

**Save the Children
International**

Trustees' report,
strategic report and
financial statements for

2017



Contents

- 3 Who we are
- 4 Reflections from our leadership
- 5 Our global impact
- 7 Our global strategy: Ambition for Children 2030
- 11 Risk management and internal control
- 19 Our people
- 21 Financial performance
- 23 Structure, governance and management
- 26 Administrative details
- 27 Independent auditor's report to the members of Save the Children International
- 29 Financial statements

Save the Children International Trustees' report, strategic report and financial statements for 2017

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 2017.

Who we are

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 is the leading independent organisation for children. For nearly 100 years, we've worked to ensure all children realise their rights.

Over the next 15 years, our ambition is to ensure that:

- **no child dies from preventable causes before their fifth birthday;**
- **all children learn from a quality basic education;**
- **violence against children will no longer be tolerated.**

To achieve these breakthroughs, we are focused on reaching the most marginalised and deprived children to ensure no child is left behind on the progress made by the rest of the world.

Save the Children comprises 28 members (27 full members and one associate member*) as well as Save the Children International. All members of Save the Children, with combined income of over \$2 billion, are working to deliver a shared ambition that all children survive, learn and are protected.

* 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.

Reflections from our leadership

On 24 January 2018 four Save the Children members of staff were brutally killed when a deliberate attack was carried out on our office in Jalalabad, Afghanistan. Attacks against aid workers must never be tolerated and we condemn this attack in the strongest possible terms.

Our work in Afghanistan helps bring learning opportunities to children across the country. We run programmes to provide healthcare, to reduce the impact of disasters, and to protect boys and girls from suffering violence. In 2017 alone, our dedicated staff in country and region reached over 1.5 million children.

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

Despite 2017 being another year for children suffering in humanitarian crises fuelled by war, persecution and drought, we helped over 49 million children around the world by providing opportunities to learn, grow, develop and be protected. Our teams have been on the frontline of many of the crises, delivering lifesaving aid and education to make a real difference for these children. Our work in the Horn of Africa helped hold off famine in communities ravaged by drought, and our team in Cox's Bazar scaled up rapidly when Rohingya children poured across the border.

Our continued work to improve learning opportunities for all children, to reduce the number of children dying before the age of five, and to challenge the idea that violence against children in any form is acceptable has led to some groundbreaking policy changes at the national level. For example, we saw an increase in the health budget in Tanzania for maternal and newborn health, the Chinese government made a commitment to inclusive education for people with disabilities, and in Nepal, the act of banishing women from their homes after childbirth was made illegal.

We also took our voice to world leaders, advocating for girls and refugees to have the same opportunities as others. We urged leaders to end the practice of child marriage in West and Central Africa, and to ensure all children caught up in conflict continue to learn.

However, at the time of writing this report – early 2018 – our sector has been responding to troubling reports of misconduct affecting both the communities we help and staff. As a result, we cannot celebrate the great impact and growth that we made in 2017 without acknowledging that we need to do more to protect children, our staff and regain trust with our supporters.

We know that the places we work in, affected by conflict, poverty and disasters, are challenging and that the children we work with are especially vulnerable to abuse, but this is no excuse. Our sector must learn from these past failings and do better to install a culture of zero tolerance to abuse, misconduct, corruption and harassment. We can only do our work effectively if we enjoy the trust and respect of the children and communities we serve, and if our staff feel safe coming to work.

While we have commissioned a number of reviews to ensure our systems are set up to protect staff and the children we work with, this report highlights the work that we have already been doing to address these issues head on. Improving our internal controls has been embedded within our strategy for a number of years and in this report, we share the progress we have made on safeguarding children (page 16) and reducing fraud (page 17). We are committed to working with others in the aid sector, donors and international institutions to stamp out abuse of any kind.

Next year we will be marking our Centenary, when we will be celebrating how much the world has changed for children since our founding 100 years ago. In doing so, we will mobilise our supporters and world leaders to help us deliver three commitments for children; to end pneumonia as a leading killer of children, to protect children in conflict, and to ensure learning starts early in a child's life. We believe these commitments will catalyse progress the world must make for our next generation.



Helle Thorning-Schmidt
CEO, Save the Children International

Our global impact

In 2017, Save the Children

- directly reached **49 million children** through our work and the work of our partners
- responded to **121 emergencies across 61 countries**
- contributed to **17 significant policy changes** in different countries, regions and internationally to secure the rights of children.

Our global impact, as outlined above and below, was achieved through the combined efforts of Save the Children members and Save the Children International.

Ensuring all children survive...

Almost half – 46% – of children who die before their fifth birthday are less than 28 days old. About half of all those newborn deaths occur on the day of birth. Each year, 2.7 million newborns die, 2.6 million babies are stillborn, and 303,000 women die due to complications related to pregnancy or childbirth.

In 2017, we reached 13.6 million people – women, babies and men – through our work on maternal, newborn and reproductive health. We worked in 34 countries supporting women and babies before and during pregnancy, during and after birth and in the first 28 days of life, with our greatest reach in East and Southern Africa and South Central Asia. We also provided special care for premature and sick babies to help them survive.

In Nigeria, we are working in two states which have some of the highest stunting levels in the world caused by malnutrition in childhood. We provided 90,000 women with regular cash transfers during the critical first 1,000 days of their child's life – from pregnancy to a child's second birthday – together with nutrition advice and support. Since our work began two years ago, 70% of women in the communities in which we work now exclusively breastfeed their children in the first six months. While reductions in stunting can take many years to achieve, we are already seeing evidence of progress in these communities.

In Bangladesh, our work with the government helped secure significant increase in the health budget, of which nearly 40% is dedicated to children.

Our full range of health and nutrition programmes directly reached 33 million children around the world in 2017.

... learn ...

Save the Children is helping to create a world where all children fulfil their right to learn from a quality basic education. We work across the world to help children develop the foundational skills they need to learn, so that they feel ready and equipped as they start school. In Bhutan, our early learning programmes have led to the Ministry of Education reforming their national early learning system. This included establishing early learning centres in every district in the country, and training over 400 early learning facilitators in the process. In Bolivia, Guatemala and Cambodia, we have been successful in influencing the government so that more resources are allocated to children's education.

We believe that no child's learning should stop because they are caught up in a crisis. In Egypt and South Sudan, we piloted a programme that focuses on protecting children's wellbeing so that they can learn in crisis situations, reaching over 2,000 refugee children.

Our full range of education programmes directly reached nearly 10 million children around the world in 2017.

... and are protected.

Save the Children works to ensure that violence against children is no longer tolerated. We work with governments, communities, families and children to put in place laws, policies and services to support children, and promote social norm and attitude changes. We work to prevent and respond to all forms of abuse, neglect, exploitation and violence affecting children.

In 2017, Save the Children continued to address child marriage as a practice that has a harmful impact on children and their futures. In Nepal, our programmes helped reduce the prevalence of child marriage from 33% to 27% in the places where we work. In Bangladesh, El Salvador, Guatemala and Malawi, Save the Children successfully contributed to legal changes which will prohibit child marriage.

We also support children around the world to take action and influence policies. In Mozambique, we helped children raise a recommendation through the Children's Parliament for an approved list of Dangerous Work for Children, as a way to reinforce actions that prevent child labour.

Our teams are protecting children in humanitarian crises, including setting up Child Friendly Spaces, which give children a safe space to play, learn and receive psychosocial support. In response to the Rohingya refugee crisis in Bangladesh, we provided Child Friendly Spaces for over 30,000 children.

Our full range of child protection work directly reached nearly 3 million children around the world in 2017.

Reaching children in crisis

2017 was a significant year for reaching children in crisis, with our humanitarian work making up approximately half of the total programmatic spend globally across Save the Children. In 2017 we responded to 121 emergencies in 61 countries, reaching over 8.5 million children in total. We not only responded to life-saving urgent needs like food, water and shelter, but also provided longer-term solutions to children's needs including increased access to education, restoring livelihoods through cash transfer interventions, and protecting children in conflict.

2017 was a demanding year for large-scale emergencies with the declaration of two category 1 humanitarian responses in the Horn of Africa and Bangladesh. At the start of 2017, 12 million people were in need of humanitarian assistance following the effects of consecutive failed rains across Kenya, Ethiopia and Somalia.

Our Horn of Africa response enabled over four million people to survive the harmful effects of the drought and has helped avert famine in many areas across the region. We also ensured children's education was not interrupted and provided safe environments for them to learn, play and receive psycho-social support.

Last year also saw the largest refugee influx since the Rwanda genocide, with over 671,000 Rohingya men, women and children arriving in Cox's Bazar following a brutal military crackdown in Myanmar's Rakhine State. In the space of a few months, Save the Children was running one of the largest operations amongst the INGOs, reaching approximately 60% of the affected population across seven sectors. Our response recruited over 1,000 staff and volunteers working across health, nutrition, learning, child protection, water and sanitation, as well as food and shelter, reaching over 600,000 people including 350,000 children.

Campaigning for Every Last Child

The world has made tremendous progress in the fight against poverty – the number of children dying from preventable causes and who are out of school has halved in a generation. However, millions of children are still being left behind because of who they are or where they are from.

Within the Sustainable Development Goals, that the world agreed to achieve by 2030, is the pledge to leave no one behind. Our global campaign – Every Last Child – launched in 2016 embodies this pledge by focusing on the most deprived and marginalised children first.

Since the launch of our campaign, we have campaigned for and with excluded children in over 70 countries. We have contributed to political and policy commitments at the national level, influenced the agenda at international high-level forums, and increased our focus on mobilising the public and campaigning with children.

In 2017, we put refugee education on the agenda at the Uganda Solidarity Summit, where we co-hosted an event with the First Lady and Education Minister. In Malawi, El Salvador and Guatemala, we contributed to changes in the legal age of marriage. We also hosted the first ever High-Level Meeting on Ending Child Marriage in West and Central Africa, together with eight other organisations, where representatives from 19 countries made commitments to end child marriage. We worked with the Chinese government to help children with disabilities attend school. And we mobilised over 300,000 children and adults globally through our campaign.

Our Global Strategy: Ambition for Children 2030

In 2016 Save the Children launched a 15 year global strategy to ensure that by 2030:

- No child dies from preventable causes before their fifth birthday
- All children learn from a quality basic education
- Violence against children is no longer tolerated.

To achieve this, we are focusing on reaching the most deprived and marginalised children.

The first phase of this strategy is represented by **our strategic plan 2016–2018** (summarised below). This is the first time all Save the Children members, along with Save the Children International, have agreed a shared strategic goal. The strategy is being implemented across Save the Children. Save the Children International is responsible for driving key initiatives in its role to deliver international programmes and coordinate a global campaign on behalf of the wider organisation.

Our strategic plan will be implemented through a number of global work streams outlined below...

OUR STRATEGIC PLAN 2016–2018

Our strategic plan is being implemented through nine global workstreams as outlined below:

SURVIVE

No child dies from preventable causes before their fifth birthday.

