

**Save the Children
International**

Trustees' report,
strategic report and
financial statements for

2016



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Save the Children International Trustees' report, strategic report and financial statements for 2016

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 2016.

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 29 members (26 full members and three associate members*) as well as Save the Children International. All members of Save the Children, with combined revenues 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

As a global organisation that fights to protect the basic rights of children, 2016 challenged us in a number of ways. For example, how do we continue to respond to the complex protracted crisis in Syria, in a way that has real impact for children, while relying solely on partnerships as it is too dangerous to work there directly? How do we secure funding for emergencies that we can see coming, like the drought in Ethiopia, despite the lack of interest from the media or public? How do we campaign on global issues – like the European refugee crisis – where so many people in different countries have already formed their own opinions?

We did not end the year with all the answers, but we did have some clear successes in which we can take pride. Our long-term campaigning contributed to new laws protecting vulnerable children from natural disaster in the Philippines, providing free healthcare for children under five in Burkina Faso, and implementing a ban on corporal punishment in Pakistan.

As the death toll of people crossing the Mediterranean Sea continued to rise during the year, we launched a Search and Rescue vessel in close coordination with the Italian coastguard, which ran for 12 weeks and rescued over 2,700 children, women and men.

Above all, we reached 56 million children across the world with our ongoing programme work to stop children dying from preventable causes, help them learn from a quality basic education, and protect them from violence.

As we enter 2017, we face a new challenge; how does Save the Children – an organisation with a global income of over \$2 billion working across 120 countries – stay agile enough to adapt to a shifting social-political landscape, one that is moving away from global agendas towards national priorities? Our donors and supporters expect us to make the best decisions for protecting and helping children in all countries where we work, and we must deliver. This year, our focus will be on quality programming and delivery of that work in the most efficient and effective way, while at the same time improving our internal controls to reduce waste and the risk of fraud.

On a personal note, having seen many inspiring examples of Save the Children's work over the past year, I am convinced more than ever that what we do is of great impact and relevance – helping to secure a future for children, and thereby securing a future for societies across the world.



Helle Thorning-Schmidt

CEO, Save the Children International

Our global impact

In 2016, Save the Children

- directly reached **56 million children** through our work and the work of our partners
- responded to **129 emergencies across 60 countries**
- contributed to **10 significant policy changes** in different countries to secure the rights of children.

The majority of this work was delivered on behalf of the Save the Children members by Save the Children International.

Ensuring all children survive...

Every day, nearly 16,000 young children die from preventable causes. Pneumonia, malaria and diarrhoea are the biggest childhood killers, and almost half of deaths of children under five are related to malnutrition. In many cases, simply not having access to healthcare services is enough to turn these common diseases into fatal illnesses.

We train volunteers in the community to become health workers, equipping them to spot and treat common illnesses. This enables children living in hard to reach areas without access to healthcare to have a better chance of survival. In 2016 this work led to the treatment of 2.3 million cases of malaria, 1.9 million cases of diarrhoea, 1.6 million cases of pneumonia and over 500,000 cases of malnutrition.

Aside from training others, we carried out our own life-saving interventions and provided valuable health and nutrition information to communities. We also advocated to governments to invest in children's health. In 11 countries, we secured pledges for improvements to health budgets relating to child survival. In Peru, for example, as a result of a proposal to Congress, the 2017 Public Budget Act was passed which included financial support for plans to prevent teen pregnancy and reduce anaemia and malnutrition.

... learn ...

Save the Children is helping to create a world where all children fulfil their right to learn from a quality basic education. We focus on helping children develop the foundational skills they need to learn, so that they feel ready and equipped as they start school. We also help children in primary education learn to read and write by involving their teachers, parents and communities, so that learning happens inside and outside of school. In Cambodia, our First Read programme supported 11,000 families with young children to develop early literacy skills before school.

We also believe that poverty must not prevent children from learning. We work with governments around the world to support the poorest families who cannot afford to send their children to school. In Malawi we provided stipends to keep girls in primary school and transition to secondary school, and in Bangladesh we worked with children and families to prevent children from going out to work as part of our child-sensitive social protection programme.

We believe that no child's learning should stop because they are caught up in a crisis, and throughout the year, we sent this message to international leaders at global meetings. In September 2016, we helped to secure language at the United Nations committing to get refugee children into school within a few months, and helped to influence new funding commitments for this.

Our full range of education programmes directly reached nearly 14 million children around the world in 2016.

... and are protected.

