and global assurance recommendations. Applying lessons learned from 2014, we are investing an additional \$5 million in priority countries to ensure we are able to deliver these improvements.

Also based on feedback from 2014, we will refine our quality framework to make it more user friendly and intuitive, allowing easier access to these tools across Save the Children.

By 2016, all Save the Children countries will start adopting an integrated approach to monitoring, evaluation, accountability and learning. To support this, we will strengthen our quality benchmarks and learning mechanisms. We will further develop our platform for better and more joined-up global results reporting.

We expect to review five potential new signature programmes in 2015 and replicate our existing five flagship programmes. We are establishing a coordination group to embed integration between our five areas of thematic expertise to maximise our impact for children. In 2015, we will also focus on countries where severe child poverty challenges our breakthroughs.

In addition to delivering front-line responses, our humanitarian priority for 2015 is to overcome challenges in how we work together.

EVERY ONE

Each year, more than 6 million children die from preventable causes before their fifth birthday. Nevertheless, the world has made unprecedented progress towards our campaign goal and there is now a realistic prospect of ending preventable child deaths by 2030.

2015 is a pivotal year, which will mark the end of our current campaign. We will aim both to hold governments to account for Millennium Development Goal 4 (to reduce child mortality by two-thirds from 1990 to 2015) and secure ambitious commitments for the future.

In September, political leaders will gather at the UN to commit to a new generation of sustainable development goals. We will campaign hard to ensure that governments make policy and budget commitments to end preventable child deaths by 2030, as part of the revised UN global strategy for women's and children's health.

With civil society organisations, we will organise citizens' hearings in multiple countries to get governments to act on the health priorities of women, children and newborns. We will create new champions for child and maternal survival through our global Race for Survival relay, which will build campaign momentum in the run-up to the UN General Assembly in September.

While maintaining a focus on our EVERY ONE objectives, we will also lay the groundwork to launch our next global campaign in early 2016.

Ways of working

In 2015, we will continue to increase the diversity and strength of our senior leaders. We will extend our succession planning for key global and country roles and our Accelerated Coaching Programme to develop potential leaders, especially among national staff and women in our country programmes.

Building a shared culture across Save the Children will be central to fulfilling our Ambition for 2030, so this will remain a central aspect of our work.

Efficiency, effectiveness and productivity

During 2015, we will deliver tangible improvements in our efficiency and effectiveness, so we can direct resources to have the greatest impact for children.

Our new team, comprising finance heads from Save the Children International's centre and regional offices, and from the main international programming members, will review Save the Children's cost structure, budget process and reserves.

We will continue to implement supply chain IT systems, enabling accurate online warehouse inventory management.

We have started reinforcing our organisation-wide process to secure and manage programme funds, grants and contracts. During 2015 we will test and roll out further award management changes to maximise our impact for children and our accountability to donors and partners.

Supporting members to grow and develop

In 2015, we will strengthen and embed our member growth strategy. We will continue to increase overall unrestricted income towards our minimum target of 20%, and redouble our efforts to help members progress towards this threshold, through strategic investments, sharing best practice and diversifying our income sources.

We will continue to build the capacity of our future leaders (Brazil, South Africa, India and China) and will support our prospect members (Indonesia, the Philippines and Colombia) on the path to full membership.

We are supporting the development of our global strategy from 2016 by ensuring that members' funding strategies include appropriate levels of ambition, investment and capacity to deliver for children.

Risk management and internal control

Identification of key risks and their management

Save the Children International operates in some of the most difficult environments in the world. It has an operational spectrum that covers long-term development through to emergency responses.

We have a results-oriented view of risk management that seeks to identify and manage the uncertainties that could affect our ability to achieve our objectives. The contexts in which we work present many challenges to our strategic and operational objectives, including risks of an internal nature (under our control) and external (under limited or no control).

Risk appetite

The trustees recognise that in order to achieve our objectives, we must accept some risks that are outside our control and where the risk after mitigation remains relatively high. As a response, the board has defined guidelines applicable to high-risk environments. This provides the organisation with a frame of reference for the conditions and factors that determine our risk appetite.

The guidelines set out what Save the Children International considers to be unacceptable outcomes of activities (e.g. doing harm to beneficiaries or having resources end up with terrorist groups), as well as factors that modify our risk appetite downwards (e.g. where we have no unique value to add) or upwards (such as life-saving operations).

Risk monitoring and reporting

Risk is documented and managed at three levels of the organisation: in country offices, at regional offices and at the centre, representing different operational and strategic levels and priorities.

On a quarterly basis, the Save the Children International senior leadership team formally identifies and discusses the key risks to the organisation's ability to achieve its objectives. This follows updates carried out throughout the reporting chain. Country offices and regional offices send their risk management plans to the centre where they are summarised. Risks are discussed with the Audit and Finance Committee quarterly and with the board twice a year.

To ensure that the process is continuous, the risk management plan is updated regularly between these formal occasions by the risk manager in discussion with individual risk owners.

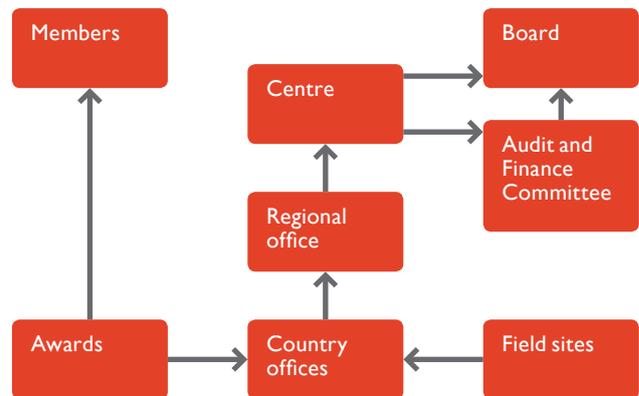


Figure 1: Risk reporting lines in Save the Children International

Planned changes for 2015

During 2015, our ambition is to further embed risk management as a planning component throughout the organisation, and to help country and regional offices to improve the quality of risk management by providing guidance and tools that serve their operational needs more effectively.

We also seek to further improve the way we manage shared risks between members and Save the Children International. In this interdependent relationship, our different roles and responsibilities generate various risks that are shared, not being fully under the control of either the individual member or Save the Children International. We are therefore developing a mechanism to identify and address such risks jointly.

Our plans also consider ways of improving transparency of risk management within Save the Children International and in relation to members. As our assurance shifts to a risk-based model, increased transparency will help strengthen both our risk management performance and our assurance capacity. This will further improve our ability to reach children in an effective and responsible way.

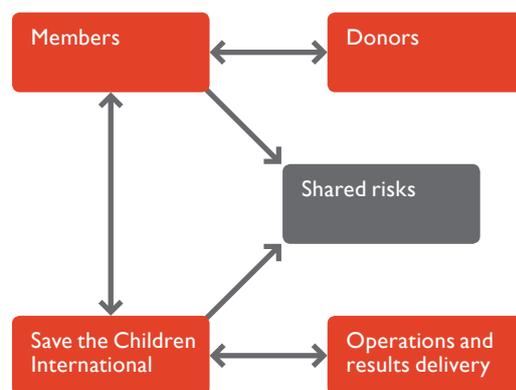


Figure 2: How risk flows with responsibilities within Save the Children International

Key risks

Each quarter, the senior leadership team determines a number of priority risks for consideration in detail. In addition to this, a full list of risks rated 'High' or 'Critical' is provided. This process allows the trustees to consider the major risks to which the charity is exposed and satisfy themselves that they are being mitigated in an appropriate way, as well as to challenge management's view of these risks. The key risks currently identified by the senior leadership team for prioritisation are as shown in the table below.