LEARN

All children learn from a quality basic education.

BE PROTECTED

Violence against children is no longer tolerated.

Achieve results at scale

- 1 Increase thematic focus**
Integrate the different areas of our work and improve the quality to inspire all three breakthroughs
- 2 Build humanitarian capability**
Strengthen our ability to respond to humanitarian crises and reach the children who most need our support

Maximise use of our knowledge

- 3 Develop global knowledge culture, capacity and systems**
Share and use knowledge of what works for children to improve the quality of our impact.

A movement of millions

- 4 Build advocacy and campaigning capability**
We will become a global voice through our new campaign on children left behind and build our advocacy and campaigning capacity in strategically important countries.
- 5 Roll out global brand**
Increase our supporters to 2.5 million by building our global brand and digital presence.
- 6 Drive stronger, more diversified funding**
Diversify our funding portfolio, with more income coming from Middle Income Countries, and a better balance of unrestricted funding,* which allows us the flexibility to react to where children's needs are greatest.

Be truly global

- 7 Build a high performing organisation**
Be efficient and streamlined as an organisation by saving on unnecessary costs and increasing our effectiveness.
- 8 Build capable and diverse leaders and invest in our people**
Attract and retain talented staff recognising our people are our greatest asset.
- 9 Develop truly global culture, structure and governance**
Increase our level of accountability and collaboration so we work better together for children.

* **Unrestricted funding:** money that is used where it is most needed. We are committed to meeting our donor promise, which means ensuring donations and gifts are given to the areas/region specified by our supporters. However, in some cases this means we experience shortfalls in funding sudden important priorities, for example getting money to the field immediately when a disaster hits, or addressing child rights violations in geographies with little donor interest.

Implementing our strategic plan – what changed in 2017?

In 2017, we – Save the Children International – said we would sharpen our focus within our global strategy by directing the majority of our efforts and resources towards delivering three global priorities. These are:

- Increasing quality of our programmes and campaigning with a focus on impact for the most deprived;
- Growing our income with a focus on unrestricted income;
- Improving our efficiency and effectiveness with a focus on better management of costs and risk, leading to improved country office operations.

While our work across the nine workstreams has continued, identifying these three priorities has focused us on creating strong foundations across our global organisation by 2018. The majority of the work outlined below is carried out by Save the Children International through key projects funded by members through the Strategic Investment fund.

Our key achievements

Increasing quality and impact

By the end of 2017, Save the Children had identified and endorsed 10 programmes that represent our highest quality with the greatest impact for children. These programmes come with a body of evidence (both internally and externally) that they work, we have years of experience and expertise in delivering them, and they are flexible and adaptable to be applied in different countries and contexts. They are known as our ‘common approaches’ and more of our countries will be able to use these programmes to address problems that children face so that we can deliver our best work, everywhere.

In terms of our humanitarian work, in 2017, independent audits were conducted to assess our performance against the Core Humanitarian Standard. This is a set of nine commitments that organisations can use to improve the quality and effectiveness of the assistance they provide in a humanitarian response. The findings confirmed that Save the Children has well-developed systems, monitoring, reporting and feedback processes in place, and that policies and strategies demonstrate a very strong commitment to coordination.

At the same time, we identified a number of priority areas for improvement, addressing specific weaknesses around data protection, managing any unintended negative impact on the environment, and in relation to consultation, learning and partnerships. This year, we also agreed a new approach to how we manage deployments in emergencies – our humanitarian surge model – so that we can improve the quality, responsiveness and affordability of our responses. This will be built and tested in 2018.

We made good progress on our Every Last Child global campaign, including hosting a High Level Meeting to End Child Marriage in Senegal and helping to put refugee education on the agenda at the Uganda Solidarity Summit. We have created smarter strategies and contributed to a long list of political and policy commitments nationally, including raising the legal age of marriage and banning physical punishment on children. We increased our focus on mobilization and empowerment of national citizens, as well as strengthened our engagement with children and adolescents, putting them front and centre as agents of change nationally and globally.

Growing our income

Diversifying and growing our income is a central part of our global strategy. In order to reach the most deprived and marginalised children, we need to have flexibility over our funds so that we can direct our resources to the places and people most in need. In 2017, unrestricted income was our fastest growing source of funding, leading to increased income projections for 2018. This was in part due to our fast growing markets, particularly in Europe, who have seen their investment in face-to-face fundraising, digital marketing and lead generation result in more supporters. Save the Children International – through our member growth team – established a fundraising hub in 2016 to support these and other members in building their supporter base and growing their unrestricted income. As part of this work, nineteen of our members have also agreed to deliver ‘accelerator plans’ and increased investment to drive forward their unrestricted funds.

Our Global Creative Content Unit, which was also established in 2016, delivered a total of 10 global fundraising packages in 2017, including content for global emergency responses. These fundraising packages are created for all our members to use for effective donor engagement and mass market fundraising. This has been a key driver in taking steps to turn around our institutional funding portfolio by focusing on digital presence and supporter engagement.

Improving efficiency and effectiveness

At the end of 2017, the majority of our projects to become a high performing organisation were on track. This includes bringing high quality internet connection to more than 10,000 of our staff across 400 field offices, and improving how we report time and costs on all our projects. This will be both more efficient and ensure compliance with donor requirements. On top of this, we strengthened the way we source, purchase and distribute our lifesaving products, reducing the risk of fraud and leading to an annualized saving of \$6m. On the operations front in 2017, we increased the proportion of country offices meeting their operational targets from 14% to 36% (against a target of 50%). And a majority (57%) of country offices were meeting more than 70% of performance indicators by the end of the year – a year in which we also responded to 121 emergencies, including Category 1 responses in the Horn of Africa and the Rohingya Crisis.

In 2017, the Treasury Unit focused closely on improving use of the new Treasury Management System. This led to an increase in the number of bank accounts across Save the Children International being reported into the Treasury Management System to over 90% of cashbook balances, which in turn allowed improved country office liquidity control and improved control over local foreign exchange exposures.

Last year, we also focused more sharply on our people initiatives to improve stability particularly in country leadership. A comprehensive country director onboarding process was established, as well as a talent management system for country office leadership. In 2017, the turnover of our country directors fell from 36% to 2%, the length of service of country leadership increased from 1.8 years to 2.3 years, and percentage of new roles filled from within the organisation increased from 19% to 30%.

Key challenges

The nature of our work, where it is carried out and the scale of our operations inevitably present us with a range of challenges and risks. Three key areas of challenge to highlight are: increasing the value of our awards portfolio; optimising our impact; and strengthening systems and controls across our operations.

Despite our overall income growth year on year, we saw a decrease in the number of high-value institutional awards secured in 2016. This led us to sharpen our focus on prioritizing the quality of our programmes in order to improve our competitiveness and continuing to explore ways to reduce, avoid or eliminate costs by unlocking the efficiencies we can create through our global scale.

While our work on common approaches – our best work for children – is an important step in increasing the quality and impact of our work, we need a major lift in how we approach research, evidence and learning, with a focus on value for money and impact at scale. We have not adequately resourced key advocacy, campaigning and media posts, or brought programs and advocacy together in ways that drive impact on a much greater scale. These gaps and opportunities will be addressed as we build the next phase of our strategic plan for 2019–2021.

A key reason for the creation of SCI originally was to provide a single platform for the delivery of the international programmes of all Save the Children member organisations. By definition, that has required (and continues to require) significant investment in establishing strong, uniform systems and controls across all aspects of our operations where previously these had not existed. Although progress has been made, we are not complacent about what still remains to be achieved. In order to assist the Trustees in their review of the current status of systems and controls, Sir Anthony Salz was asked by the Trustees in June 2017 to lead an external panel review of Save the Children International's control environment. Sir Anthony's scope was to include the areas of control in relation to fraud and other risks to programming in the challenging parts of the world where SCI operates. In early 2018, the scope of the review was widened to include a review of the safeguarding of staff, especially with respect to sexual harassment. Sir Anthony's review is due to be completed by July 2018.

Realising our goals in 2018

To improve the quality and impact of our work, Save the Children International is focusing our efforts on ensuring that our best practice evidence-based work – our common approaches – are implemented in more countries and members where they are relevant. We are also working across Save the Children to develop a global results framework which will enable our whole organisation to track how our day-to-day work leads to impact for children at the global level. This framework, and the data that it will produce, will allow us to make informed decisions and hold ourselves to account on the promises we have made for children.

Adding to the core projects that are enabling us to become more efficient and effective, we will deploy a new HR information system in 2018 for Save the Children International. This will make it easier to manage our people, support their careers and recruit the right talent across the organisation. We are continuing to develop procurement systems and embed new procurement processes in Save the Children International country offices that bring considerable cost savings, at the same time helping to avoid future costs and reduce risk.

We are continuing our focus on tightening our internal controls to reduce the risk of fraud and child-safeguarding incidents. This is also being widened to a renewed focus on workplace conduct, so that harassment of staff is no longer accepted or unreported.

In 2018 we'll continue to accelerate efforts to help members grow their unrestricted income by developing members' fundraising capability with needed analysis in both unrestricted and restricted funding, better practice sharing and skills building provided by our Global Fundraising Hub. We will also support member efforts to increase brand and fundraising in key markets, while taking a focused approach to strengthening our digital capability and coherence globally.

Planning for 2019–21 and our centenary

In 2019, Save the Children will be 100 years old and we are laying the groundwork for our next three-year plan and a successful centenary. In 2019–21 we will focus our efforts on achieving impact in countries where there is a high need to achieve our breakthroughs, and a high potential for change in the next few years.

We aim to use our centenary to engage millions more people in our cause and grow our global reputation, impact and influence so we can accelerate progress for children. We will use the moment to commit to tackling three major challenges facing children in today's world that prevent our breakthroughs for children from being achieved. These are tackling childhood pneumonia, delivering early learning, and a new campaign focus on protecting children in conflict. We will drive a collective focus across members and Save the Children International to accelerate impact in these areas for the most deprived children.

Risk management and internal control

Risk management in Save the Children International: our strategic approach

Save the Children International considers a fit for purpose risk management framework in line with best industry practices to be a key part of its operational requirements. This assists us in meeting our obligation to use the funding we receive efficiently and effectively in the face of the challenges we are confronting on a daily basis as a result of working in difficult, complex and unstable environments.

Save the Children International uses a 'three lines of defense' approach to risk management. The first line of defense is the design and day-to-day operations of our business processes, with our business line taking ownership of the risks related to those operations, ensuring compliance with policies and procedures. The second line comprises real time management oversight with the help of specialist risk management functions. The third line is our Global Assurance function. This approach is explained in more detail on page 18.

Risk appetite

The trustees recognise that in order to achieve our objectives, in often hostile or unstable environments, we must accept some risks that are outside our control, even after sensible mitigation. The Board of Trustees, through its Audit & Risk Committee, has embarked on a program to update its Risk Appetite and ensure it remains aligned with our Strategy. This will provide the organisation with a frame of reference and guidance for staff, especially, but not limited to, our country offices where the bulk of our risks are located. The guidelines set out what Save the Children International considers to be unacceptable outcomes of activities (e.g. directly harming children and communities or having resources diverted to proscribed groups), as well as factors that modify our risk appetite downwards (for example where our work will have limited impact) or upwards (such as life-saving operations).