Save the Children is working to protect children from physical and humiliating punishment, sexual violence and violence in conflict situations. We believe we can achieve this when robust legal frameworks are in place to protect children, when families and schools choose positive discipline over corporal punishment, and when societies have the capacity both to prevent violence against children and to respond to children who are at risk.

During 2016, Mongolia and Paraguay became respectively the 49th and 50th states to prohibit the physical and humiliating punishment of children. In Mongolia, this represented the culmination of a 7-year campaign led by Save the Children in consortia with 50 national civil society organisations. We also helped Tanzania and Mexico become signatories to a global United Nations resolution on ending child marriage.

As well as working to prevent violence towards children, we focused on securing safe appropriate care for all children, including refugees, and we supported programmes that keep children away from harmful work and enable them to attend school.

Reaching children in crisis

2016 was our most ambitious year to date for emergency responses. Across our organisation, we responded to 129 emergencies in 60 countries – more than ever before. Nineteen of these emergencies were categorised as a level 1 or 2 response, meaning over 100,000 children are potentially affected in each crisis. Through a variety of means, from cash transfers to help families who have lost their income, to child protection services for displaced children, and administering vaccinations through our emergency health unit, we helped over 5.3 million children.

Our response to the drought in Ethiopia – labelled as the worst drought in Ethiopia in 50 years – lasted throughout 2016. At the start of the year, more than 5 million children were at risk of hunger, with 435,000 projected cases of severe acute malnutrition. We helped strengthen local health services by supplying training for health workers in mobile clinics, provided communities with education on nutrition, and helped develop response plans for communities to prepare for the emergency.

We have been working since 2015 to support children caught up in the European Refugee Crisis. In 2016, as well as providing continued child protection services for children on the move, we stepped up our response by launching a Search and Rescue vessel to help save lives at sea. During the year around 180,000 people crossed the Central Mediterranean, 16% of whom were children. It was the deadliest year on record for refugees and migrants crossing the Mediterranean. Since we launched the vessel in September, we helped rescue over 2,700 refugees and migrants, providing emergency health services, as well as essential hygiene kits and blankets. Our child protection services onboard and on shore were vital for the 400 children we rescued, 80% of whom were unaccompanied.

Campaigning for Every Last Child

The world has made great progress in fighting poverty – the number of children dying from preventable causes and who are out of school has halved in a generation. However, progress has not been spread fairly among all children, and almost 400 million are missing out on global progress on education and healthcare because of who they are and where they live.

In April 2016, we launched our new global campaign – Every Last Child – through which we pledged to break down barriers that exclude children from accessing their basic rights. Over 70 countries where we operate are working to tackle barriers to survival and learning for girls, refugees, street children, and minority and disabled children.

We've seen some early momentum and success in 2016. We contributed to bans on child marriage in Malawi and Zimbabwe. We helped drive a landmark decree in Burkina Faso allowing free healthcare for children under the age of five, pregnant women and breastfeeding mothers. We helped get access to healthcare for the most excluded children in Nepal; protection for refugees in Norway and Australia; and we played a key role in winning access to healthcare and education for street children in India.

A new global strategy and strategic plan 2016 – 2018

In 2016 we launched our 15 year 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 new strategy is represented by our strategic plan 2016 – 2018 (summarised below). Implementation of the strategy is shared across Save the Children, with some of the key initiatives driven by Save the Children International in fulfilment of its role to deliver international programmes and coordinate a global campaign on behalf of the wider organisation.

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

Maximise use of our knowledge

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

In 2016 we laid the foundations for increasing the quality and impact of our programmes and campaigning. In five areas of our programming we identified our best work for how we address problems faced by children. From that, we developed common approaches to solve those problems, which can be replicated in different contexts and countries. These common approaches are based on evidence of what works, and will be promoted as our best practice for wider use across the organisation.

We improved the governance of our humanitarian responses to provide faster decision making on behalf of the organisation during emergency situations. To further strengthen quality of our responses, we adopted the Core Humanitarian Standard as our global quality benchmark, and in 2017 we will be updating our policies, processes and tools to help us meet this standard. We also improved how we coordinate our global surge capacity, helping to ensure that we are on the ground within 72 hours of the onset of an emergency.

Learning from the challenges of our previous three-year-campaign (EVERY ONE), **we launched our new campaign** with the goal that 80% of our efforts will be focused on achieving change at the national level in country offices and members where we work. Fifty-two countries participated in the Every Last Child launch in April 2016, and we provided support to help countries develop and build national campaign plans around the excluded groups of children we are trying to help.

The launch of Every Last Child was also the first time the world saw **our new global brand**, which will help raise global awareness of Save the Children through national and international campaigning. Our work on refugees, including our call to get every refugee child into school within 30 days of being displaced, and on girls, where our early marriage focus captured major media attention on the Day of the Girl, were part of this brandbuilding.