Standing key risks	
Description of the risk	What we are doing about it
<p>Child safeguarding incident</p> <p>Harm to child/children.</p> <p>Child safeguarding incident that impacts on Save the Children International's brand/income/reputation and also its ability to operate effectively in the location where the incident occurred. Core to our mission is the protection of children. Child safeguarding is a central concern for Save the Children International and of paramount importance to us.</p> <p>In view of the importance accorded by management to this risk, a more detailed description of the subject can be found later in this report.</p>	<p>Save the Children International has a child safeguarding policy, processes and procedures in place. Staff and partners are trained on this policy. Procedures and standards are in place to ensure that the children we work with are kept safe. These requirements include:</p> <ul style="list-style-type: none"> ● government Disclosure and Barring Service (DBS) checks for all staff who have frequent or intensive contact with children and young people, who are visiting country programmes or who have access to personal data about children and/or young people as part of their work ● staff training on child protection measures <p>Additionally, we have dedicated child safeguarding experts advising the global organisation and training staff, as well as supporting investigation of any potential incidents.</p>
<p>Fraud or corruption incident</p> <p>Fraud and corruption potentially use up resources that would otherwise have been spent on our beneficiaries.</p> <p>A serious fraud or corruption incident could result in loss of funds, withdrawal of donor support, termination of funding, and/or damaged reputation.</p>	<p>A senior fraud manager and team are in place and oversee a programme of awareness to detect and prevent fraud and corruption.</p> <p>Our stance is one of zero tolerance to fraud and corruption and we have an established whistleblowing process. This means that, while we recognise that fraud is always a risk in many of our operational environments, we will not be complicit and will act on all incidents brought to our attention.</p>

Standing key risks	
Description of the risk	What we are doing about it
<p>Adverse political environments</p> <p>Save the Children International operates in a number of countries where the political climate can become very challenging, impacting our ability to operate (e.g. disruption or termination of a key programme by the host government, or due to the presence of terrorist organisations, civil unrest, natural disaster or other force majeure outside of Save the Children International control).</p> <p>Sometimes these changes happen very quickly and we must be prepared to respond accordingly. Proactive and timely risk management planning helps us to do that.</p>	<p>These situations are carefully monitored. Where necessary, a crisis management team is convened to address and defuse critical risk.</p> <p>To mitigate risks, Save the Children International carries out, among other measures:</p> <ul style="list-style-type: none"> ● vetting of staff and partners ● training staff and partners, to raise the level of awareness and to communicate all relevant procedures ● clear reporting mechanisms to ensure that risks or incidents are identified and actions taken as appropriate
<p>Failure to manage safety and security properly</p> <p>Save the Children International operates in environments where staff can be exposed to both violent and non-violent threats to their health and wellbeing. Incidents can lead to fatalities or injuries; loss of access to vulnerable populations; reputational impact; reduced staff morale; and can damage perceptions of Save the Children and its operations.</p>	<p>All staff are required to comply with the Save the Children International Safety and Security Policy and Standards.</p> <p>To mitigate risks, Save the Children International operates, among other measures:</p> <ul style="list-style-type: none"> ● a safety and security team ● mandatory safety and security training ● crisis management training and exercises ● security as an integrated part of the planning process ● an incident reporting system ● a travel advice and tracking system
<p>Save the Children International resources diverted or otherwise misappropriated for the use of designated terrorist organisations</p> <p>The misuse of our resources in this way is unacceptable to the organisation and could lead to harm to our beneficiaries; criminal investigation; loss of funding; and damage to our organisational reputation.</p>	<p>Save the Children International mitigates the risk of donor funds being diverted or used for the purposes of terrorism through:</p> <ul style="list-style-type: none"> ● awareness training for own staff and partners ● risk assessments of prospective partners and programmes ● vetting of partners and suppliers ● standard programmatic controls such as monitoring and beneficiary feedback mechanisms ● improved crisis management abilities

Other topical key risks	
Description of the risk	What we are doing about it
<p>Unsafe construction</p> <p>Our programming sometimes includes a requirement for construction of buildings. Poor construction places beneficiaries and staff at risk, and by extension also our reputation and funding. To do harm to beneficiaries is in direct contradiction with our core mission and risk appetite. Construction quality is therefore a key concern for us.</p>	<p>We are working closely with members to manage the associated risks. Guidelines are being finalised based on best practices from experienced country offices to be shared across the organisation.</p> <p>Members have also funded 'shelter advisers' in some regions who are able to provide country offices with technical support.</p> <p>The board has requested a review of our ability to carry out construction safely. This will include the opportunities for partnering with specialist building companies. It will also consider the option of ceasing construction activities in some or all locations.</p>
<p>Lack of sufficient organisational capacity and infrastructure to deliver effective and safe medical programmes</p> <p>Medical programming is accompanied by very particular risks relating to patient safety and data protection. The welfare of our beneficiaries is a key concern here, both physically and in terms of protecting their integrity by protecting their information.</p>	<p>Together with members, our focus is to ensure that the expertise brought into the organisation by our merger with Merlin is captured and retained. This includes a review of medical programming risks and the governance needed to manage them effectively. This comprehensive review is coming to a close in 2015 and will generate Save the Children-specific recommendations for medical governance and risk management.</p>
<p>Lack of association alignment on potentially sensitive issues</p> <p>Misalignment between Save the Children International and members can have wide repercussions. This can include statements or actions by Save the Children International or members that are perceived as negative by beneficiaries or donors. Such issues, if poorly managed, can affect our reputation and ability to operate in a country. It can also damage relationships with donors and within Save the Children, including with staff.</p>	<p>There are already opportunities for this type of issue to be brought forward for discussion within the wider family of Save the Children members and Save the Children International. Options for a more formal structure are being developed to ensure that any such risks are identified at an early stage in the process and addressed in a satisfactory way.</p>
<p>Accepting funding with detrimental consequences</p> <p>This risk refers to any funding accepted that results in economic, reputational or otherwise negative consequences for our programming. For example, working with some donors can lead to negative perceptions in an operational environment, and accepting awards that are beyond our capacity to deliver leads to reduced quality of results or potentially even failure.</p>	<p>We are addressing this risk through three main initiatives:</p> <ul style="list-style-type: none"> ● by engaging members in discussions ● by having a clear escalation route for evaluating donors and awards that may cause wider problems ● by strengthening our central award management system

Other topical key risks	
Description of the risk	What we are doing about it
<p>Insufficient unrestricted funding</p> <p>Unrestricted funds are available for use towards any purpose. Such funds are critical to delivering our strategic ambitions and provide a means by which the organisation can grow and secure future funding.</p>	<p>Save the Children International has developed a 'member growth strategy'. The prime objective of this strategy is to build unrestricted funding and promote growth of the organisation. In doing so, Save the Children seeks to ensure that members are financially stable and that sufficient funds are available in the organisation to cover the non-programmatic costs required to deliver high-quality results to our beneficiaries.</p>

Child safeguarding

Save the Children International has zero tolerance towards any deliberate harm of children by our representatives (whether staff, volunteers or others), and likewise pursues rigorous policies and procedures to prevent any inadvertent or unintended harm to the children that we work with. Save the Children International complies with the requirements of Save the Children's Child Safeguarding Protocol (which has equivalent status to the Bylaws) and has developed a Child Safeguarding Policy, along with a set of standards, procedures, guidance and tools.