Reputational risk exposure

Trust is the foundational condition for Save the Children International to be able to operate as it drives the acceptance of our presence in communities, and the willingness of individual and institutional donors to work with us.

Save the Children International believes that the way to manage our reputational exposure is to constantly improve how we manage our key risks. Recent revelations of unacceptable incidents and organisational responses in the aid and development sector reinforces our belief that this is the right emphasis. We also work closely with our member organisations to ensure that systems and processes in our respective organisations are sufficiently strong to avoid risks materialising anywhere in the Save the Children Association that could cause reputational harm to other entities of this association by no fault of their own.

Identification of risks and their management – joint accountability with our members

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 while also protecting our staff, donor funds and reputation. Our work covers a broad spectrum from long-term development programmes through to emergency responses and advocacy. The contexts in which we work present many challenges to our strategic and programmatic objectives, including risks of an internal nature (under our control) and external (under limited or no control). We work closely with our members to identify and manage risk, reflecting our joint accountability and understanding that we share risks and their consequence. This work starts at the design phase of our programs, to ensure (child) safe programming, and takes into account lessons learned on fraud prevention, safety and security incidents, and how to prevent or at least mitigate those. It also takes into account the capacity of our partners, and where necessary, builds their capacity.

Risk monitoring and reporting

Risk is documented and managed at three primary levels of the organisation: in country offices, at regional offices and at the centre, representing different operational and strategic levels and priorities. Each operational unit is expected to identify and assess their own operational and strategic challenges (risks), take ownership and manage them appropriately. These are formally documented in country, regional and global risk management plans, as well as in award risk assessments that are specific to individual grants and are the joint responsibility of the country office and the member who has the relationship with the donor. Since 2015, Save the Children International has specified certain risks that all country offices are required to assess on a routine basis. These include our organisational responsibility to mitigate the risk of child safeguarding incidents; terrorism financing; fraud incidents; safety and security; and the compliance capacity of Save the Children and our partners. We consider managing and mitigating these to be instrumental to achieving our strategic and operational objectives.

Reports on these risks are collected from countries quarterly and assessed by the regional offices in their Regional Risk Committees. These were set up to support country offices and the country director in managing their key risks, acting at the same time in a supervisory capacity as well as the entity which assesses risks that affect more than one country office.

As part of the International Programs quarterly review, regional offices are in turn asked about their level of confidence in how the country offices are managing these risks and any additional risk management concerns they may have.

At the centre, the senior leadership team of Save the Children International formally identifies and discusses the key risks to the organisation's ability to achieve its objectives. Our senior leadership team delegate the day-to-day management of those risks while retaining the responsibility to manage those risks on behalf of the trustees. The trustees are ultimately accountable to the Charity Commission as regulator of Save the Children International.

The Chief Risk Officer works closely with his Senior Leadership Team colleagues and the delegated senior officers in testing the mitigation and risk ratings against recent developments, and jointly ratings are adjusted or updated as needed in response to incidents or other events affecting our understanding of the risk and the mitigation. This follows updates carried out throughout the reporting chain. Those risks, mitigations and ratings are in turn discussed with the board and the Audit and Risk Committee quarterly.

Trustee review of risks

The risk process in Save the Children International 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 challenge management's view of these risks. Save the Children recognises that individual incidents may not always be preventable, but is determined to reduce the likelihood of incidents occurring. We will do this by continuing to:

- Train, raise awareness, and sensitize staff, partners, vendors and other stakeholders to our policies, responsibilities and accountabilities;
- Pro-actively mitigate the likelihood and potential impact of any such risk materialising;
- Detect, report and react should any incident occur despite best efforts to avoid it;
- Learn from any incident and improve the training to raise awareness and increase mitigation to avoid a repetition;
- Assign ownership of specific risks, and where appropriate joint accountability to Save the Children International and members.

Major areas of risk for Save the Children International

Partner organisations	
Link to strategic and operational achievement	A significant part of our work is implemented through many local and some international partner organisations. We rely on them to deliver the work and, in doing so, to apply our standards so that we can meet our obligations to the children and communities we serve and to our donors.
What are we doing about it?	We carry out appropriate due diligence on our partners and put proper agreements in place with them, confirming our requirements and their obligations. They report regularly to us and we carry out checks where needed. We also assess and monitor the capability of our partners upfront and for each new award, supporting them as necessary by building their capacity, while developing our procedures and training our staff to do this well.

Proscribed groups	
Link to strategic and operational achievement	We aim to reach the most deprived and disadvantaged children, which means we sometimes need to work in areas where terrorist or other armed groups and criminal organisations are operating. These people can seize assets or try to extort money, disrupting our work, leading to breach of the law and/or our donor agreements and damaging our reputation.
What are we doing about it?	<p>We have policies and procedures and train our staff to handle these risks. We monitor the level of risk and avoid the most difficult areas where possible. Incidents are reported internally and externally and action taken in response with the involvement of senior management.</p> <p>We vet suppliers, staff, volunteers of all our countries and regions centrally at the centre against global and local databases and have also in place enhanced due diligence processes in the highest risk countries.</p>

Child safeguarding	
Link to strategic and operational achievement	Our mission is to ensure every child is protected. Our reputation could be significantly damaged if we fail to safeguard children in our work.
What are we doing about it?	We train staff on child safeguarding and have policies and procedures in place. We monitor this risk regularly, report and investigate incidents and take action where necessary. A team of child safeguarding specialists support our programme staff investigating difficult cases and spreading best practice.

Fraud or corruption	
Link to strategic and operational achievement	Fraud or corruption can lead to loss of funds, breaching the law and/or our donor agreements, undermining morale in the workplace, disrupting our work and damaging our reputation.
What are we doing about it?	We train staff on fraud and corruption and have policies and procedures in place. We monitor this risk regularly, report and investigate incidents using a global incident reporting system and take action where necessary. A team of counter-fraud specialists support our programme staff investigating difficult cases and spreading best practice. We have started analysis the incidents using root cause analysis and are starting to incorporate lessons learned in our fraud awareness training.

Safety and security	
Link to strategic and operational achievement	Safety and security failures can lead to death or injury, damage staff morale, lead to loss of assets, legal liability, reputational damage and disrupt our work.
What are we doing about it?	We train staff on safety and security and have policies and procedures in place. We monitor this risk regularly, report and investigate incidents and take action where necessary. A team of safety and security specialists support our programme staff investigating difficult cases and spreading best practice.

Legal or regulatory barriers to funding programmes	
Link to strategic and operational achievement	Reaching the most deprived and disadvantaged children sometimes means working in countries that are under sanctions or where our regular banking partners do not operate. This can seriously disrupt our work or could lead to us breaching the law, putting our reputation and relationships with donors at risk.
What are we doing about it?	Our Treasury and Legal teams work with our managers on the ground, with banks and other financial service providers, and with regulators to find solutions so we can continue to work within the law. Where we are unable to find solutions, we have to suspend our work.

Information security	
Link to strategic and operational achievement	Loss of sensitive information or damage to our data or systems could seriously disrupt our operations, damage our reputation and put us in breach of the law.
What are we doing about it?	We are training staff on core information security policies and practices and upgrading our IT procedures to identify and manage risks and report incidents. Specialist staff have been recruited to support these initiatives and embed best practice.

Political Risk	
Link to strategic and operational achievement	<p>There is a risk of not being perceived to be impartial when one member takes a political stance. This may damage our reputation and risk our acceptance and ability to work in certain operational environments.</p> <p>The Save the Children Association (SCA) is a network of member organisation, some of which implement internationally and through Save the Children International. Because we collectively operate in so many different social and political contexts, decisions made in one part of SCA can affect the view of our collective impartiality. This may have profound impact on other SCA parts both in terms of beneficiary acceptance and donor willingness to work with us.</p>
What are we doing about it?	<p>Save the Children International works closely with members and have several shared bodies and processes intended to reduce the risk of negative impact spreading from unilateral decision-making. While these processes have proven efficient in several cases, we also recognise the need to continue strengthening the collective sense of responsibility between and among the entities of SCA.</p>

Global Corporate Partnerships	
Link to strategic and operational achievement	<p>We have among our large corporate sponsors some global companies in higher risk sectors such as pharmaceuticals and other consumer products who may experience negative media news because of certain corporate actions or product liability related litigation which in turn may cause reputational risk to us because of our public association with them.</p>
What are we doing about it?	<p>We have created a global donation acceptance assessment process in which representatives across SCA carry out extensive due diligence on proposed global corporate partners and a rigorous review of each relationship at least annually or more frequently if significant new risk is identified. This process involve key stakeholders across SCA. We put proper agreements in place with these global companies, confirming our requirements and their obligations and impose additional reporting requirements if deemed appropriate to reduce any reputation risk by being associated with them.</p>

Incidents occurring at member organizations	
Link to strategic and operational achievement	<p>Incidents at members may damage our reputation. As a networked alliance of entities sharing the same vision, strategy, and brand, Save the Children International is exposed to risks generated by events and incidents in other parts of the Association.</p>
What are we doing about it?	<p>Recent events have emphasised the importance of continuing working on improvements across SCA and together, rather than only in isolated parts. SCA continues to strengthen its own internal controls and reporting processes, as well as working with members organisations to improve together.</p>

Child safeguarding

Save the Children has a zero-tolerance policy towards the abuse and exploitation of children by our staff, partners and representatives. We are similarly committed to preventing any unintended harm to children caused either directly or indirectly by our activities. Child Safeguarding is not always easy, as we work in some of the world's most fragile contexts where public systems are weak or non-existent. However, we are committed to enforcing the most comprehensive measures possible to protect all children who come into contact with our staff and partners.

Save the Children International has a global child safeguarding policy, which outlines and requires the following:

- Save the Children aims to be a child safe organisation.
- Everyone associated with Save the Children must be made aware of the problem and risks of child abuse and sexual exploitation for children.
- Save the Children to recruit only representatives who are suited to work with children and to apply strict child safe recruitment practices.
- Everyone associated with the organisation must sign the Code of Conduct, read the Child Safeguarding Policy and attend Child Safeguarding training.
- Anyone who represents our organisation behaves appropriately towards children and never abuses the position of trust that comes with being a member of the Save the Children family. This applies to both the private and professional lives of all staff and representatives.
- Everyone who represents the organisation must actively create a safe environment for children who come into contact with the organisation.
- All activities and programmes of work including during the response to humanitarian emergencies are assessed for risks to children and these risks are reduced or mitigated by all means within our control.
- Save the Children International's central, regional and country offices establish and maintain robust systems which promote awareness of Child Safeguarding, enable the prevention of harm, and facilitate the reporting of and responding to safeguarding concerns.