We have committed to becoming a more efficient and effective organisation in terms of our operating systems and processes. Whilst this effort was across all of Save the Children, Save the Children International was responsible for putting in place the systems, tools and processes to improve our operations in our country offices.

We have been upgrading how we manage our awards and grants from donors. This has helped to reduce workflow by 50% for country and regional directors, and to improve the speed and accuracy of our planning and reporting to donors. We also began rolling out a new system to country offices for recording time and cost by project, which will improve management oversight of operations and the speed and consistency of our accounting. By the end of the year, 14 country offices were using the new system.

As well as taking steps to become a high performing organisation, **we recognised a need to diversify our funding across Save the Children.** We set ourselves a 2018 target of having 25% of all our funding come from unrestricted sources to enable us to direct our resources more strategically, as well as to be more flexible and adaptable to change. Whilst we saw some successes in raising unrestricted funds in our smaller and newer members, the major markets proved more challenging.

Save the Children International took the lead in helping to improve fundraising execution across the members. We recruited a team of highly qualified fundraising experts focused on improving skills and we developed a strategy to improve execution, raise our ambition and drive investment in fundraising. However, we are still challenged by weak levels of brand awareness worldwide, which will take time and a more integrated approach to funding, advocacy and brand before we see a positive impact.

Finally, **we focused on securing the knowledge and commitment of our staff in order to improve quality and overall impact.** We launched our first Online Global Induction package to ensure that all new starters have a base of common information across our organisation. We successfully piloted Workplace, our first truly global online social collaboration platform that allows staff to connect with each other around the world no matter what language they speak. Around 1,500 staff were invited onto the platform, of whom 73% signed up and use it on a regular basis. It shows that Workplace fills an important gap in our current IT and communication platforms. It was launched globally in February 2017 and is being used by over 12,000 colleagues to connect and collaborate every day.

2017 – a sharper focus

Early in 2017 we decided that the majority of our efforts and resources around our strategic plan should be directed towards delivering three global priorities:

- increasing quality with a focus on impact for the most deprived
- growing our revenue 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.

We are taking a closer look at how we can improve programme quality and impact.

We have explained above how, across the whole of Save the Children, we have identified some of our best work and best thinking around the question of how to address problems that children face. We will push for more and more countries to adopt these common approaches in order to adapt and replicate this best practice programming in different contexts. We are developing a prototype of a new framework for recording and demonstrating impact results, supported by new performance indicators relating to programme quality. We will continue to build on the momentum created through our Every Last Child campaign. This includes ensuring the promises made on refugee education are implemented, working to secure funding of the Education Cannot Wait fund, and pursuing political support and media attention on ending child marriage.

We are focused on delivering improved fundraising execution across the membership.

Our Global Fundraising Hub of technical and regional specialists are actively supporting members by capturing and helping to replicate best practices across the main fundraising channels such as digital, face-to-face and direct response TV. A significant step change will also be the roll-out of a new individual giving benchmark tool, which will give members a baseline on their donor performance. With the support of our global fundraising specialists, they can work to improve their fundraising efficiency and returns.

We are continuing the work on becoming a high performing organisation, such as improving the way we report our ‘time and effort’ in all country offices and implementing a plan to transition all offices to one system for allocating costs on awards from donors. We have started new projects, such as improving our supply chain, and in particular the way we manage our critical categories of procurement, our warehouses and vehicle fleets. To support our systems we need strong leaders, and our focus is on the frontline to improve the stability and development of Country Directors and regional leadership, and nurture local talent to ensure we have the best people in leadership positions.

Marking our centenary

In 2019, Save the Children will be 100 years old, and we are beginning to lay the groundwork for a successful centenary. We see this as an opportunity to tell our story through our campaign and advocacy, to position ourselves as a leading voice on children in conflict and to engage the world in making concrete commitments on specific issues for children.

Risk management and internal control

Risk management in Save the Children International: our strategic approach

Save the Children International considers good risk management to be a key part of its operational requirements. This helps us meet our obligation to use the funding we receive efficiently and effectively in the face of the challenges we confront as a result of working in difficult and unstable environments.

Save the Children International uses a 'Three Lines of Defence' approach to risk management. The first line of defence is the design and day-to-day operations of our business processes, which should ensure compliance with policies and procedures. The second line comprises management oversight and the work of specialist risk management functions. The third line is our Global Assurance function. This approach is explained in more detail on page 15.