We strive to comply with the requirements of the Charity Commission within the UK and the UN Secretary General's Bulletin on the Prevention of Sexual Abuse and Exploitation, and are guided by the UN Convention of the Rights of the Child, the UK's Children Act and the Keeping Children Safe Coalition's International Standards for Child Protection. Whilst we believe that this gives us a solid foundation to build upon, we are committed to continuous improvement in this area and are constantly looking for innovative ways of increasing awareness and reducing risk. During the past year, we developed safeguarding materials aimed at younger-aged children so that their own awareness is increased. We also developed online training materials for staff and introduced online reporting to supplement our current reporting systems. 2014 also saw a global programme of child safeguarding training for those staff who joined Save the Children from Merlin.

Staff are recruited using child-safe recruitment procedures, including background checking, which we have recently extended to include secondments. Upon hiring, staff and volunteers receive an induction and training in child safeguarding and agree to abide by our code of conduct and child safeguarding policy both in their private and professional lives. In order to support and monitor the compliance of the policy, we have established a global child safeguarding team, country-based systems and an approach for quality assurance, with auditing against clear mandatory criteria.

We have appointed a lead trustee for child safeguarding who, on behalf of the Save the Children International board, receives regular updates on the implementation of the child safeguarding policy, acts as an ambassador at board level and as a senior representative within the whistle blowing chain. The board receives regular six-monthly reports of any incident involving harm to children as a result of our activities. In addition, the child safeguarding trustee is immediately informed of serious cases involving alleged deliberate harm by a staff member.

The vast majority of our staff and partners undertake their duties to the highest professional standards. Nevertheless, regardless of how vigilant we may be, we can expect allegations and potential breaches to occur from time to time. This is why we have established mechanisms to deal swiftly and decisively with such issues. During 2014, our child safeguarding procedures identified a total of 63 cases which involved concerns raised against staff members and against representatives of our partner organisations. These varied greatly in nature, ranging from sexual abuse to physical abuse and accidental injury. They occurred in all but one of our operational regions. Each complaint was thoroughly investigated.

The outcomes of the investigations were as follows:

- 19 cases were proved to be breaches of our policy, leading to:
 - four cases being referred to the national authorities or police, as they involved or potentially involved an illegal act. In addition these individuals were dismissed
 - eight cases were dealt with internally under disciplinary procedures resulting in a formal warning
 - seven cases were dealt with internally under disciplinary procedures resulting in a dismissal
- 44 cases were disproved (including examples of malicious allegations) or were not proved due to insufficient or unclear evidence. The latter category included 15 cases reported from areas where access was largely denied to our staff and managers, and where no further action was taken as we were unable to carry out normal investigative procedures

The above figures show an increase over the 31 cases identified during 2013. This may be attributable, in part, to our increasing emphasis on reporting all incidents; it may also be related to the specific contexts in which we operated during the year. Changing circumstances mean that we remain cautious about how apparent trends should be interpreted.

Where cases are proved, the immediate welfare and health of the child or children and their longer-term best interest are always our primary concern. We offer every appropriate and available support to assist them. In each case, a review is conducted to ensure that lessons are learned and systems strengthened as we continue to do all in our power to make Save the Children safe for children.

Global assurance

The Save the Children International global assurance function provides 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.

Global assurance is overseen by the Audit and Finance Committee, which assesses the function's performance, approves its proposed strategies and plans, and receives quarterly reports on key risk and control issues arising from its work. The committee seeks regular confirmation and evidence from management that actions it has agreed with the global assurance function have been implemented.

In late 2014, a formal independent review of the global assurance function was carried out. This confirmed that the function was fit for purpose and made certain recommendations for development of its assurance approach.

Financial performance

In 2014, income and expenditure of Save the Children International exceeded \$1 billion for the first time. This was a much-anticipated target and an important symbol of the capacity and scale achieved by this still relatively young organisation.

Two further country offices (Egypt and Zimbabwe) transitioned from members into Save the Children International during 2014 – note 15 gives further details. Guatemala also transitioned in early 2015, leaving only Pakistan and Sudan unable to transition at present for reasons outside our control.

Our total income was \$1,082.3 million, compared to \$874.5 million in 2013. Our expenditure was \$1,082.9 million compared to \$869.1 million in 2013. The increase in expenditure is \$213.8 million (24.6%) and the reasons for the increase can be analysed as follows:

- as a result of emergencies –
Syria, the Philippines and Ebola \$101.6m
- due to country office transitions \$53.1m
- other growth (including Merlin) \$59.1m

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 outgoing resources for the year are \$0.6 million, mainly due to timing differences between expenditure and the receipt of income.

The balance sheet for the charity shows net assets of \$34.1 million (2013: \$34.7 million), representing the operational working capital and reserves necessary to deliver the programmes operated by Save the Children International during 2014.

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 31 December 2014 were \$34.1 million (2013: \$34.7 million). We hold restricted reserves of \$17.8 million (2013: \$19.4 million) and unrestricted reserves of \$16.3 million (2013: \$15.3 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.

At the start of the process of transitioning international programming work from members to Save the Children International, which involved a phased transfer over a three-year period to early 2014, we assessed that specific risk and determined a target level of \$15 million for international programming reserves. We subsequently re-confirmed this target level as at 31 December 2013. During 2015, we are carrying out a review of reserves, which will include a fresh assessment of the various risks connected to international programming operations. The review will also consider to what extent the reserves held across the whole of Save the Children provide protection against the risks that are identified.

As at 31 December 2014, members had contributed \$8.2 million to the charity's international programming reserve in cash. An additional \$6.2 million has been committed to the charity by members in the form of letters of credit that give the charity unconditional and irrevocable access on demand to funds in the event of reserves being required. These letters of credit were put in place during 2014. This makes a total of \$14.4 million, the shortfall of \$0.6 million against the target level 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 salary and personnel costs of closure/wind-down of the non-international programming part of the charity. The board has re-evaluated these funds and considers that \$1.3 million is an appropriate target level for these purposes at the date of signing of this report. As at 31 December 2014, the closure reserve stood at \$1,223,000, an increase of \$265,000 over the 2013 level of \$958,000. We expect to be able to address the remaining shortfall during 2015.

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.

Structure, governance and management

Save the Children International is a UK company limited by guarantee (not having share capital) and a registered charity in England and Wales, governed by its Articles of Association 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 nine wholly owned subsidiaries at 31 December 2014, 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 2014, the Save the Children International board consisted of:

- nine individuals who are the nominees of each member organisation that contributed at least 8% of the combined total income of all members of Save the Children Association
- three individuals who are elected by member organisations that contributed less than 8% of the combined total income of all members of Save the Children Association
- two independent trustees, one appointed by the nominated trustees and the other elected by the member organisations, which elect the three individual trustees to the board

Further details of the board members are given on page 20.

The trustees participated in activities to develop and evaluate the board's ways of working and performance, and to manage and plan for board succession. In 2014, changes were made in relation to term length for trustees and the board also underwent an external board review.

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 the financial plan for, international programmes.

Auditor

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 (incorporating the strategic report and the directors' 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 a going concern basis, unless it is inappropriate to presume that the group and the charitable company will continue their 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.

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

The trustees, in their capacity both as trustees and company directors, have reviewed and approved the trustees' report, which incorporates the directors' report and the requirements of the strategic report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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 five 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.

Organisational structure

The trustees delegate the day-to-day running of the charity to the chief executive officer and the senior leadership team, who are responsible for particular areas of the charity as listed on page 20. The chief executive officer reports to the chair of the board.

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 we have continued to benefit from ongoing strategic partnerships with:

- the Boston Consulting Group, which has donated \$4.34 million of professional services, including a review of our award management process, support to implement our strategy and secondments of key staff
- Egon Zehnder for donated services of \$1.26 million, in particular our board support and effectiveness review
- Freshfields Bruckhaus Deringer LLP for donated legal services (\$785,000) supporting the implementation of our international programming operations, with a focus on compliance, governance and major contracts
- Baker & McKenzie for donated legal services (\$580,000), particularly in the areas of brand protection and employment law

We are also grateful to the volunteers, interns and secondees who worked on a broad range of projects and activities for us during 2014.