In 2017, we completed an external independent audit for all Save the Children International's countries and regions. Following this external audit, we have taken significant steps to strengthen child safeguarding procedures and management across Save the Children International. We have embedded 94% of identified improvements around recruitment, training and reporting across all country and regional offices. These steps include:

Selection: Delivering safe recruiting which includes embedding strong child safeguarding messages in advertisements, rigorous child safeguarding questions at interviews, followed by strong formal and informal vetting.

Resources: Appointing extra staff to re-inforce child safeguarding measures and train staff in how to report any concerns. Child safeguarding focal points are embedded in each country, in programme design, with partners and within projects. We are building a strong network of approximately 120 child safeguarding focal points.

Training: All our employees are required to undergo child safeguarding training in week one followed by a face to face training within the first 90 days, so they know how to spot and raise all concerns and are aware of expected behaviour.

Programme design: Embedding child safeguarding in our programming work from design and proposal stage to close out including the development of safe programming guidelines and training modules.

Technology: We will implement across Save the Children International a system where reporting violations is anonymous and simple. This will allow us to respond and take prompt action.

Community: Working with the children and families in our programmes to ensure they know how to identify and report violations.

Save the Children recognises that our child safeguarding monitoring and reporting systems have historically understated the incidence of safeguarding breaches. Save the Children's child safeguarding incidents include any incident where a child may be injured or harmed. This includes issues of physical, sexual, or emotional abuse and accidents where a child is endangered, such as road accidents.

In recent years, we have significantly strengthened those systems, and are actively tackling under-reporting. As a result, we have seen a notable increase in the number of cases reported from 2011 to 2017. We view the increase in reported child safeguarding concerns as an encouraging indication that our efforts to raise awareness internally of the problem of abuse, and to improve reporting are succeeding. In this way, we are sending a strong message to anyone who seeks to act inappropriately that their behaviour will not be tolerated.

Number of child safeguarding concerns reported 2011 – 2017	
2011	3
2012	3
2013	31
2014	63
2015	80
2016	193
2017	210

Incidents and actions 2017

Of the 210 reported child safeguarding incidents in 2017, 195 cases have now been closed and 15 are still being investigated. Of the 195 closed cases, 53 related to child safeguarding concerns about children participating in one of our programmes or within the communities we work and did not involve Save the Children or partner staff.

Of the 142 incidents involving Save the Children or partner staff;

- 85 were proven to be child safeguarding violations. The others were proven false or disproven due to insufficient or unclear evidence;
- 48 of the proven cases involved Save the Children staff;
- 34 cases led to dismissals and 14 in other remedial actions, such as formal warnings or trainings;
- 11 were reported to the local authorities.

Regarding the 37 proven cases involving our partners, 27 resulted in dismissals and 10 in remedial actions.

As part of its zero tolerance policies and commitment to child safeguarding, Save the Children worked closely with its partners in each of these cases to ensure the safeguarding concerns were handled effectively.

Fraud, bribery and corruption

Preventing, detecting, investigating and responding to fraud, bribery, corruption and theft continues to be one of Save the Children International's operational priorities. We have zero tolerance of these practices and take any allegation of such behaviour seriously. Our fraud management team tackles fraud through delivering fraud awareness training to all staff, investigating allegations of fraud, bribery and corruption and using lessons learned to mitigate against future incidents. We engage with the UK Charity Commission, USAID's Office of the Inspector General and other peer implementing partners, donors and law enforcement agencies to ensure that our approaches reflect best practice.

At the time of the last Trustees' Report, the Senior Leadership Team had directed a reassessment of the fraud strategy and resourcing at Save the Children International. This was conducted by an external consultant with Senior Leadership Team sponsorship and the agreement of Members. As a result, we undertook a re-skilling and resourcing process in addition to delivery under this revised strategy.

In 2017, the Fraud Management team met in Nairobi to agree on this strategy for the immediate future, which involved systemizing methodologies and approaches for fraud investigation and case management. An Investigation Methodology was produced for the immediate Fraud Management team and for in-country Fraud Focal Points to ensure consistency in approach, delivery and quality. A triage process was developed for application to all incoming allegations to ensure the team resource and deliver the appropriate responses to fraud reports. A new incident reporting and case management system, Datix, was launched in July. Moving away from more manual and email based approaches, Datix is now the primary mechanism staff can use to report suspicions or allegations of corrupt practices. Datix also facilitated the migration of offline case records to a centrally held database of all reported fraud incidents, including live and closed investigations. The system provides dynamic statistical data that the team share with key stakeholders.

Incidents and actions 2017

We received 408 reports of fraud, bribery, corruption and theft in 2017, a 6% decrease from 432 in 2016.

The triage process allowed us to filter reports which did not merit investigation due to either being a non-fraud issue or lacking sufficient information to proceed. In total, 394 cases from 2017 were investigated. 135 of these are still under investigation, 31 await final approval before closure and 228 cases are closed. It would have been difficult for us to provide the same breakdown of classification from 2016 as we have only captured this in its current format during 2017.

We noted an increase in the rate of incident reporting in the quarter immediately following the rollout of Datix as a reporting resource and believe that this rate represents a new normalised level of reporting of suspicions and allegations.

Global assurance

The purpose of Global Assurance is to provide the Chief Executive and the Board of Trustees, through the Audit and Risk Committee, with an independent and objective assessment of the risk, control and governance arrangements in place at Save the Children International (SCI). Global Assurance is not a replacement for management. Its work is based on an assessment of risk in mission-critical areas of business, and on sampling testing; the assurance is therefore not absolute.

SCI operates using the 'Three Lines of Defence' model as follows:

- The **first line** of defence is provided by operational controls and a risk management framework which are integrated into the daily standard processes of our various activities.
- The **second line** of defence is management oversight of the operation of controls. This includes specialist functions set up to support the control environment, including risk management, child safeguarding, counter fraud and local internal control functions.
- The **third line** of defence is the Global Assurance function. Its role is to provide independent assurance over both the adequacy and effectiveness with which the first two lines of defence have been designed and are operating.

The Global Assurance function is based across three international 'hubs' – London, Nairobi and Manila. We audit at least every two years country offices assessed as critical or high risk, whilst other country offices are audited based on an assessment of risk. Audits are also undertaken of humanitarian responses, of regional offices and of specific functional departments.

In the annual planning process, critical quantitative and qualitative information from across the organisation is collated and processed through an assessment tool in order to prioritise areas of focus for audits based on a range of factors. The plan is risk based and aims at ensuring that our mission-critical financial and operational controls are designed and operating efficiently and effectively.

Global Assurance is overseen by the Audit and Risk Committee, which assesses the function's performance, guarantees its independence, approves its strategies and work plan, and receives 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.

Our people

Diversity and equality

Save the Children believes that it is critical to directly address discrimination and promote equality in order to ensure that no harm comes to children, and to advance our vision for a world where every child attains their equal right to survival, protection, development, and participation. Save the Children seeks to advance equality in all aspects of our work and across our organisation, starting with our staff.

Save the Children international has policies and procedures to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, ethnic origin, disability, age, class, colour, HIV and AIDS status, personal circumstances, sexual orientation, or any other unjustifiable grounds.

All employees and volunteers, whether part time, full time or temporary, are treated fairly and equally. Selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability. All employees are helped and encouraged to develop their full potential, and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

Reporting on gender pay

Save the Children International reports on gender pay in accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our figures represent all UK employees of Save the Children International and any International employees who report to and are paid through the London office.

It should be noted that Save the Children International does not pay bonuses. In 2017, Save the Children International identified a gender pay gap of 18.8%. This rate is calculated by adding the hourly rates for all men, divided by the number of men, and comparing the same calculation for women.

This gender gap is similar to other social sector organisations, and in line with the average reported gender pay gap for the UK (19%). However, we believe that this is not acceptable and want to ensure we are doing whatever we can to minimise this gap.

During 2017, we implemented a range of new global reward policies linked to a robust approval process equity of practice within our reward framework in the UK. Pay decisions take into account many factors including gender and equity and pay ranges are transparent and published internally. Job Evaluation Panels reflect a gender mix, and the gender of any post holder is not shared during the evaluation. Our recruitment policy and practices have been refreshed so that wherever possible, we have gender balance when shortlisting and on interview panels.

Looking ahead for 2018 and beyond, Save the Children International is committed to:

- Ensuring our jobs adverts have gender-neutral language and are advertised with flexible working options where possible.
- Recruiting through a variety of channels and consider non-traditional sources, actively encouraging people from all groups to apply.
- Reviewing our Flexible-Working Policy to increase options.
- Conducting an equal pay audit.
- Auditing a sample of recruitments to ensure the panel, shortlists and appointments were gender balanced.
- Ensuring the new on-line talent management approach for leadership positions has a check for gender bias.

Staff code of conduct

Save the Children and other NGOs have recently come under intense scrutiny for sexual harassment and bullying in the workplace. We welcome transparency and accountability in the international development and humanitarian sector.

During 2017, we received 31 allegations of sexual harassment over the last year and referred ten cases to authorities. In the past year, 16 staff members were dismissed over reports of sexual harassment.

In 2017, we strengthened our global anti-harassment policy and are now working on embedding this policy to ensure all staff know how to report and feel safe doing so. We have developed an action plan to combat sexual harassment and bullying within our organisation. This plan includes practical actions and standards to enable an environment of respect and dignity in the following areas:

- Building awareness by communicating our standards;
- Developing clear reporting guidelines and channels;
- Improving our response mechanism to act in the best interest of colleagues.

In addition to this work, the SCA Board initiated a review to examine all reports exposed in the media at the start of 2018, and to look at our current culture, processes and standards around sexual harassment and behaviour in the workplace. The intention of the review is to identify practical steps that we can take to ensure that we create a zero-tolerance culture of sexual harassment and bullying, where all allegations are investigated fairly and effectively anywhere in the organisation.

Financial performance

In 2017, Save the Children International income of \$1,277 million represented a growth rate of 5%. Almost all income is received directly from Save the Children members and this is analysed in note 2a to the accounts.

Our expenditure was \$1,282 million compared to \$1,244 million in 2016, representing an increase of \$38 million (3%). An analysis of expenditure by programmatic theme and geographic location is given in notes 3a and 3c to the accounts.

The difference between the growth rates for income (5%) and expenditure (3%) is attributable to timing differences including an increase in funds received on locally sourced awards of \$3.2m, this revenue is recognised immediately on receipt, and an increase in advances received on grants of \$2.3m. There was also a small decrease in stock balances, which means that more stock was distributed in the year than received.

2017 saw strong growth in East and Southern Africa as a result of the drought response in Somalia with spend of \$117 million (2016: \$44 million). This was partly offset by a scale down in our Ethiopia response with a 2017 spend of \$119 million (2016: \$156 million). Middle East and Europe programmes declined in total, including the transition of the Jordan country office to a member at 1 January 2017 and a year on year reduction in Syria programming, but saw growth in Iraq and in particular an increase in the Yemen humanitarian response. West Central Africa expenditure declined with the end of programming in Central African Republic and a major reduction in Liberia but saw a significant uplift in Nigeria programming to \$50 million (2016: \$30 million) due to the Food for Peace cash transfer programme. Asia saw modest growth with increases in programming in Bangladesh for the Rohingya Crisis and in Nepal/Bhutan.