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 has defined guidelines that provide the organisation with a frame of reference for the conditions and factors that determine our risk appetite. The guidelines set out what Save the Children International considers to be unacceptable outcomes of activities (e.g. directly harming children and communities or having resources diverted to terrorist 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).

Identification of risks and their management

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 to disasters, including medical responses such as Ebola. 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).

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) 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.

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 these to be connected to achieving our strategic and operational objectives.

Reports on these risks are collected from countries quarterly and assessed by the regional office. As part of the International Programs quarterly review, regional offices are asked about their level of confidence in how the country offices are managing these risks and any additional risk management concerns they have.

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. Separate reviews are held quarterly with the owners assigned to each risk and with the senior leadership team as a group. At these sessions the mitigation and risk ratings are tested against recent developments and 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. Risks are 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 sensitise 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 and mitigation to avoid a repetition.

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, supporting them as necessary, 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 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?	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.

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 and take action where necessary. A team of counter-fraud specialists support our programme staff investigating difficult cases and spreading best practice.

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.

Child safeguarding

At Save the Children International we have a policy of zero tolerance towards any deliberate harm of children by our representatives (whether staff, volunteers or others) and pursue rigorous policies and procedures to prevent any inadvertent or unintended harm to the children that we work with. As we strive to make the world a better place for children, we are committed to ensuring that Save the Children itself is safe for children.

Save the Children International complies with the requirements of Save the Children's Child Safeguarding Protocol (an organisational by-law) and we have developed a Child Safeguarding Policy, along with a set of essential management standards, key performance indicators, training materials, safeguarding procedures, guidance and tools. A Child Safeguarding Strategy is in place and has led to the establishment of dedicated safeguarding workstreams, which strengthen our ability to deliver on our commitments.

We strive to comply with the requirements of the Charity Commission within the UK, the UN Secretary General's Bulletin on the Prevention of Sexual Abuse and Exploitation and are guided by the UN Convention of the Rights of the Child, the UK's Children Act and the Keeping Children Safe Coalition's International Standards for Child Protection.

Whilst we believe that this gives us a solid foundation to build upon, we are committed to continuous improvement in this area and we are constantly looking for innovative ways of increasing awareness and reducing risk. A major example of this approach in 2016 was our decision to commission a team of external experts to undertake an independent examination of how well we are doing in this field against our standards and best available international practice. This involves reviewing recruitment procedures; background checking; induction and training; lines of accountability; and reporting of concerns. The results of this global exercise will be available in the spring of 2017.

The vast majority of our staff and partners undertake their duties to the highest professional standards. Nevertheless, regardless of how vigilant we may be, given the scale and complexity of our work, the size of our workforce as well as the risks and vulnerabilities associated with the locations where we work, we should expect potential breaches from time to time.

During 2016, our child safeguarding procedures reported 193 internally focused concerns, which involved a wide spectrum of safeguarding issues including allegations of sexual, physical, emotional forms of abuse as well as accidental incidents resulting in harm. A number of these issues involved behaviour which was not illegal in the country where it took place, but was nevertheless a breach of our Code of Conduct and Child Safeguarding Policy and was dealt with accordingly. Each of these concerns, which occurred in all of our operational regions, was thoroughly investigated.

The results of these investigations were as follows:

- 59 cases were proven to be breaches of our policy or standards, of which 20 cases were referred to the national authorities or police as they allegedly involved an illegal act. A summary of outcomes is as follows:
 - 11 cases led to dismissal
 - 38 cases led to disciplinary procedures resulting in a formal warning
 - 9 cases remain open pending further action
 - 1 case where no disciplinary action was required
- 134 cases were disproven or were unproven due to insufficient or unclear evidence.

The above figures represent an increase in the number of concerns reported during 2015, when 55 concerns were reported. The number of confirmed cases rose in line with this trend from 22 cases to 59. We remain cautious about reading too much into these figures but the increase in reported incidents was expected given our focus on raising awareness, particularly within the context of the emergency responses in the Middle East region.

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

Fraud, bribery and corruption

Preventing, detecting, investigating and responding to fraud, bribery, corruption and theft is 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 training staff and managing policies and reporting systems. 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.

In 2016, we pooled available resources and focused on a surge operation in West and Central Africa, to investigate and close open cases as well as conducting spot checks on internal controls. Two consultants, including an ex-FBI investigator were hired for this purpose. We have strengthened our East and Southern Africa region with the recruitment of two counter fraud staff. A communications intern joined the team to support and promote the work of Fraud Management and the wider counter fraud effort within the organisation, and to increase engagement amongst internal stakeholders.