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

Communicating with staff

Our decision-making processes include employee consultation through the line management structure. All staff receive a weekly newsletter and our chief executive officer and other senior managers communicate via team meetings, regular updates and open calls. We also have OneNet, which is an internal communication and collaboration platform, including a news section, blogs and social media tools. In 2015, we plan to undertake a full engagement survey.

Diversity and equality

Save the Children International is fully committed to diversity and providing equal treatment to all employees, irrespective of gender, race, ethnic origin, disability, age, nationality, national origin, sexuality, religion or belief, marital status or 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 2014 and as at date of approval of the report

Charles Perrin (*Chair*)
Adèle Anderson
Inger Ashing
Vivien Bridgwater
Mimi Jakobsen
Irene Khan
Charles MacCormack
Nils Øveraas
Bradley C Palmer
Alan Parker
Jonathan Powell
Marie-Andrée Romisch Diouf
Harpal Singh
Pernille Spiers-Lopez

Board committees

Audit and Finance Committee

Adèle Anderson (*Chair*)
Mimi Jakobsen
Charles MacCormack
Harpal Singh

Governance Committee

Inger Ashing (*Chair*)
Irene Khan
Bradley C Palmer
Alan Parker
Jonathan Powell

Compensation and Organisation Committee

Pernille Spiers-Lopez (*Chair*)
Vivien Bridgwater
Nils Øveraas
Marie-Andrée Romisch Diouf

Senior leadership team

Chief Executive Officer

Jasmine Whitbread

Chief Financial Officer

Caroline Stockmann (*until 31 May 2014*)

Chief Financial Officer

Jon Watts (*from 18 August 2014*)

Chief People Officer

Madalyn Brooks

Deputy Chief Executive Officer

Janti Soeripto

Global Campaign and Advocacy Director

Patrick Watt

International Programs Director

Imran Matin

Registered office

St Vincent House
30 Orange Street
London WC2H 7HH

Company Secretary

Clare Canning

Registered number

3732267

Registered charity number

1076822

Principal bankers

Barclays Bank Plc

Hammersmith Branch
PO Box 14576
London W6 9GQ

Standard Bank Plc

20 Gresham Street
London EC2V 7JE

Standard Chartered Bank

1 Basinghall Avenue
London EC2V 5DD

EcoBank

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

Auditor

KPMG LLP

15 Canada Square
Canary Wharf
London, E14 5GL

Signed on behalf of the board of trustees by:



Charles Perrin
Chair, Save the Children International
18 June 2015

Independent auditor's report

We have audited the financial statements of Save the Children International for the year ended 31 December 2014, set out on pages 22 to 46.

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 18, 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 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.

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 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with 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 given in the trustees' report, which constitutes the strategic report and the directors' 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



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of

KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

19 June 2015

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2014 (including an income and expenditure account)

	Notes	Unrestricted USD 000s	Restricted USD 000s	2014 Total USD 000s	2013 Total USD 000s
Incoming resources					
Incoming resources from generated funds					
Voluntary income					
Grants and donations		9,498	1,001,870	1,011,368	776,214
Gifts in kind	2(b)	975	69,236	70,211	97,629
Total voluntary income	2(a)	10,473	1,071,106	1,081,579	873,843
Investment income	2(c)	82	93	175	117
Other incoming resources	2(d)	251	290	541	536
Total incoming resources		10,806	1,071,489	1,082,295	874,497
Fundraising expenditure		34	238	272	—
Charitable activities					
International programs					
Development		3,640	793,344	796,984	634,674
Humanitarian		879	262,262	263,141	208,005
Campaigning and advocacy		4,229	7,236	11,465	7,410
Growth and development of Save the Children		1,344	1,773	3,117	4,283
Total charitable activities	3(a)	10,092	1,064,615	1,074,707	854,372
Governance costs	3(c)	1,046	6,897	7,943	6,248
Total resources expended before exceptional items		11,172	1,071,750	1,082,922	860,620
Exceptional costs					
Costs incurred on transition to Save the Children International		—	—	—	1,795
Non-capital assets donated by members on transition (gifts in kind)		—	—	—	6,676
Total exceptional costs	3(d)	—	—	—	8,471
Total resources expended	3(a)	11,172	1,071,750	1,082,922	869,091
Net income for the year		(366)	(261)	(627)	5,406
Transfers between funds		1,332	(1,332)	—	—
Fund balances brought forward		15,342	19,385	34,727	29,321
Fund balances carried forward	13	16,308	17,792	34,100	34,727

All gains and losses recognised in the period are included above. There is no difference between the net (outgoing)/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 (outgoing)/incoming resources for the charity alone for the year ended 31 December 2014 were USD 885,000 (2013: USD 5,356,000). The notes on pages 25 to 46 form part of these financial statements.

Consolidated and charity balance sheet as at 31 December 2014

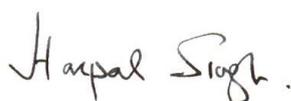
	Notes	2014 Group USD 000s	2014 Charity USD 000s	2013 Group USD 000s	2013 Charity USD 000s
Tangible fixed assets					
Furniture, fittings and equipment	5	3,152	3,149	3,270	3,262
Motor vehicles	5	2,761	2,556	2,463	2,225
Leasehold property	5	198	198	308	308
Freehold property	5	1,112	1,112	1,169	1,169
		7,223	7,015	7,210	6,964
Current assets					
Debtors	6	130,481	127,207	133,103	132,635
Cash at bank and in hand	7	107,403	106,441	80,767	79,176
		237,884	233,648	213,870	211,811
Current liabilities					
Creditors: amounts falling due within one year	8	(183,552)	(180,330)	(167,354)	(165,935)
		(183,552)	(180,330)	(167,354)	(165,935)
Net current assets					
		54,332	53,318	46,516	45,876
Provisions for liabilities and charges					
	9	(27,455)	(26,506)	(18,999)	(18,122)
Net assets					
		34,100	33,827	34,727	34,718
Charitable funds					
Unrestricted funds					
General funds		—	—	—	—
Designated funds		16,308	16,308	15,342	15,342
Total unrestricted funds	13	16,308	16,308	15,342	15,342
Restricted funds					
	13	17,792	17,519	19,385	19,376
Total charitable funds					
		34,100	33,827	34,727	34,718

The notes on pages 25 to 46 form part of these financial statements.

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



Charles Perrin
Chair, Save the Children International
18 June 2015



Harpal Singh
Trustee, Save the Children International
18 June 2015

Company registration number: 3732267

Consolidated cash flow statement for the year ended 31 December 2014

	2014 USD 000s	2013 USD 000s
Cash inflow from operating activities		
Net income	(627)	5,406
Tangible fixed assets donated by members on transition	(185)	(887)
Interest received	(175)	(117)
Decrease/(increase) in debtors	2,622	(42,441)
Increase in creditors	16,198	49,548
Increase in provisions	8,456	7,523
Depreciation	2,218	2,195
	28,507	21,227
Cash outflows from capital expenditure		
Payments to acquire tangible fixed assets	(2,046)	(1,668)
Returns on investment and servicing of finance		
Interest received	175	117
Net cash inflow for the year ended 31 December	26,636	19,676
Analysis of cash at bank and in hand		
Balance at start of period	80,767	61,091
Net cash inflow for the period	26,636	19,676
Balance at end of period	107,403	80,767

Notes to the accounts for the year ended 31 December 2014

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, the Companies Act 2011 and applicable 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 that 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. 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. The trustees of Save the Children International are named on page 20.

d Income recognition

Income is recognised in the period in which Save the Children International is legally entitled to the income, is virtually 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 statement of financial activities (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 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 that 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 partners' 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 were treated as exceptional costs in the year ended 31 December 2013, 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 represent support for legal issues and strategic consultancy. There were no material restructuring costs during the year ended 31 December 2014.