Our balance sheet shows a relatively stable position. Net assets decreased to \$77 million (2016: \$83 million). Cash and short term investments have increased marginally to \$153 million (2016: \$152 million). We believe this to be an appropriate level of cash given the high expenditure which takes place at the end of the year.

Reserves

We hold reserves for the following purposes:

- Coverage of our operating expenses in the event of a downturn in income and / or unforeseen increases in costs;
- to meet the costs of unforeseen liabilities for employment or other legal claims not covered by insurance;
- protection against foreign exchange losses; and
- to cover the associated costs in the event of closure or wind-down of our core operations. Costs associated with the closure / wind down of international programming work are covered separately by member indemnities up to a maximum of \$20 million.

At 31 December 2017 we held unrestricted funds of \$15.6 million (2016: \$16.4 million) and restricted funds of \$61.6 million (2016: \$66.8 million). Restricted funds are those funds that have been received for particular purposes and projects. A detailed summary of all funds and reserves is shown in note 15 to the accounts.

Unrestricted funds include our international programming reserve balance, which stands at 31 December 2017 at \$13.2 million (2016: \$15 million), of which \$6.2 million is committed by members in the form of letters of credit. These give us unconditional and irrevocable access on demand to funds in the event of reserves being required. During 2017, Save the Children International charged the reserve with foreign exchange losses of \$1.27 million and unfunded programming costs of \$470,000 relating to an initiative to support our approach to migration and displacement. The board has set the target level for the international programming reserve at \$15 million; in 2018 we will approach the members to replenish the reserve to this target level.

In addition, the board has earmarked part of our 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 activities. The reserve currently stands at \$1.3 million. The board has re-evaluated these funds and confirmed that this is an appropriate target level for these purposes at the date of signing of this report.

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 partners 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

Based on our financial performance and reserves position, as set out above, together with a cash flow forecast that we have prepared through to the end of 2019, we have a reasonable expectation that we have the resources to continue operating for the foreseeable future. We are not aware of any material uncertainties which call this into doubt. 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 ten wholly owned subsidiaries at 31 December 2017, details of which are given in note 16 of the financial statements.

Board of trustees

Save the Children International's board of trustees mirrors the board of Save the Children Association. The Save the Children International board consists 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.
- One independent trustee who is elected by the member organisations, which elect the three individual trustees to the board.
- One trustee (who may be independent or from a member board) who is appointed by the nominated trustees.

Further details of the board members are given on page 26.

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 Risk 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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; and
- 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 Risk Committee is appointed by the board of trustees and has five 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 matters concerning the external auditors, the annual financial statements, internal controls, risk (including fraud) and compliance. It also oversees the global assurance function.

The Finance Committee is appointed by the board of trustees and has three 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. The committee advises the board on financial management, reporting, treasury and reserves.

The above two committees replaced the Audit and Finance Committee with effect from January 2017.

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

The People and Organisation Committee is appointed by the board of trustees and has three 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, by reference to those in comparable employment within the INGO and other relevant sectors. It also advises on organisational design and processes, and organisational culture.

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 26. 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 \$4.6 million of professional services, including secondments of key staff and strategic support around sustainable delivery and savings initiatives benefits tracking.
- Freshfields Bruckhaus Deringer for donated legal services of \$810,000.
- Baker & McKenzie LLP for donated legal services of \$380,000, particularly in the areas of brand protection, employment law and global contracts.
- Clifford Chance LLP for donated legal services of \$320,000.

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

Administrative details

Trustees during 2017 and as at date of approval of the report

Alan Parker (*Chair until 11 May 2018*)
Pernille Spiers-Lopez (*Interim Chair from 11 May 2018*)
Inger Ashing
Roy Caple Hernandez (*from 1 January 2018*)
Anne Fahy
Debra Fine (*from 11 May 2018*)
Bill Haber (*1 January 2017 to 31 December 2017*)
Thomas Heilmann
Peter Hodgson
Muna Idris (*until 31 December 2017*)
Bradley Irwin (*from 1 January 2018*)
Elizabeth Lule
Charles MacCormack (*until 11 May 2018*)
Sigrun Mogedal (*from 1 January 2018*)
Jonathan Powell
Harpal Singh
Dona Young

Board committees

Audit and Risk Committee

Peter Hodgson (*Chair*)
Inger Ashing (*from 3 October 2017*)
Anne Fahy
Charles MacCormack (*until 11 May 2018*)
Dona Young

Finance Committee

Anne Fahy (*Chair*)
Bill Haber (*until 3 October 2017*)
Thomas Heilmann (*until 3 October 2017*)
Peter Hodgson
Dona Young

Governance Committee

Inger Ashing (*Chair*)
Peter Hodgson (*until 3 October 2017*)
Charles MacCormack (*until 11 May 2018*)
Jonathan Powell (*until 3 October 2017*)
Harpal Singh
Pernille Spiers-Lopez (*from 3 October 2017*)

People and Organisation Committee

Pernille Spiers-Lopez (*Chair*)
Muna Idris (*until 31 December 2017*)
Elizabeth Lule
Harpal Singh

Senior leadership team

Chief Executive Officer
Helle Thorning-Schmidt
Chief Operating Officer
Janti Soeripto
Chief People Officer
Chet Kuchinad
Global Program Impact Director
Imran Matin (*until 19 May 2017*)
Global Program Impact Director
Bijdan Nashat (*from 1 February 2018*)
Chief Risk Officer
Dominiek Vangaeveer (*from 6 November 2017*)
Director of Member Development and Revenue Growth
Clare Rodger
Global Campaign, Advocacy and Communications Director
Patrick Watt
Chief Financial Officer
Jon Watts (*until 9 February 2018*)
Acting Chief Financial Officer
Yngve Seierstad (*from 15 April 2018*)

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

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

Standard Chartered Bank
1 Basinghall Avenue
London EC2V 5DD

Auditor

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

Signed on behalf of the board of trustees by:



Pernille Spiers-Lopez
Interim Chair, Save the Children International
June 2018

Independent auditor's report

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Other information

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



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

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

June 2018

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2017 (including an income and expenditure account)

	Notes	Unrestricted USD 000s	Restricted USD 000s	2017 Total USD 000s	Unrestricted USD 000s	Restricted USD 000s	2016 Total USD 000s
Income from donations							
Grants and other donations		9,814	1,181,804	1,191,618	11,243	1,098,531	1,109,774
Gifts in kind	2(b)	28	82,815	82,843	19	105,178	105,197
Total income from donations	2(a)	9,842	1,264,619	1,274,461	11,262	1,203,709	1,214,971
Income from investments	2(c)	99	1,131	1,230	306	736	1,042
Other income	2(d)	140	670	810	549	261	810
Total income		10,081	1,266,420	1,276,501	12,117	1,204,706	1,216,823
Expenditure on raising funds							
		—	5,843	5,843	—	4,703	4,703
Expenditure on charitable activities							
International programs							
Development		6,711	1,057,579	1,064,290	5,491	941,842	947,333
Humanitarian		781	188,491	189,272	626	270,265	270,891
Campaigning and advocacy		4,304	10,215	14,519	4,387	10,110	14,497
Growth and development of Save the Children		1,143	7,370	8,513	1,635	5,396	7,031
Total expenditure on charitable activities	3(a)	12,939	1,263,655	1,276,594	12,139	1,227,613	1,239,752
Total expenditure	3(a)	12,939	1,269,498	1,282,437	12,139	1,232,316	1,244,455
Net (expenditure)/income for the year		(2,858)	(3,078)	(5,936)	(22)	(27,610)	(27,632)
Transfers between funds		2,119	(2,119)	—	(1,070)	1,070	—
Total funds brought forward	15	16,441	66,799	83,240	17,533	93,339	110,872
Total funds carried forward	15	15,702	61,602	77,304	16,441	66,799	83,240

All gains and losses recognised in the financial year are included above. There is no difference between the net incoming resources before other recognised gains and losses above and the historical cost equivalent. All activities are continuing. The charity uses the exemption conferred by section 408 of the Companies Act 2006 in not preparing a separate income and expenditure account for the charity as a separate entity. The group structure is explained in note 16 and net outgoing resources for the charity alone for the year ended 31 December 2017 were USD 4,512,000 (2016: net incoming resources of USD 24,705,000). The notes on pages 32 to 52 form part of these financial statements.

Consolidated and charity balance sheet as at 31 December 2017

	Notes	2017 Group USD 000s	2017 Charity USD 000s	2016 Group USD 000s	2016 Charity USD 000s
Tangible fixed assets					
Furniture, fittings and equipment	5	2,825	2,815	2,466	2,450
Motor vehicles	5	1,613	1,521	2,034	1,912
Leasehold property	5	398	398	—	—
Freehold property	5	2,182	2,182	998	998
		7,018	6,916	5,498	5,360
Current assets					
Stock	6	21,119	19,114	23,280	21,359
Debtors	7	181,863	168,327	211,419	196,965
Investments	8	—	—	169	169
Cash at bank and in hand	9	152,966	145,366	152,012	143,185
		355,948	332,807	386,880	361,678
Current liabilities					
Creditors: amounts falling due within one year	10	(244,891)	(227,495)	(273,621)	(252,604)
Net current assets		111,057	105,312	113,259	109,074
Provisions for liabilities	11	(40,771)	(37,798)	(35,517)	(33,256)
Total net assets		77,304	74,430	83,240	81,178
Unrestricted funds					
General funds		433	284	854	455
Designated funds		15,269	15,166	15,587	15,586
Total unrestricted funds	15	15,702	15,450	16,441	16,041
Restricted funds	15	61,602	58,980	66,799	65,137
Total funds	15	77,304	74,430	83,240	81,178

The notes on pages 32 to 52 form part of these financial statements.