We investigated 432 reports of fraud, bribery, corruption and theft in 2016, an increase from 2015's 329 cases. A significant number of reported cases were classed as theft or misappropriation (36%). There are also a significant number of cases involving fraudulent expense claims (12%), corruption, bribery and conflict of interest (7%) – reflecting generic corruption risk in our countries of operation. Of the 2016 reported cases, 12 have been for values in excess of US\$20,000 reflecting our overall long-term experience where the majority of reported or suspected cases are for lesser values.

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. Global Assurance is not a replacement for management and its work is based on an assessment of risk, and is therefore not absolute. Save the Children International 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 periodic risk reviews and regular meetings of financial control and assurance committees. It also 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 each country office 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, at regional offices and for specific functional departments.

In the annual planning process, critical 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.

Financial performance

In 2016, Save the Children International income of \$1,217 million represented a growth rate of 1.4%, far lower than the high rates seen in previous years. These figures understate the increase in underlying activities, as a result of the fall in value of many of our principal donor currencies against the US dollar during the year. We saw this particularly with the weakening of the British pound following the Brexit vote, leading to a reduction in 2016 income of \$26 million (adding this back would have brought the growth rate to 3.5%).

Almost all income is received directly from Save the Children members and this is analysed in note 2a to the financial statements. In a recent development, three Save the Children International country offices (Colombia, Indonesia and the Philippines) have begun to fundraise with a view to them becoming stand-alone members in due course. The amounts involved are small at present, but demonstrate our commitment to reduce our reliance on the traditional Northern hemisphere income base.

Our expenditure was \$1,244 million compared to \$1,159 million in 2015, an increase of \$85 million (7.3%). The main factor was an increase of \$42m to \$156m in Ethiopia, already our largest country office, in response to the drought crisis in East and Southern Africa, which also gave rise to strong growth in Malawi and Mozambique. Some of the other main elements are \$22m of expenditure on the new programming around the European refugee response; and increased activity in the Middle East directed towards the crises in Syria and Yemen. These were offset by the drop in funding for Sierra Leone and Liberia following the end of the humanitarian response to Ebola. An analysis of expenditure by programmatic theme and geographic location is given in notes 3a and 3c to the financial statements.

The difference between the growth rates for income (1.4%) and expenditure (7.3%) is mainly due to timing differences, principally the \$24 million decrease in stock during 2016, as this also represents expenditure on distribution to beneficiaries where the associated income had been accounted for in previous years.

Consequently our balance sheet shows a decrease in total net assets to \$83 million (2015: \$111 million). This includes a decrease in stock of \$24m, mainly attributable to the large food stocks being held in Ethiopia at the end of 2015 and distributed during 2016, as well as the donation of substantial medical stocks to a hospital in South Sudan. Net assets also reflect a \$20m decrease in cash and short term investments to \$152 million (2015: \$172 million). We believe this to be an appropriate level of cash given the high level of expenditure which takes place at the end of the year. The decrease compared to 2015 also demonstrates our commitment to members to minimise the working capital requested from them in order to fund our programming requirements.

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
- 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 2016 we held unrestricted funds of \$16.4 million (2015: \$17.5 million) and restricted funds of \$66.8 million (2015: \$93.3 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 financial statements.

Unrestricted funds include our international programming reserve balance, which stands at 31 December 2016 at its target level of \$15 million. This is made up of \$8.2 million contributed by members in cash and \$620,000 transferred from general funds, together with an additional \$6.2 million committed by members in the form of letters of credit which give us unconditional and irrevocable access on demand to funds in the event of reserves being required.

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.

During 2016 we reviewed reserves levels of Save the Children International and the principal Save the Children members. This has led some of the members to reassess their reserves target levels and policies. The exercise took place in recognition of the interconnectedness of our organisations. Save the Children International will continue to target a level of at least \$15 million for our international programming reserve.

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 2018, 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 financial statements 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 2016, 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
- two independent trustees, one appointed by the nominated trustees (currently vacant) and the other elected by the member organisations, which elect the three individual trustees to the board.

Further details of the board members are given on page 21. Following the appointment of several new board members in late 2015 and early 2016, all board members were invited to attend a training session on trustee responsibilities (with external charity lawyers) and on child safeguarding. The session took place in March 2016.

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
- 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 four members, including a chair (who must not be the same person as the chair of the board). The committee meets at least four times a year to consider reports from the management team and external auditors. The committee advises the board on 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 four members, including a chair (who must not be the same person as the chair of the board). The committee meets at least four times a year to consider reports from the management team. 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 five members, including a chair, who meet at least twice a year. The committee advises the board on Save the Children International's governance framework, its constitution and governance systems and processes, as well as board processes and effectiveness.