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 3(b) 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 Taxation 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 (USD). The exchange rate to sterling (GBP) at 31 December 2014 was 1.5572.

Where Save the Children International has entered into forward contracts 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 and 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 FRS 17 retirement benefits.

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 dilapidations 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 Voluntary income

	2014 Grants and donations USD 000s	2014 Gifts in kind donated services USD 000s	2014 Gifts in kind donated goods USD 000s	2014 Assets donated by members on transition USD 000s	2014 Total USD 000s	2013 Total USD 000s
Amounts received directly from Save the Children member organisations						
Australia	27,756	36	176	—	27,968	25,475
Canada	32,592	30	1,510	—	34,132	20,837
Denmark	52,277	55	60	—	52,392	38,823
Finland	6,588	—	—	—	6,588	4,491
Germany	3,784	—	—	—	3,784	261
Hong Kong	—	—	—	—	—	7
Italy	29,092	3	—	—	29,095	20,289
Japan	8,001	—	24	—	8,025	6,835
Korea	13,029	—	483	—	13,512	8,908
Netherlands	17,092	—	430	—	17,522	12,937
New Zealand	2,351	8	—	—	2,359	1,792
Norway	56,719	—	2,794	372	59,885	49,778
Spain	7,986	—	—	—	7,986	6,577
Sweden	84,400	184	54	—	84,638	64,961
Switzerland	3,387	—	16	—	3,403	—
United Kingdom	329,740	925	3,356	—	334,021	233,705
United States	325,456	1,766	50,722	—	377,944	363,608
Total amounts received directly from members	1,000,250	3,007	59,625	372	1,063,254	859,284
Other amounts						
Save the Children Association	9,996	—	—	—	9,996	6,882
Professional services directly provided to Save the Children International	—	7,135	—	—	7,135	6,456
Direct fundraising in Save the Children International country programmes	920	—	31	—	951	1,037
Other gifts in kind	—	—	41	—	41	47
Other grants and donations	202	—	—	—	202	137
Total other amounts	11,118	7,135	72	—	18,325	14,559
Total voluntary income	1,011,368	10,142	59,697	372	1,081,579	873,843

Grants and donations includes USD 148,375,501 (2013: USD 140,706,821) originating from the United States Agency for International Development (USAID).

b Gifts in kind	2014	2013
	USD 000s	USD 000s
Donated services		
Professional services	7,135	6,456
Services donated by members	3,007	3,516
Total donated services	10,142	9,972
Donated goods		
Food aid	51,764	74,297
Pharmaceutical supplies	887	388
Other supplies	7,046	5,409
Total donated goods	59,697	80,094
Donated assets on transition		
Tangible fixed assets donated by members on transition	185	887
Non-capital assets donated by members on transition	187	6,676
Total donated assets on transitions	372	7,563
Total gifts in kind	70,211	97,629

At 31 December 2014 there was USD 11,052,928 (2013: USD 7,690,764) 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.

c Investment income	2014	2013
	USD 000s	USD 000s
Interest on bank deposits	134	108
Interest receivable from members	6	—
Other interest	35	9
Total investment income	175	117
d Other incoming resources		
	2014	2013
	USD 000s	USD 000s
Sales of goods and assets	365	475
Rental income	44	16
Other income	132	46
Total other incoming resources	541	537

3 Resources expended

a Analysis of total resources expended

	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	2014 Total USD 000s	2013 Total USD 000s
Fundraising	140	—	—	132	—	272	—
Charitable activities							
Education	61,391	51,181	4,428	114,317	4,930	236,247	188,118
Livelihoods	22,338	10,031	1,889	52,541	1,874	88,673	80,964
Health	50,121	34,365	1,930	93,739	3,836	183,991	116,755
Child protection	26,903	29,636	723	36,236	1,968	95,466	76,787
Nutrition	28,421	26,941	16,269	37,969	2,335	111,935	91,100
HIV/AIDS	6,979	32,935	1,160	8,319	1,136	50,529	55,377
Child rights governance	7,813	11,740	142	9,809	639	30,143	25,573
Total development programmes	203,966	196,829	26,541	352,930	16,718	796,984	634,674
Humanitarian	42,085	25,825	37,884	151,487	5,860	263,141	208,005
Campaigning and advocacy	6,990	316	—	3,126	1,033	11,465	7,410
Growth and development of Save the Children	1,143	—	—	1,507	467	3,117	4,283
Support costs (b)	13,606	—	3,093	8,017	(24,716)	—	—
Total charitable activities	267,790	222,970	67,518	517,067	(638)	1,074,707	854,372
Governance costs (c)	2,369	—	2,706	2,230	638	7,943	6,248
Total resources expended before exceptional items	270,299	222,970	70,224	519,429	—	1,082,922	860,620
Exceptional transition costs (d)	—	—	—	—	—	—	8,471
Total resources expended	270,299	222,970	70,224	519,429	—	1,082,922	869,091
2013 resources expended	204,001	176,770	96,591	391,729	—	869,091	

Fundraising costs were incurred by the three subsidiary entities created in 2014 in Colombia, the Philippines and Indonesia.

A list of grants made to partner organisations with whom Save the Children International has worked during 2014 is available at www.savethechildren.net

b Support costs and the basis of their allocation		2014	2013
		USD 000s	USD 000s
Support category:	Basis of allocation:		
Leadership	estimated time	4,468	4,136
Financial management	pro rata by thematic programme expenditure	7,877	6,400
Information systems	pro rata by thematic programme expenditure	5,411	3,606
Human resources	headcount	4,390	3,452
Facilities and administration	headcount	3,443	3,726
Total management and administration expenditure		25,589	21,320
Members' donated services	according to support category	378	581
Pro-bono professional services	according to support category	86	109
(Gains)/losses on foreign exchange	pro rata by thematic programme expenditure	(1,337)	93
Total support costs		24,716	22,103

c Governance costs		2014	2013
		USD 000s	USD 000s
Board/trustee and members' meeting expenses		81	116
Audit fees		759	575
Legal and compliance		2,224	1,784
Global assurance		1,535	1,419
Pro-bono professional services		2,706	1,798
Apportionment of support costs		638	556
Total other governance costs		7,943	6,248

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 2013.