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



Pernille Spiers-Lopez
Interim Chair, Save the Children International
June 2018

Company registration number: 3732267



Peter Hodgson
Trustee, Save the Children International
June 2018

Consolidated cash flow statement for the year ended 31 December 2017

	2017 USD 000s	2016 USD 000s
Cash flows from operating activities		
Net expenditure for the year	(5,936)	(27,632)
Depreciation	2,085	1,764
Interest receivable and similar income	(1,230)	(1,042)
Gains on disposal of tangible fixed assets	—	(136)
(Increase)/ decrease in stocks of gifts in kind	(48)	14,742
	(5,129)	(12,304)
<hr/>		
Decrease/(increase) in debtors	29,556	(64,251)
Decrease in stocks of purchased goods	2,208	9,150
(Decrease)/increase in creditors	(28,730)	41,642
Increase in provisions	5,254	5,350
	8,288	(8,109)
<hr/>		
Net cash from operating activities	3,159	20,413
<hr/>		
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(3,607)	(1,165)
Proceeds from the sale of fixed assets	3	414
Interest received	1,230	1,042
Net cash from investing activities	(2,374)	291
<hr/>		
Net cash flows for the year ended 31 December	785	(20,122)
<hr/>		
Change in cash and cash equivalents in the financial year		
Cash and cash equivalents at the beginning of the financial year	152,181	172,303
Net cash (outflows)/inflows for the financial year	785	(20,122)
Cash and cash equivalents at the end of the financial year	152,966	152,181
<hr/>		
represented by:		
Cash at bank and in hand	152,966	152,012
Short term investments	—	169
Total cash and cash equivalents	152,966	152,181
<hr/>		

Notes to the accounts for the year ended 31 December 2016

1 Accounting policies

a Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014 (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)) and the Charities Act 2011. 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. The presentation currency of these financial statements is US Dollars. All amounts in the financial statements have been rounded to the nearest \$1,000.

b Basis of consolidation

The group accounts incorporate those of the wholly owned subsidiaries of the charity as detailed in note 16 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 26. The Charity is a Public Benefit Entity as defined in FRS 102.

d Income recognition

Income is recognised in the financial year in which Save the Children International is legally entitled to the income, receipt of funds is probable 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. In most cases this is based on programme activity performed. Typically international programming grant agreements specify the goods and services to be provided to beneficiaries. For the purposes of income recognition, the amount of resources expended on individual grants is used to measure programme activity performed. International programming grant income is credited to restricted income within the SOFA. In cases where, by agreement with the Save the Children member, funds are received in advance of programme activity, income is recognised upon receipt of the funds and credited to restricted income in the SOFA, with any unspent balances 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.

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. Income is recognised when gifts in kind are received. Expenditure is recognised when gifts in kind are distributed to the projects and any undistributed amounts are recognised on the balance sheet as stock. Gifts in kind are valued by Save the Children International staff with regard to market prices when distributed in cases where the donor has not provided a valuation.

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 Stock

Undistributed balances of goods donated for distribution and goods acquired for distribution are recognised as stock. Stocks are valued at cost, estimated market value when received or donor valuations.

g Resources expended

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

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

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

Support costs which include the central and regional office functions such as general management, payroll administration, budgeting and accounting, human resources, information technology, legal compliance and trustees costs are allocated across the categories of charitable activities and governance costs. The basis for the cost allocation is explained in note 3b to the accounts.

h 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.

i Foreign currencies

The functional currency of Save the Children International is US Dollars. The exchange rate to Sterling at 31st December 2017 was 1.351 (31st December 2016: 1.2338).

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 financial year in which they are incurred.

j Financial instruments

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the statement of financial activities.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in income from investments is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in the statement of financial activities the hedging gain or loss is reclassified to the statement of financial activities.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

k Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

l 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.

m 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.

n Pensions

The pension costs charged in the financial statements represent the contributions payable by the company to the defined contribution schemes during the financial year.

o 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

p 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 15.

q Investments

Current asset investments include fixed term cash deposits maturing in less than one year.

Investments in subsidiaries are stated at cost.

2 Income

a Income from donations

	2017 Grants and donations USD 000s	2017 Gifts in kind donated services USD 000s	2017 Gifts in kind donated goods USD 000s	2017 Total USD 000s	2016 Total USD 000s
Amounts received directly from Save the Children member organisations					
Australia	10,140	272	—	10,412	13,550
Canada	26,734	223	120	27,077	30,066
Denmark	39,737	191	(74)	39,854	73,855
Finland	6,663	—	—	6,663	9,372
Germany	21,869	—	54	21,923	13,211
Hong Kong	13,001	7	—	13,008	13,222
India	(20)	10	—	(10)	5
Italy	47,733	665	(7)	48,391	40,917
Japan	5,445	2	14	5,461	4,560
Jordan	(20)	20	—	—	—
Korea	12,752	—	187	12,939	15,270
Mexico	(25)	14	—	(11)	—
Netherlands	24,234	2	(9)	24,227	19,098
New Zealand	2,787	106	—	2,893	2,771
Norway	74,281	1	360	74,642	66,903
Spain	12,645	18	254	12,917	9,375
Sweden	77,090	144	82	77,316	71,391
Switzerland	17,076	1	42	17,119	11,509
United Kingdom	327,625	880	4,573	333,078	334,612
United States	433,016	3,395	63,764	500,175	451,777
Total amounts received directly from members	1,152,763	5,951	69,360	1,228,074	1,181,464
Other amounts					
Save the Children Association – Core fund	9,852	—	—	9,852	11,060
Save the Children Association – Strategic Investment Fund	15,627	—	—	15,627	10,687
Professional services directly provided to Save the Children International	—	6,339	344	6,683	6,776
Direct fundraising in Save the Children International country programmes	12,967	—	821	13,788	4,009
Other gifts in kind	—	—	28	28	(765)
Other grants and donations	409	—	—	409	1,740
Total other amounts	38,855	6,339	1,193	46,387	33,507
Total income from donations	1,191,618	12,290	70,553	1,274,461	1,214,971

Grants and other donations includes USD 212,178,265 (2016: USD 205,963,553) originating from the United States Agency for International Development (USAID).

<i>b Gifts in kind</i>	2017	2016
	USD 000s	USD 000s
Donated services		
Professional services	6,339	6,776
Services donated by members	5,951	4,467
Total donated services	12,290	11,243
Donated goods		
Food aid	47,736	77,559
Pharmaceutical supplies	14,600	2,675
Other supplies	8,189	13,706
Non-capital assets donated by members on transition	28	14
Total donated goods	70,553	93,954
Total gifts in kind	82,843	105,197

Save the Children International received benefits in the form of volunteers during 2017. The Income from gifts in kind does not include a valuation for these benefits.

<i>c Income from investments</i>	2017	2016
	USD 000s	USD 000s
Interest on bank deposits	238	392
Effective gains on derivatives treated as fair value hedging instruments	392	175
Interest receivable from members	599	301
Other interest	1	174
Total income from investments	1,230	1,042

<i>d Other income</i>	2017	2016
	USD 000s	USD 000s
Sales of goods and assets	297	573
Rental income	13	16
Other income	500	221
Total other income	810	810

3 Expenditure

a Analysis of total expenditure

	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	2017 Total USD 000s	2016 Total USD 000s
Expenditure on raising funds	2,232	—	587	3,024	—	5,843	4,703
Charitable activities							
Education	66,828	47,567	3,474	110,214	6,638	234,721	239,957
Livelihoods	31,964	32,619	6,621	77,303	4,110	152,617	120,342
Health	70,740	50,665	5,950	125,425	7,101	259,881	246,343
Child protection	45,882	36,425	251	45,782	3,572	131,912	105,785
Nutrition	40,450	20,370	26,086	90,947	5,275	183,128	138,746
HIV/AIDS	11,449	33,593	10,691	17,299	2,534	75,566	72,877
Child rights governance	7,498	8,823	9	9,408	728	26,466	23,283
Total development programmes	274,811	230,062	53,082	476,378	29,958	1,064,291	947,333
Humanitarian	37,238	28,685	17,291	100,789	5,269	189,272	270,891
Campaigning and advocacy	10,448	52	—	3,102	917	14,519	14,497
Growth and development of Save the Children	1,025	6,431	—	358	698	8,512	7,031
Support costs (b)	22,770	2	1,661	12,409	(36,842)	—	—
Total expenditure on charitable activities	346,292	265,232	72,034	593,036	—	1,276,594	1,239,752
Total expenditure	348,524	265,232	72,621	596,060	—	1,282,437	1,244,455
2016 total expenditure	328,615	250,714	118,416	546,710	—	1,244,455	

Expenditure on fundraising was incurred by the three subsidiary entities in Colombia, Philippines and Indonesia.

A list of grants made to partner organisations with whom Save the Children International has worked during 2017 is available at www.savethechildren.net

b Support costs and the basis of their allocation

Support category:	basis of allocation:	2017 USD 000s	2016 USD 000s
Leadership and strategic investment	estimated time	6,230	5,260
Financial management	pro-rata by thematic programme expenditure	8,568	8,609
Information systems	pro-rata by thematic programme expenditure	6,918	8,195
Human resources	headcount	4,852	5,548
Facilities and administration	headcount	3,922	5,443
Total management and administration expenditure		30,490	33,055
Members' donated services	according to support category	3,391	2,367
Pro-bono professional services	according to support category	1,658	1,237
Losses/(Gains) on foreign exchange	pro-rata by thematic programme expenditure	1,303	(263)
Total support costs		36,842	36,396

c Geographical analysis of expenditure

	2017 USD 000s	2016 USD 000s
Afghanistan	18,075	26,142
Bangladesh	56,566	41,564
Cambodia	12,744	10,242
Central Asia	3,026	6,279
China	10,483	11,160
Democratic People's Republic of Korea	801	3,067
Indonesia	11,085	11,860
Laos	6,023	5,308
Myanmar	71,795	82,139
Nepal and Bhutan	71,075	65,077
Philippines	23,363	22,826
Sri Lanka	3,833	2,316
Thailand	6,001	6,463
Vietnam	8,060	5,612
Regional office	6,386	5,834
Asia	309,316	305,889
Albania	3,992	4,206
Armenia	1,041	1,744
Egypt	9,507	9,580
Northwest Balkans	3,521	2,733
Georgia and Azerbaijan	730	567
Occupied Palestinian Territory	8,403	10,743
Iraq	35,407	21,872
Jordan	105	24,201
Kosovo	2,683	1,841
Lebanon	37,114	69,458
Syria	16,933	7,444
Turkey	21,086	27,164
Ukraine	3,217	7,091
Yemen	41,507	32,780
European Refugee Response sub-regional office (Greece)	25,300	24,566
Regional office	5,641	4,234
Middle East and Eurasia	216,187	250,224
Bolivia	5,323	4,606
Colombia	6,317	5,387
El Salvador	6,589	5,804
Guatemala	15,543	14,765
Haiti	8,972	7,428
Nicaragua	3,264	3,678
Peru and Ecuador	5,634	5,934
Regional office	5,959	2,315
Latin America and Caribbean	57,601	49,917

c Geographical analysis of expenditure (continued)

	2017 USD 000s	2016 USD 000s
Burkina Faso	4,732	7,147
Central African Republic	46	6,646
Côte d'Ivoire	17,636	15,526
Democratic Republic of the Congo	17,526	20,576
Liberia	1,493	9,931
Mali	20,756	27,982
Niger	28,194	31,302
Nigeria	50,219	29,734
Senegal	5,365	5,594
Sierra Leone	9,588	12,456
Regional office	5,187	5,847
West and Central Africa	160,742	172,741
Ethiopia	118,978	156,150
Kenya	22,261	17,911
Malawi	62,947	63,999
Mozambique	36,121	37,724
Rwanda	9,729	7,760
Somalia	116,580	44,543
South Sudan	35,939	29,510
Sudan	2,862	—
Tanzania	13,464	9,800
Uganda	22,110	14,215
Zambia	12,290	8,709
Zimbabwe	11,713	12,822
Regional office	9,977	9,864
East and Southern Africa	474,971	413,007
Addis Ababa	571	658
Brussels	921	944
Geneva	1,395	1,257
New York	635	737
Save the Children advocacy offices	3,522	3,596
Save the Children International centre	46,721	40,035
Strategic Investment Fund	13,377	9,046
Total expenditure	1,282,437	1,244,455

d <i>Net income for the year is stated after charging:</i>	2017	2016
	USD 000s	USD 000s
Auditor's remuneration:		
Audit of these financial statements (including irrecoverable VAT)	674	611
Amounts receivable by the charity's auditor and its associates in respect of:	—	—
Audit of financial statements of subsidiaries of the charity	28	69
Audit of financial statements of branches of the charity	30	—
Other assurance services	360	801
Tax advisory services	35	74
Forensic advisory services	442	748
Lease rental payments	36,443	34,195
Depreciation	2,085	1,764

e *Trustees' remuneration*

None of the trustees received any remuneration from the charity during 2017 (2016: nil).