The Compensation and Organisation Committee is appointed by the board of trustees and has 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.

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 21. 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 \$5.5 million of professional services, including secondments of key staff and strategic support around cost baselining, initiative costing, governance and reporting
- Freshfields Bruckhaus Deringer for donated legal services of \$780,000
- Baker & McKenzie LLP for donated legal services of \$250,000, particularly in the areas of brand protection and employment law
- Clifford Chance LLP for donated legal services of \$120,000.

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

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.

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.

Administrative details

Trustees during 2016 and as at date of approval of the report

Alan Parker (*Chair*)
Inger Ashing
Anne Fahy (*appointed 14 October 2016*)
Bill Haber (*appointed 1 January 2017*)
Thomas Heilmann
Peter Hodgson
Muna Idris
Elizabeth Lule (*appointed 29 February 2016*)
Charles MacCormack
Charles Perrin (*until 31 December 2016*)
Jonathan Powell
Harpal Singh
Pernille Spiers-Lopez
Dona Young

Board committees

Audit and Risk Committee

(*commenced operating on 1 January 2017*)

Peter Hodgson (*Chair*)
Anne Fahy
Charles MacCormack
Dona Young

Finance Committee

(*commenced operating on 1 January 2017*)

Anne Fahy (*Chair*)
Bill Haber
Thomas Heilmann
Dona Young

Audit and Finance Committee

(*ceased operating on 31 December 2016*)

Charles Perrin (*Chair*)
Thomas Heilmann (*from 8 March 2016*)
Peter Hodgson (*from 8 March 2016*)
Charles MacCormack
Harpal Singh (*until 15 April 2016*)
Dona Young (*from 8 March 2016*)

Governance Committee

Inger Ashing (*Chair*)
Peter Hodgson (*from 15 April 2016*)
Charles MacCormack (*from 15 April 2016*)
Jonathan Powell
Harpal Singh (*from 15 April 2016*)

Compensation and Organisation Committee

Pernille Spiers-Lopez (*Chair*)
Muna Idris (*from 15 April 2016*)
Elizabeth Lule (*from 15 April 2016*)
Harpal Singh (*from 3 June 2016*)

Senior leadership team

Chief Executive Officer
Helle Thorning-Schmidt (*from 4 April 2016*)
Chief People Officer
Chet Kuchinad (*from 17 October 2016*)
Global Program Impact Director
Imran Matin
Director of Member Development and Revenue Growth
Clare Rodger
Chief Operating Officer
Janti Soeripto
Global Campaign, Advocacy and Communications Director
Patrick Watt
Chief Financial Officer
Jon Watts
Chief People Officer
Madalyn Brooks (*until 30 June 2016*)

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:



Alan Parker
Chair, Save the Children International
24 May 2017

Independent auditor's report

We have audited the financial statements of Save the Children International for the year ended 31 December 2016 set out on pages 23 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

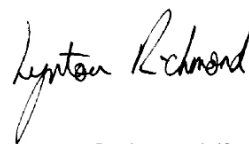
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Trustees' Report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

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

31 May 2017

Financial statements

Consolidated statement of financial activities for the year ended 31 December 2016 (including an income and expenditure account)

	Notes	Unrestricted USD 000s	Restricted USD 000s	2016 Total USD 000s	Unrestricted USD 000s	Restricted USD 000s	2015 Total USD 000s
Income from donations							
Grants and other donations		11,243	1,098,531	1,109,774	10,371	1,090,740	1,101,111
Gifts in kind	2(b)	19	105,178	105,197	508	94,837	95,345
Total income from donations	2(a)	11,262	1,203,709	1,214,971	10,879	1,185,577	1,196,456
Income from investments	2(c)	306	736	1,042	322	—	322
Other income	2(d)	549	261	810	949	2,730	3,679
Total income		12,117	1,204,706	1,216,823	12,150	1,188,307	1,200,457
Expenditure on raising funds							
		—	4,703	4,703	7	2,262	2,269
Expenditure on charitable activities							
International programs							
Development		5,491	941,842	947,333	4,092	906,130	910,222
Humanitarian		626	270,265	270,891	834	225,524	226,358
Campaigning and advocacy		4,387	10,110	14,497	4,683	8,327	13,010
Growth and development of Save the Children		1,635	5,396	7,031	1,793	5,889	7,682
Total expenditure on charitable activities	3(a)	12,139	1,227,613	1,239,752	11,402	1,145,870	1,157,272
Total expenditure	3(a)	12,139	1,232,316	1,244,455	11,409	1,148,132	1,159,541
Net (expenditure)/income for the year		(22)	(27,610)	(27,632)	741	40,175	40,916
Transfers between funds		(1,070)	1,070	—	484	(484)	—
Total funds brought forward	15	17,533	93,339	110,872	16,308	53,648	69,956
Total funds carried forward	15	16,441	66,799	83,240	17,533	93,339	110,872

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 2016 were USD 24,705,000 (2015: net incoming resources of USD 41,488,000). The notes on pages 26 to 46 form part of these financial statements.