	Staff costs USD 000s	Gifts in kind USD 000s	Other direct costs USD 000s	2014 USD 000s	2013 USD 000s
Change management	—	—	—	—	878
System implementation	—	—	—	—	917
Non-capital assets donated by members on transition	—	—	—	—	6,676
Total exceptional transition costs	—	—	—	—	8,471

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(a).

e Geographical analysis of expenditure

	Date of transition to Save the Children International if during 2014	2014 USD 000s	2013 USD 000s
Afghanistan		33,350	32,530
Bangladesh		59,254	55,159
Central Asia		5,472	2,993
Nepal and Bhutan		36,131	33,435
Sri Lanka		3,363	2,132
Regional office		2,439	2,271
South and Central Asia		140,009	128,520
Cambodia		7,608	6,264
China		10,329	6,090
Democratic People's Republic of Korea		3,518	3,063
Indonesia		7,743	7,273
Laos		5,422	5,467
Myanmar		65,990	58,591
Philippines		57,983	17,147
Thailand		5,484	2,946
Vietnam		6,837	7,416
Regional office		2,098	2,208
South East and East Asia		173,012	116,465
Albania		3,065	2,647
Armenia		1,428	1,679
Egypt	1 January 2014	9,948	—
Northwest Balkans		3,430	2,730
Georgia and Azerbaijan		444	734
Occupied Palestinian Territory		13,162	10,732
Iraq		17,273	12,318
Jordan		75,509	84,463
Kosovo		2,202	1,969
Lebanon		45,219	20,076
Syria		42,859	11,403
Ukraine		372	—
Yemen		26,975	24,671
Regional office		4,026	2,855
Middle East and Eurasia		245,912	176,277
Bolivia		5,175	4,179
Colombia		3,537	3,523
El Salvador		5,252	4,644
Haiti		5,012	7,822
Nicaragua		5,593	6,665
Peru and Ecuador		6,650	8,340
Regional office		1,824	1,460
Latin America and Caribbean		33,043	36,633

e Geographical analysis of expenditure (continued)

	Date of transition to Save the Children International if during 2014	2014 USD 000s	2013 USD 000s
Burkina Faso		6,263	8,128
Central African Republic		12,071	2,542
Côte d'Ivoire		8,367	8,855
Democratic Republic of the Congo		22,230	17,145
Liberia		12,103	7,759
Mali and Guinea		18,907	8,783
Niger		21,623	18,066
Nigeria		21,874	17,126
Senegal		3,711	4,667
Sierra Leone		13,901	5,853
Regional office		4,620	2,906
West and Central Africa		145,670	101,830
Ethiopia		101,540	103,356
Kenya		20,275	22,779
Rwanda		3,123	2,850
Somalia		37,454	32,535
South Sudan		36,804	26,929
Uganda		16,062	14,720
Regional office		7,339	4,875
East Africa		222,597	208,044
Malawi		25,803	27,776
Mozambique		22,949	21,453
Tanzania		5,680	5,522
Zambia		9,025	5,521
Zimbabwe	1 February 2014	12,642	—
Regional office		4,774	3,563
Southern Africa		80,873	63,835
Addis Ababa	1 October 2014	176	—
Brussels		1,078	186
Geneva		1,181	400
New York	1 March 2014	541	—
Save the Children advocacy offices		2,976	586
Save the Children International centre		38,830	36,901
Total expenditure		1,082,922	869,091

Expenditure related to the Syria response is included in the figures shown for Iraq, Jordan and Lebanon, as well as in the specific figure shown for Syria.

f <i>Net incoming resources for the year, stated after charging</i>	2014	2013
	USD 000s	USD 000s
Auditor's remuneration:		
Audit of these financial statements	562	312
Amounts receivable by the charity's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the charity	14	16
Other assurance services	917	697
Lease rental payments	32,366	22,670
Depreciation	2,218	2,195

g *Trustees' remuneration*

None of the trustees received any remuneration from the charity during 2014 (2013: nil).

None of the trustees received any other benefits in kind during 2014 (2013: nil).

Out-of-pocket expenses, including travel and subsistence were reimbursed to trustees as follows: seven trustees totalling USD 18,940 (2013: nine trustees totalling USD 22,228).

Save the Children International's parent undertaking (Save the Children Association) paid GBP 5,500 (USD 8,811) to purchase trustee indemnity insurance to the value of GBP 10 million (USD 16 million) which covers the trustees or other officers of the charity.

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 legal liability for inadvertent errors or omissions on their part.

4 Staff costs

a *Staff costs*

	2014	2013
	Total	Total
	USD 000s	USD 000s
Wages and salaries	220,017	167,265
Social security costs and payroll taxes	7,151	4,681
Pension contributions	1,036	705
Terminal grants and long-term savings plans	14,919	11,500
Benefits in kind	14,977	12,486
Other staff costs	12,199	7,364
Total direct staff costs	270,299	204,001
Donated staff costs from members	3,007	3,516
Total staff costs	273,306	207,517

Save the Children International contributes to a defined contribution pension scheme. Employers' contributions of USD 827,965 (2013: USD 623,147) are charged to the consolidated statement of financial activities (SOFA). Employer pension contributions made for employees whose emoluments are in excess of USD 90,000 were USD 366,345 (2013: USD 317,404). There were no outstanding or prepaid contributions at year end.

Save the Children International contributes to a long-term savings plan for programme staff on international contracts. Employers' contributions charged to the consolidated SOFA were USD 2,824,403 (2013: USD 2,173,085).

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 2(b).

b Costs incurred in addition to direct staff costs reported in note 4a

	2014 USD 000s	2013 USD 000s
Temporary and casual labour	14,224	9,357
Secondment costs from Boston Consulting Group	391	332
	14,615	9,689

c Average number of Save the Children International employees calculated on a full-time equivalent basis

	Country offices	Regional offices	Advocacy offices	Centre	2014 Total	2013 Total
Charitable activities	13,742	173	19	202	14,136	11,042
Governance						
- of the charity	—	—	—	19	19	18
- of the association	—	—	—	1	1	1
	13,742	173	19	222	14,156	11,061

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 368,260 in 2014 (2013: USD 393,143).

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.

Band (USD)	2014	2013
0 – 15,000	15,398	13,349
15,001 – 30,000	2,904	2,192
30,001 – 45,000	731	504
45,001 – 60,000	327	207
60,001 – 75,000	204	150
75,001 – 90,000	105	87
90,001 – 105,000	59	53
105,001 – 120,000	47	40
120,001 – 135,000	27	20
135,001 – 150,000	29	17
150,001 – 165,000	8	15
165,001 – 180,000	10	12
180,001 – 195,000	5	9
195,001 – 210,000	9	4
210,001 – 225,000	2	3
225,001 – 240,000	3	1
240,001 – 255,000	1	2
255,001 – 270,000	—	1
270,001 – 285,000	3	1
285,001 – 300,000	—	2
315,001 – 330,000	1	1
345,001 – 360,000	—	1
360,001 – 375,000	1	1
390,001 – 405,000	—	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	Total USD 000s
Cost					
Brought forward at 1 January 2014	5,554	4,170	561	1,238	11,523
Additions	655	1,391	—	—	2,046
Assets donated by members on transition	(1)	186	—	—	185
Disposals	—	—	—	—	—
Carried forward at 31 December 2014	6,208	5,747	561	1,238	13,754
Depreciation					
Brought forward at 1 January 2014	2,284	1,707	253	69	4,313
Charge for the year	772	1,279	110	57	2,218
Disposals	—	—	—	—	—
Carried forward at 31 December 2014	3,056	2,986	363	126	6,531
Net book value					
31 December 2014	3,152	2,761	198	1,112	7,223
1 January 2014	3,270	2,463	308	1,169	7,210
Charity					
Cost					
Brought forward at 1 January 2014	5,446	3,829	561	1,238	11,074
Additions	652	1,351	—	—	2,003
Assets donated by members on transition	(1)	186	—	—	185
Disposals	—	—	—	—	—
Carried forward at 31 December 2014	6,097	5,366	561	1,238	13,262
Depreciation					
Brought forward at 1 January 2014	2,184	1,604	253	69	4,110
Charge for the year	764	1,206	110	57	2,137
Disposals	—	—	—	—	—
Carried forward at 31 December 2014	2,948	2,810	363	126	6,247
Net book value					
31 December 2014	3,149	2,556	198	1,112	7,015
1 January 2014	3,262	2,225	308	1,169	6,964

All fixed assets are held for direct charitable purposes.

Leasehold property amounts all relate to long-term leases.