None of the trustees received any other benefits in kind during 2017 (2016: nil).

Expenses, including travel and subsistence were reimbursed to trustees or paid to third parties on behalf of trustees as follows: 10 trustees totalling USD 29,850 (2016: 11 trustees totalling USD 42,607)

Save the Children International purchased trustee indemnity insurance to the value of GBP 10 million (USD 12.5 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 <i>Staff costs</i>	2017	2016
	Total	Total
	USD 000s	USD 000s
Wages and salaries	262,673	266,251
Social security costs and payroll taxes	7,425	8,160
Pension contributions	6,830	1,139
Terminal grants and long term savings plans	16,079	17,964
Benefits in kind	23,822	21,524
Other staff costs	25,744	13,577
Total direct staff costs	342,573	328,615
Donated staff costs from members	5,951	4,467
Total staff costs	348,524	333,082

Save the Children International contributes to a defined contribution scheme for staff at the centre, a group personal pension (GPP) operated on a salary sacrifice basis. Employers' contributions of USD 1,197,132 (2016: USD 1,110,282) are charged to the consolidated statement of financial activities. Employer pension contributions made for employees whose emoluments are in excess of USD 90,000 were USD 305,631 (2016: USD 444,671). 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 statement of financial activities were USD 3,259,574 (2016: USD 3,139,160).

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 staff costs reported in note 4a	2017	2016
	USD 000s	USD 000s
Temporary and casual labour	11,811	13,145
Secondment costs from Boston Consulting Group	499	810
	12,310	13,955

c Average number of Save the Children International employees calculated on a full-time equivalent basis						
	Country offices	Regional offices	Advocacy offices	Centre	2017	2016
					Total	Total
Charitable activities	15,886	283	37	268	16,474	17,507
Fundraising	21	—	—	—	21	21
	15,907	283	37	268	16,495	17,528

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.

For 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 in the International Non-Governmental Organisation market. 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)	2017	2016
0 – 15,000	17,654	17,890
15,001 – 30,000	3,810	3,479
30,001 – 45,000	965	942
45,001 – 60,000	385	375
60,001 – 75,000	235	229
75,001 – 90,000	141	140
90,001 – 105,000	81	89
105,001 – 120,000	52	65
120,001 – 135,000	31	47
135,001 – 150,000	25	24
150,001 – 165,000	22	12
165,001 – 180,000	9	17
180,001 – 195,000	6	6
195,001 – 210,000	5	4
210,001 – 225,000	6	5
225,001 – 240,000	2	3
240,001 – 255,000	—	—
255,001 – 270,000	4	3
270,001 – 285,000	1	1
285,001 – 300,000	1	3
300,001 – 315,000	—	2

e Remuneration of key management personnel

The trustees delegate the day to day running of the organisation to the Senior Leadership Team who are considered to be the key management personnel. Remuneration for members of the Senior Leadership Team for the year ended 31 December 2017 are detailed below.

Position	Note	No of employees	Actual gross remuneration 2017 USD	Full time equivalent salary 2017 USD	Full time equivalent salary 2016 USD
Chief Executive Officer	1	1	299,136	299,136	359,550
Chief Operating Officer	1	1	257,911	257,911	302,475
Chief Financial Officer	1	1	255,107	255,107	301,831
Other Senior Leadership Team members		5	879,044	986,664	832,670
Total remuneration for key management personnel			1,691,199		

- The remuneration of these members of the Senior Leadership Team is determined in GB Pounds. The comparative figures for some members of the SLT 2016 are higher due to changes in the exchange rate between GB pounds and US dollars
- Actual gross remuneration includes severance payments
- In addition to the gross salaries, USD 278,306 (2016: USD 281,468) was paid for employer's National Insurance and pension contributions in respect of the above individuals.

5 Fixed assets

Group	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 2017	7,783	6,695	561	1,238	16,277
Additions	1,240	659	429	1,279	3,607
Disposals	5	(266)	—	—	(261)
Carried forward at 31 December 2017	9,028	7,088	990	2,517	19,623
Depreciation					
Brought forward at 1 January 2017	5,317	4,661	561	240	10,779
Charge for the financial year	881	1,078	31	95	2,085
Disposals	5	(264)	—	—	(259)
Carried forward at 31 December 2017	6,203	5,475	592	335	12,605
Net book value					
31 December 2017	2,825	1,613	398	2,182	7,018
31 December 2016	2,466	2,034	—	998	5,498

<i>Charity</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 2017	7,669	6,186	561	1,238	15,654
Additions	1,240	659	429	1,279	3,607
Disposals	11	(234)	—	—	(223)
Carried forward at 31 December 2017	8,920	6,611	990	2,517	19,038
Depreciation					
Brought forward at 1 January 2017	5,219	4,274	561	240	10,294
Charge for the financial year	875	1,048	31	95	2,049
Disposals	11	(232)	—	—	(221)
Carried forward at 31 December 2017	6,105	5,090	592	335	12,122
Net book value					
31 December 2017	2,815	1,521	398	2,182	6,916
31 December 2016	2,450	1,912	—	998	5,360

All fixed assets are held for direct charitable purposes.

Leasehold property amounts all relate to long-term leases.

6 Stock

	2017 USD 000s Group	2017 USD 000s Charity	2016 USD 000s Group	2016 USD 000s Charity
<i>Undistributed gifts in kind</i>				
Food aid	3,866	3,743	4,787	4,787
Pharmaceutical and medical goods	2,757	2,755	1,546	1,529
Other goods	939	837	1,182	1,103
Total undistributed gifts in kind	7,562	7,335	7,515	7,419
<i>Other stocks</i>				
Food aid	2,443	2,442	483	483
Pharmaceutical and medical goods	3,903	3,802	5,403	5,140
Other goods	7,211	5,535	9,879	8,317
Total other stocks	13,557	11,779	15,765	13,940
Total stock	21,119	19,114	23,280	21,359

7 Debtors

	2017 USD 000s Group	2017 USD 000s Charity	2016 USD 000s Group	2016 USD 000s Charity
Amounts due from Save the Children members	160,073	143,173	190,429	174,681
Amounts due from subsidiary undertakings	—	5,899	—	3,105
Other debtors	9,748	8,493	10,834	10,159
Prepayments and accrued income	12,042	10,762	10,156	9,020
	181,863	168,327	211,419	196,965

8 Investments

	2017 USD 000s Group	2017 USD 000s Charity	2016 USD 000s Group	2016 USD 000s Charity
Hedged instrument assets	—	—	169	169
	—	—	169	169

9 Cash at bank and in hand

	2017 USD 000s Group	2017 USD 000s Charity	2016 USD 000s Group	2016 USD 000s Charity
Cash held at centre	85,573	85,573	86,357	86,526
Cash held in overseas offices	67,393	59,793	65,655	56,659
	152,966	145,366	152,012	143,185

10 Creditors due within one year

	2017 USD 000s Group	2017 USD 000s Charity	2016 USD 000s Group	2016 USD 000s Charity
Amounts due to Save the Children Association	176	176	2,347	2,347
Amounts payable to Save the Children members	184,966	173,158	217,131	200,818
Trade creditors	8,743	8,549	11,366	11,655
Hedged instrument liability	93	93	—	—
Other short term liabilities	10,205	9,180	12,158	11,061
Accruals and deferred income	40,708	36,339	30,619	26,723
	244,891	227,495	273,621	252,604

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

11 Provisions

	Balance as at 1 January 2017 USD 000s	Arising in the financial year USD 000s	Utilised in the financial year USD 000s	Provisions released USD 000s	Balance as at 31 December 2017 USD 000s
<i>Group</i>					
Terminal grant provisions	31,346	26,255	(20,105)	(268)	37,228
Property dilapidations	269	39	(6)	—	302
Operating lease provision	651	—	(238)	—	413
Provision for tax liability	2,266	87	—	(1,043)	1,310
Other provisions	985	1,204	(150)	(521)	1,518
	35,517	27,585	(20,499)	(1,832)	40,771
<i>Charity</i>					
Terminal grant provisions	29,307	23,535	(18,213)	(227)	34,402
Property dilapidations	259	39	(6)	—	292
Operating lease provision	651	—	(238)	—	413
Provision for tax liability	2,266	87	(928)	—	1,425
Other provisions	773	1,164	(150)	(521)	1,266
	33,256	24,825	(19,535)	(748)	37,798

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

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.

12 Analysis of net assets between funds

	2017 Unrestricted USD 000s	2017 Restricted USD 000s	2017 Total USD 000s
<i>Group</i>			
Fixed assets	7,018	—	7,018
Current assets	294,346	61,602	355,948
Current liabilities	(244,891)	—	(244,891)
Provisions	(40,771)	—	(40,771)
	15,702	61,602	77,304
<i>Charity</i>			
Fixed assets	6,916	—	6,916
Current assets	273,827	58,980	332,807
Current liabilities	(227,495)	—	(227,495)
Provisions	(37,798)	—	(37,798)
	15,450	58,980	74,430

13 Commitments under operating leases

The total future minimum lease payments and current year expenditure on non-cancellable operating leases:	2017 Land and buildings USD 000s	2017 Other leases USD 000s	2016 Land and buildings USD 000s	2016 Other leases USD 000s
lease payments recognised as current year expense	20,150	2,728	18,982	1,747
lease payments due within one year	15,355	258	10,987	604
lease payments due between one and five years	12,710	21	7,936	9
lease payments due after five years	493	—	837	—
	28,558	279	19,760	613

14 Financial commitments

a At 31 December 2017, Save the Children International has committed the following amounts in grants to partners subject to satisfactory performance. These amounts will form part of the grants allocated in future years. These amounts are fully funded by Save the Children members.