Consolidated and charity balance sheet as at 31 December 2016

	Notes	2016 Group USD 000s	2016 Charity USD 000s	2015 Group USD 000s	2015 Charity USD 000s
Tangible fixed assets					
Furniture, fittings and equipment	5	2,466	2,450	2,673	2,667
Motor vehicles	5	2,034	1,912	2,582	2,503
Leasehold property	5	–	–	65	65
Freehold property	5	998	998	1,055	1,055
		5,498	5,360	6,375	6,290
Current assets					
Stock	6	23,280	21,359	47,172	43,320
Debtors	7	211,419	196,965	147,168	140,287
Investments	8	169	169	5,000	5,000
Cash at bank and in hand	9	152,012	143,185	167,303	160,885
		386,880	361,678	366,643	349,492
Current liabilities					
Creditors: amounts falling due within one year	10	(273,621)	(252,604)	(231,979)	(219,240)
Net current assets		113,259	109,074	134,664	130,252
Provisions for liabilities	11	(35,517)	(33,256)	(30,167)	(28,444)
Total net assets		83,240	81,178	110,872	108,098
Unrestricted funds					
General funds		854	455	789	788
Designated funds		15,587	15,586	16,744	16,743
Total unrestricted funds	15	16,441	16,041	17,533	17,531
Restricted funds	15	66,799	65,137	93,339	90,567
Total funds	15	83,240	81,178	110,872	108,098

The notes on pages 26 to 46 form part of these financial statements.

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



Alan Parker
Chair, Save the Children International
24 May 2016



Peter Hodgson
Trustee, Save the Children International
24 May 2016

Company registration number: 3732267

Consolidated cash flow statement for the year ended 31 December 2016

	2016 USD 000s	2015 USD 000s
Cash flows from operating activities		
Net (expenditure) / income for the year	(27,632)	40,916
Depreciation	1,764	2,737
Interest receivable and similar income	(1,042)	(322)
Gains on disposal of tangible fixed assets	(136)	(89)
Decrease / (increase) in stocks of gifts in kind	14,742	(7,607)
	(12,304)	35,635
(Increase) in debtors	(64,251)	(16,687)
Decrease / (increase) in stocks of purchased goods	9,150	(3,709)
Increase in creditors	41,642	48,427
Increase in creditors	5,350	2,712
	(8,109)	30,743
Net cash from operating activities	(20,413)	66,378
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(1,165)	(1,889)
Proceeds from the sale of fixed assets	414	89
Interest received	1,042	322
Net cash from investing activities	291	(1,478)
Net cash flows for the year ended 31 December	(20,122)	64,900
Change in cash and cash equivalents in the financial year		
Cash and cash equivalents at the beginning of the financial year	172,303	107,403
Net cash (outflows)/inflows for the financial year	(20,122)	64,900
Cash and cash equivalents at the end of the financial year	152,181	172,303
represented by:		
Cash at bank and in hand	152,012	167,303
Short term investments	169	5,000
Total cash and cash equivalents	152,181	172,303

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 21. 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 2016 was 1.2338 (31st December 2015: 1.4827).