6 Debtors

	2014 USD 000s Group	2014 USD 000s Charity	2013 USD 000s Group	2013 USD 000s Charity
Amounts due from Save the Children Association	249	249	—	—
Amounts due from Save the Children members	114,884	112,289	118,215	117,766
Amounts due from subsidiary undertakings	—	—	—	1,808
Other debtors	6,244	6,062	6,833	5,693
Prepayments and accrued income	9,104	8,607	8,055	7,368
	130,481	127,207	133,103	132,635

7 Cash at bank and in hand

	2014 USD 000s Group	2014 USD 000s Charity	2013 USD 000s Group	2013 USD 000s Charity
Cash held at centre	59,382	59,382	34,866	34,866
Cash held in overseas offices	48,021	47,059	45,901	44,310
	107,403	106,441	80,767	79,176

8 Creditors due within one year

	2014 USD 000s Group	2014 USD 000s Charity	2013 USD 000s Group	2013 USD 000s Charity
Amounts due to Save the Children Association	—	—	224	224
Amounts payable to Save the Children members	139,446	137,055	131,236	131,236
Amounts due to subsidiary undertakings	—	608	—	—
Trade creditors	7,189	6,784	6,933	6,847
Other short-term liabilities	9,172	9,012	6,204	6,178
Accruals and deferred income	27,745	26,871	22,757	21,450
	183,552	180,330	167,354	165,935

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

9 Provisions

	Balance as at 1 January 2014 USD 000s	Provisions transferred from members USD 000s	Arising in the year USD 000s	Utilised in the year USD 000s	Provisions released USD 000s	Balance as at 31 December 2014 USD 000s
<i>Group</i>						
Terminal grant provisions	18,020	1,778	11,719	(5,501)	—	26,016
Property dilapidations	115	—	45	—	—	160
Operating lease provision	401	—	—	(184)	—	217
Provision for tax liability	463	—	1,062	—	(463)	1,062
	18,999	1,778	12,826	(5,685)	(463)	27,455
<i>Charity</i>						
Terminal grant provisions	17,144	1,778	11,173	(5,027)	—	25,068
Property dilapidations	115	—	45	—	—	160
Operating lease provision	401	—	—	(184)	—	217
Provision for tax liability	462	—	1,061	—	(462)	1,061
	18,122	1,778	12,279	(5,211)	(462)	26,506

Terminal grant provisions are contractual amounts due to employees in country and regional 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

	2014 Unrestricted USD 000s	2014 Restricted USD 000s	2014 Total USD 000s
<i>Group</i>			
Fixed assets	6,642	581	7,223
Current assets	220,673	17,211	237,884
Current liabilities	(183,552)	—	(183,552)
Provisions	(27,455)	—	(27,455)
	16,308	17,792	34,100
<i>Charity</i>			
Fixed assets	6,434	581	7,015
Current assets	216,710	16,938	233,648
Current liabilities	(180,330)	—	(180,330)
Provisions	(26,506)	—	(26,506)
	16,308	17,519	33,827

II Commitments under operating leases

	2014 Land and buildings USD 000s	2014 Other leases USD 000s	2013 Land and buildings USD 000s	2013 Other leases USD 000s
The amounts payable by the group within the next 12 months on non-cancellable operating leases expiring:				
within one year	7,392	934	6,099	779
between one and five years	4,061	197	3,804	323
after five years	356	—	379	—
	11,809	1,131	10,282	1,102

I2 Financial commitments

- a At 31 December 2014, Save the Children International had 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.

	Balance as at 1 January 2014 USD 000s	Charged to SOFA in 2014 USD 000s	New commitments USD 000s	Balance as at 31 December 2014 USD 000s
Commitments to partner organisations	168,384	(222,970)	260,484	205,898

	2014 USD 000s	2013 USD 000s
Commitments to partner organisations consist of amounts falling due:		
within one year	127,578	124,451
after one year	78,320	43,933
	205,898	168,384

- 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 1 January 2014 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2014 USD 000s
<i>Unrestricted funds</i>					
General funds	—	10,164	(9,860)	(304)	—
Fixed asset fund	6,057	366	(1,258)	1,751	6,916
Fixed asset replacement fund	190	244	(54)	(380)	—
International programming reserve	8,137	32	—	—	8,169
Closure reserve	958	—	—	265	1,223
Total unrestricted funds	15,342	10,806	(11,172)	1,332	16,308
<i>Restricted funds</i>					
International programme grants	14,049	1,009,399	(1,007,958)	(3,016)	12,474
International programme operational fund	3,440	53,498	(53,250)	(1,185)	2,503
International programme investment fund	290	1,043	(1,261)	(53)	19
Donated professional services	—	7,101	(7,101)	—	—
Financial management system fund	1,153	—	(572)	—	581
Member growth fund	453	448	(1,608)	2,922	2,215
Total restricted funds	19,385	1,071,489	(1,071,750)	(1,332)	17,792
Total funds	34,727	1,082,295	(1,082,922)	—	34,100

General funds represent the amounts that trustees are free to use in accordance with Save the Children International'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, the international programme operational fund, the international programme 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.

The 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 8.2 million in cash receipts, members have committed an additional USD 6.2 million in the form of standby letters of credit, which give the charity unconditional and irrevocable access on demand to funds in the event of the use of reserves being required. 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. Note 18 gives further details.

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 programme 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 programme 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 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 programme investment fund with the agreement of the members.

The member growth fund represents funds received to support the continued growth and development of members.

13 Consolidated statement of funds (continued)

<i>Charity statement of funds</i>	Balance as at 1 January 2014 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2014 USD 000s
<i>Unrestricted funds</i>					
General funds	—	9,571	(9,267)	(304)	—
Fixed asset fund	6,057	295	(1,187)	1,751	6,916
Fixed asset replacement fund	190	244	(54)	(380)	—
International programming reserve	8,137	32	—	—	8,169
Closure reserve	958	—	—	265	1,223
Total unrestricted funds	15,342	10,142	(10,508)	1,332	16,308
<i>Restricted funds</i>					
International programme grants	14,040	977,185	(976,024)	(3,016)	12,185
International programme operational fund	3,440	48,706	(48,459)	(1,185)	2,502
International programme investment fund	290	1,043	(1,261)	(53)	19
Donated professional services	—	7,101	(7,101)	—	—
Financial management system fund	1,153	—	(572)	—	581
Member growth fund	453	134	(1,277)	2,922	2,232
Total restricted funds	19,376	1,034,169	(1,034,694)	(1,332)	17,519
Total funds	34,718	1,044,311	(1,045,202)	—	33,827

14 Subsidiary companies

Save the Children International had nine wholly-owned subsidiary entities at 31 December 2014:

- a *The Save the Children Alliance Trading Limited* is 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.
- b *Save the Children Asia Regional Office Limited* is a Singapore-incorporated public company limited by guarantee (registered company number: 201024335C) 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. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	403	293
Liabilities	(258)	(291)
Total net assets	145	2
Income	4,681	4,480
Expenditure	(4,537)	(4,479)
Net incoming resources	144	1

I4 Subsidiary companies (continued)

- c *Shpetoni Femijet (Save the Children)* is incorporated as a foundation under Albanian law. The board members are all employees of Save the Children International and are responsible for appointing other board members of Shpetoni Femijet. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	333	435
Liabilities	(303)	(405)
Total net assets	30	30
Income	3,063	2,699
Expenditure	(3,065)	(2,647)
Net incoming resources	(2)	52

- d *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). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	913	1,815
Liabilities	(909)	(1,836)
Total net assets	4	(21)
Income	20,302	22,850
Expenditure	(20,275)	(22,779)
Net incoming resources	27	71