	Balance as at 1 January 2017 USD 000s	Charged to SOFA in 2017 USD 000s	New commitments USD 000s	Balance as at 31 December 2017 USD 000s
Commitments to partner organisations	154,063	(265,232)	323,708	212,540

	2017 USD 000s	2016 USD 000s
Commitments to partner organisations consist of amounts falling due:		
within one year	177,102	145,905
after one year	35,438	40,270
	212,540	186,175

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

c At 31 December 2017 Save the Children International had entered into a number of forward contracts for the purchase of foreign currency to reduce currency risk related to member contributions to SCI costs in 2017. The contracts were entered into during November and December 2017 and will all mature during 2018.

Member	Currency	Value of contracts in purchased currency	USD equivalent as at 31 December 2017
Save the Children Germany	EUR	1,469,088	1,751,860
Save the Children Italy	EUR	4,151,652	4,950,769
Save the Children Netherlands	EUR	1,592,256	1,898,736
Save the Children Spain	EUR	1,615,404	1,926,340
			10,527,705

15 Consolidated statement of funds

	Balance as at 1 January 2017 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2017 USD 000s
<i>Unrestricted funds</i>					
General funds	854	10,175	(11,620)	1,024	433
Fixed asset fund	5,498	38	(1,232)	2,714	7,018
Fixed asset replacement fund	—	130	(87)	(43)	—
Hedged instrument fund	—	(262)	—	169	(93)
International programming reserve	8,789	—	—	(1,745)	7,044
Closure reserve	1,300	—	—	—	1,300
Designated funds	15,587	(94)	(1,319)	1,095	15,269
Total unrestricted funds	16,441	10,081	(12,939)	2,119	15,702
<i>Restricted funds</i>					
International programme grants	55,875	1,171,541	(1,174,593)	2,344	55,167
International programme operational fund	7,130	64,090	(62,173)	(2,860)	6,187
Strategic Investment Fund	593	15,787	(14,869)	(1,180)	331
Donated professional services	—	6,339	(6,339)	—	—
Member growth fund	3,201	8,663	(11,524)	(423)	(83)
Total restricted funds	66,799	1,266,420	(1,269,498)	(2,119)	61,602
Total funds	83,240	1,276,501	(1,282,437)	—	77,304

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. The value of fixed assets acquired out of general funds, the international programme operational fund, the international programme investment fund and the fixed asset replacement fund are transferred to the fixed asset fund.

The fixed asset replacement fund represents the proceeds from the sale of fixed assets in accordance with the member agreements.

Use of the international programming reserve is governed by a legal agreement between Save the Children International and international programming members and is principally intended to cover any material foreseen or unforeseen programming liabilities. As well as cash contributions from members of USD 8.2million, members have committed an additional USD 6.2million 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.

The hedged instrument fund represents the "mark to market" valuation at 31 December 2017 of the outstanding foreign exchange forward contracts and currency swaps. The asset / (liability) will be discharged upon the maturity of the contracts.

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 Strategic Investment Fund represents contributions received from members for costs related to investments in Save the Children International's strategic priorities.

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

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

15 Consolidated statement of funds (continued)

<i>Charity statement of funds</i>	Balance as at 1 January 2017 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2017 USD 000s
<i>Unrestricted funds</i>					
General funds	455	10,175	(11,620)	1,274	284
Fixed asset fund	5,498	38	(1,183)	2,563	6,916
Fixed asset replacement fund	—	108	(87)	(21)	—
Hedged instrument fund	—	(262)	—	169	(93)
International programming reserve	8,788	—	—	(1,745)	7,043
Closure reserve	1,300	—	—	—	1,300
Designated funds	15,586	(116)	(1,270)	966	15,166
Total unrestricted funds	16,041	10,059	(12,890)	2,240	15,450
<i>Restricted funds</i>					
International programme grants	54,213	1,077,270	(1,081,160)	710	51,033
International programme operational fund	7,130	63,925	(62,178)	(2,981)	5,896
Strategic Investment Fund	593	15,956	(14,870)	(1,180)	499
Donated professional services	—	6,339	(6,339)	—	—
Member growth fund	3,201	6,755	(9,615)	1,211	1,552
Total restricted funds	65,137	1,170,245	(1,174,162)	(2,240)	58,980
Total funds	81,178	1,180,304	(1,187,052)	—	74,430

16 Subsidiary companies

Save the Children International had ten wholly-owned subsidiary entities at 31 December 2017:

- 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 with registered Company No: 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 2017 were as follows:

	2017 USD 000s	2016 USD 000s
Assets	498	635
Liabilities	(137)	39
Total net assets	361	674
Income	6,156	5,693
Expenditure	(6,386)	(5,834)
Net incoming resources	(230)	(141)

16 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 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	778	1,219
Liabilities	(747)	(1,301)
Total net assets	31	(82)
Income	4,106	4,199
Expenditure	(3,992)	(4,205)
Net incoming resources	114	(6)

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 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	1,100	1,249
Liabilities	(204)	(779)
Total net assets	896	470
Income	22,687	16,187
Expenditure	(22,260)	(17,911)
Net incoming resources	427	(1,724)

e *Save the Children International (Zambia)* is incorporated in Zambia under the Societies Act with registered no. 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 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	537	1,023
Liabilities	(529)	(1,182)
Total net assets	8	(159)
Income	12,456	8,504
Expenditure	(12,290)	(8,708)
Net incoming resources	166	(204)

16 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. SCl 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 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	136	250
Liabilities	(137)	(323)
Total net assets	(1)	(73)
Income	706	737
Expenditure	(635)	(738)
Net incoming resources	71	(1)

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 SCl and are SCl employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	9,988	5,515
Liabilities	(8,367)	(3,316)
Total net assets	1,621	2,199
Income	22,786	22,988
Expenditure	(23,363)	(22,826)
Net incoming resources	(577)	162

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. SCl is Sole Member (a corporate member). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2017 were as follows:

	2017	2016
	USD 000s	USD 000s
Assets	2,038	726
Liabilities	(1,554)	(797)
Total net assets	484	(71)
Income	6,872	5,329
Expenditure	(6,317)	(5,387)
Net incoming resources	555	(58)

16 Subsidiary companies (continued)

i *Yayasan Sayangi Tunas Cilik* (Foundations list number AHU-01712.50.10.2014). Incorporated in Indonesia as an Indonesian foundation on 21 May 2014. The majority of Patrons (equivalent of Directors) are appointed by SCI and are SCI employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2017 were as follows:

	2017 USD 000s	2016 USD 000s
Assets	2,035	1,727
Liabilities	(2,094)	(1,704)
Total net assets	(59)	23
Income	11,003	11,872
Expenditure	(11,084)	(11,860)
Net incoming resources	(81)	12

j *Greek NFP partnership* registered in Greece under Greek law (registration number 135942101000). Made up of 2 partners, both employees of SCI. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2017 were as follows:

	2017 USD 000s	2016 USD 000s
Assets	279	342
Liabilities	(746)	(1,262)
Total net assets	(467)	(920)
Income	18,712	17,391
Expenditure	(18,259)	(17,808)
Net incoming resources	453	(417)

17 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 financial year 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 2017 Save the Children Association comprised 27 members and 1 associate member. 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 financial year, the following types of transactions took place between Save the Children International and Save the Children Association: grants of USD 25,680,000 (2016: USD 21,746,000) were received by Save the Children International from Save the Children Association.

At the year end, the group balances with Save the Children Association were:

	2017 USD 000s	2016 USD 000s
Amounts payable to the Save the Children Association	176	2,347

17 Related party transactions (continued)

b Save the Children members

During the financial year the following types of transactions took place between Save the Children International and members (primarily the 17 international programming members):

- i Grant income of USD 1,154,588,000 (2016: USD 1,083,192,000) was received from the members for international programming activities.
 - ii Donated services of USD 5,951,000 (2016: USD 4,467,000) were received from members.
 - iii Donated goods of USD 69,360,000 (2016: USD 93,805,000) were received from members.
 - iv Contributions to the charity's working capital of USD 35,957,559 (2016: USD 34,839,476) have been made by, and are repayable to, members.
 - v Donations were received by Save the Children International on behalf of Save the Children members. The sums received are remitted to the relevant member.
 - vi Additional commitments have been made by the members to Save the Children International as set out in note 19.
- No profit or loss has arisen on these transactions.

At the year end, the group's balances with members were:

	2017 Amounts receivable USD 000s	2017 Amounts payable USD 000s	2017 Net balance USD 000s	2016 Net balance USD 000s
Save the Children member organisation				
Australia	—	(7,342)	(7,342)	(3,341)
Canada	3,285	(5,212)	(1,927)	(3,688)
Denmark	4,562	(4,411)	151	6,486
Fiji	—	—	—	3
Finland	1,483	(1,995)	(512)	(798)
Germany	11,971	(4,380)	7,591	3,888
Hong Kong	2,709	(1,670)	1,039	466
India	6	—	6	16
Italy	4,452	(7,750)	(3,298)	(4,634)
Japan	861	(595)	266	392
Jordan	59	—	59	59
Korea	1,902	(2,140)	(238)	(61)
Mexico	14	—	14	20
Netherlands	2,481	(3,422)	(941)	(1,966)
New Zealand	635	(376)	259	(105)
Norway	5,469	(11,097)	(5,628)	(7,257)
Spain	4,955	(1,500)	3,455	1,287
South Africa	30	—	30	3
Sweden	4,287	(14,940)	(10,653)	(11,420)
Switzerland	1,129	(1,882)	(753)	(620)
United Kingdom	44,674	(52,251)	(7,577)	(12,555)
United States	65,083	(61,391)	3,692	7,113
	160,047	(182,354)	(22,307)	(26,712)

18 Contingent assets

	2017 International programming reserve commitments (a) USD 000s	2017 International programming closure indemnity (b) USD 000s	2017 Total contingent assets USD 000s	2016 Total contingent assets USD 000s
Save the Children member organisation				
Australia	—	243	243	374
Canada	—	585	585	615
Denmark	—	1,375	1,375	1,080
Finland	—	172	172	198
Germany	—	231	231	175
Hong Kong	—	203	203	123
Italy	—	694	694	590
Japan	—	95	95	106
Korea	—	284	284	359
Netherlands	—	344	344	451
New Zealand	—	52	52	35
Norway	—	1,194	1,194	1,178
Spain	—	151	151	101
Sweden	—	1,250	1,250	1,382
Switzerland	—	208	208	190
United Kingdom	3,112	6,165	9,277	9,455
United States	3,100	6,754	9,854	9,800
	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 provided a further USD 6,212,000 during 2016 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 15).
- (b) The costs associated with the closure / wind-down of the charity's international programming work are covered by member indemnities up to a maximum of USD 20 million.

19 Contingent liabilities

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

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

Notes

Save the Children International

Save the Children International
St Vincent House
30 Orange Street
London WC2H 7HH
UK

Tel: +44 (0)20 3272 0300
Fax: +44 (0)20 8237 8000

info@savethechildren.org

Company registration number 3732267 (England and Wales)
Charity registration number 1076822