- e *Save the Children International (Zambia)* is incorporated in Zambia under the Societies Act (registered number ORS/102/35/3906). The members of Save the Children (Zambia) are Save the Children International and the International Programming Director of Save the Children International. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	321	1,546
Liabilities	(265)	(1,548)
Total net assets	56	(2)
Income	9,082	5,518
Expenditure	(9,026)	(5,521)
Net incoming resources	56	(3)

I4 Subsidiary companies (continued)

f *Save the Children International (US Global Advocacy Office), Inc.* was incorporated in Delaware, USA as an exempt non-profit organisation on 7 February 2014. Save the Children International is sole member with right to remove and appoint director/officer(s). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	59	—
Liabilities	(59)	—
Total net assets	—	—
Income	540	—
Expenditure	(540)	—
Net incoming resources	—	—

g *Save the Children Philippines (SCP), Inc.* (company registration number CN201408291) was incorporated in the Philippines as a non-stock non-profit corporation on 28 April 2014. All incorporators, trustees and members are appointed by Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	(156)	—
Liabilities	184	—
Total net assets	28	—
Income	30	—
Expenditure	(1)	—
Net incoming resources	29	—

h *Fundación Save the Children Colombia* (registration number S0046070) was incorporated in Colombia as a foundation (a type of private, not-for-profit entity) on 4 March 2014. Save the Children International is sole member (a corporate member). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	129	—
Liabilities	(125)	—
Total net assets	4	—
Income	272	—
Expenditure	(268)	—
Net incoming resources	4	—

I4 Subsidiary companies (continued)

i Yayasan Sayangi Tunas Cilik (foundations list number AHU-01712.50.10.2014) was incorporated in Indonesia as an Indonesian foundation on 21 May 2014. The majority of patrons (the equivalent of directors) are appointed by Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2014 were as follows:

	2014 USD 000s	2013 USD 000s
Assets	1	—
Liabilities	(1)	—
Total net assets	—	—
Income	7	—
Expenditure	(7)	—
Net incoming resources	—	—

I5 Transition to Save the Children International

a Country and regional office transitions from Save the Children members

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. As at 31 December 2013, 52 country offices had transitioned to Save the Children International. During 2014, a further two country offices transitioned to Save the Children International. The following assets were transferred from members for country offices transitioned during 2014:

	Date of transition	Tangible fixed assets donated by members on transition * USD 000s	Non-capital assets donated by members on transition ** USD 000s	2014 Total USD 000s
<i>Country offices</i>				
Zimbabwe	1 February 2014	118	254	372
Total donated assets from countries transitioning in 2014		118	254	372

* 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 gifts in kind with associated income and expenditure recorded in 2014.

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 1(i). The resulting income has been included in gifts in kind income (see note 2(b)).

In addition, terminal grant liabilities of USD 1,788,000 (2013: USD 727,000) 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.

b Transitions of Merlin country operations

In July 2013, Save the Children UK joined forces with international NGO Merlin. During 2014, eight of Merlin's country offices (Liberia, Kenya, Yemen, Central African Republic, Somalia, the Philippines, South Sudan and the Democratic Republic of the Congo) were transitioned to Save the Children International to form a joint operation with the existing offices in these countries.

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 2014, Save the Children Association comprised 26 members and 4 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 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 9,996,000 (2013: USD 6,882,000) were received by Save the Children International from 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:

	2014 Amounts receivable USD 000s	2014 Amounts payable USD 000s	2014 Net balance USD 000s	2013 Net balance USD 000s
Save the Children Association	249	—	249	(224)

b *Save the Children members*

During the period the following types of transactions took place between Save the Children International and members (primarily the 16 international programming members):

- i Grant income of USD 1,000,250,000 (2013: USD 763,034,000) was received from the members for international programming activities.
- ii Donated services of USD 3,007,000 (2013: USD 3,516,000) were received from members.
- iii Donated goods of USD 59,625,000 (2013: USD 80,047,000) were received from members.
- iv Members made contributions to Save the Children International of USD 32,000 for international programming reserves and committed a further USD 6,212,000.
- v Contributions to the charity's working capital of USD 34,839,000 (2013: USD 34,449,000) were made by, and are repayable to, members.
- vi Contributions to prefund two months' worth of country office expenditure upon transition to Save the Children International.
- vii Donations were received by Save the Children International on behalf of Save the Children members. The sums received are remitted to the relevant member.
- viii Certain balances passed from members to Save the Children International on transition. See note 15(a) for details.
- ix 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.

16 Related party transactions (continued)

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

	2014 Amounts receivable USD 000s	2014 Amounts payable USD 000s	2014 Net balance USD 000s	2013 Net balance USD 000s
Save the Children member organisation				
Australia	685	(3,855)	(3,170)	(6,080)
Brazil	2	—	2	2
Canada	4,637	(5,300)	(663)	2,694
Denmark	6,443	(4,968)	1,475	1,287
Finland	1,421	(922)	499	(572)
Germany	146	—	146	(12)
Hong Kong	—	—	—	7
India	5	—	5	4
Italy	933	(3,076)	(2,143)	(76)
Japan	1,173	(377)	796	228
Korea	1,554	(526)	1,028	(52)
Mexico	28	—	28	28
Netherlands	—	(2,033)	(2,033)	(3,964)
New Zealand	335	(428)	(93)	266
Norway	7,647	(9,440)	(1,793)	(5,914)
Spain	3,124	(1,408)	1,716	1,629
South Africa	64	—	64	—
Sweden	10,139	(14,538)	(4,399)	129
Switzerland	960	(569)	391	(476)
United Kingdom	43,128	(47,188)	(4,060)	6,359
United States	32,460	(44,818)	(12,358)	(8,508)
	114,884	(139,446)	(24,562)	(13,021)

c Board of trustees

The charity contracted for travel services from EasyJet PLC during 2014, one of whose directors is Adèle Anderson, who was appointed as a trustee of Save the Children International on 1 January 2013.

17 Post-balance sheet events

Save the Children International took on the responsibility for programme delivery in Guatemala from 1 February 2015.

The operations of Merlin in Myanmar were transferred to Save the Children International on 1 January 2015.

18 Contingent assets

	2014 International programming reserve commitments (a) USD 000s	2014 International programming closure indemnity (b) USD 000s	2014 Total contingent assets USD 000s	2013 Total contingent assets USD 000s
Save the Children member organisation				
Australia	—	685	685	596
Canada	—	538	538	554
Denmark	—	1,073	1,073	510
Finland	—	118	118	125
Italy	—	524	524	462
Japan	—	159	159	164
Korea	—	214	214	236
Netherlands	—	314	314	554
New Zealand	—	41	41	20
Norway	—	1,176	1,176	1,377
Spain	—	153	153	242
Sweden	—	1,593	1,593	1,889
United Kingdom	3,112	5,722	8,834	9,324
United States	3,100	7,690	10,790	10,159
	6,212	20,000	26,212	26,212

- (a) Members have made cash contributions of USD 8,169,000 to enable Save the Children International to meet its requirements to hold free reserves in accordance with the reserves policy agreed by the trustees. In addition, members have provided a further USD 6,212,000 during 2014 in the form of standby letters of credit, which give the charity unconditional and irrevocable access on demand to funds in the event of the use of reserves being required (see note 13).
- (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. The 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 the 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.

“Our focus remains increasing our impact for children, not just reaching ever-greater numbers of children. Working as one Save the Children, we’re focusing on quality interventions – driving and delivering long-term, sustainable change that transforms children’s lives for the better. We’re innovating, scaling up what works, advocating for children and working in partnership with others to achieve this.”

Charles Perrin

Chair

Save the Children International

Save the Children International

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