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

	2016 Grants and donations USD 000s	2016 Gifts in kind donated services USD 000s	2016 Gifts in kind donated goods USD 000s	2016 Assets donated by members on transition USD 000s	2016 Total USD 000s	2015 Total USD 000s
Amounts received directly from Save the Children member organisations						
Australia	13,400	144	6	—	13,550	20,789
Canada	29,829	237	—	—	30,066	32,744
Denmark	73,560	109	186	—	73,855	56,455
Finland	9,370	—	2	—	9,372	10,645
Germany	13,226	1	(16)	—	13,211	11,024
Hong Kong	12,663	—	559	—	13,222	10,043
India	(3)	8	—	—	5	—
Italy	40,521	297	99	—	40,917	33,354
Japan	4,557	—	3	—	4,560	6,204
Korea	14,997	—	273	—	15,270	18,366
Netherlands	18,562	—	536	—	19,098	26,085
New Zealand	2,651	120	—	—	2,771	1,944
Norway	66,872	1	30	—	66,903	64,790
Spain	9,372	7	(4)	—	9,375	5,853
Sweden	69,227	96	2,068	—	71,391	77,244
Switzerland	11,358	2	149	—	11,509	10,882
United Kingdom	331,938	775	1,899	—	334,612	357,693
United States	361,092	2,670	88,015	—	451,777	431,236
Total amounts received directly from members	1,083,192	4,467	93,805	—	1,181,464	1,175,351
Other amounts						
Save the Children Association – Core fund	11,060	—	—	—	11,060	10,587
Save the Children Association – Strategic Investment Fund	10,687	—	—	—	10,687	—
Professional services directly provided to Save the Children International	—	6,776	—	—	6,776	6,276
Direct fundraising in Save the Children International country programmes	3,095	—	914	—	4,009	2,614
Other gifts in kind	—	—	(779)	14	(765)	1,503
Other grants and donations	1,740	—	—	—	1,740	125
Total other amounts	26,582	6,776	135	14	33,507	21,105
Total income from donations	1,109,774	11,243	93,940	14	1,214,971	1,196,456

Grants and other donations includes USD 205,963,553 (2015: USD 188,026,315) originating from the United States Agency for International Development (USAID).

<i>b Gifts in kind</i>	2016	2015
	USD 000s	USD 000s
Donated services		
Professional services	6,776	6,276
Services donated by members	4,467	3,040
Total donated services	11,243	9,316
Donated goods		
Food aid	77,559	65,353
Pharmaceutical supplies	2,675	16,570
Other supplies	13,706	3,498
Total donated goods	93,940	85,421
Donated assets on transition		
Tangible fixed assets donated by members on transition	—	—
Non-capital assets donated by members on transition	14	608
Total donated assets on transitions	14	608
Total gifts in kind	105,197	95,345

Save the Children International received benefits in the form of volunteers during 2016. The Income from gifts in kind does not include a valuation for these benefits.

<i>c Income from investments</i>	2016	2015
	USD 000s	USD 000s
Interest on bank deposits	392	130
Effective gains on derivatives treated as fair value hedging instruments	175	—
Interest receivable from members	301	190
Other interest	174	2
Total income from investments	1,042	322

<i>d Other income</i>	2016	2015
	USD 000s	USD 000s
Sales of goods and assets	573	2,106
Rental income	17	18
Other income	221	1,555
Total other income	810	3,679

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	2016 Total USD 000s	2015 Total USD 000s
Expenditure on raising funds	1,757	(3)	596	2,353	–	4,703	2,269
Charitable activities							
Education	66,873	53,465	3,295	109,649	6,675	239,957	250,401
Livelihoods	29,387	21,372	2,534	64,665	2,384	120,342	106,174
Health	65,921	48,617	7,286	117,710	6,809	246,343	249,991
Child protection	36,502	27,975	351	38,089	2,868	105,785	102,668
Nutrition	35,987	26,059	19,901	52,947	3,852	138,746	126,277
HIV/AIDS	11,099	35,671	7,623	12,219	6,265	72,877	49,488
Child rights governance	6,921	8,573	35	7,105	649	23,283	25,223
Total development programmes	252,690	221,732	41,025	402,384	29,502	947,333	910,222
Humanitarian	46,079	25,095	71,090	123,772	4,855	270,891	226,358
Campaigning and advocacy	9,213	114	—	3,992	1,178	14,497	13,010
Growth and development of Save the Children	1,417	3,778	—	975	861	7,031	7,682
Support costs (b)	17,459	(2)	5,705	13,234	(36,396)	—	—
Total expenditure on charitable activities	326,858	250,717	117,820	544,357	—	1,239,752	1,157,272
Total expenditure	328,615	250,714	118,416	546,710	—	1,244,455	1,159,541
2015 total expenditure	312,038	246,446	87,376	513,681	—	1,159,541	

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 2016 is available at www.savethechildren.net

b Support costs and the basis of their allocation

Support category:	basis of allocation:	2016 USD 000s	2015 USD 000s
Leadership	estimated time	3,421	4,428
Governance	pro-rata by thematic programme expenditure	1,839	2,749
Financial management	pro-rata by thematic programme expenditure	8,609	8,806
Information systems	pro-rata by thematic programme expenditure	8,195	5,733
Human resources	headcount	5,548	4,853
Facilities and administration	headcount	5,443	3,630
Total management and administration expenditure		33,055	30,199
Members' donated services	according to support category	2,367	646
Pro-bono professional services	according to support category	1,237	1,220
(Gains) on foreign exchange	pro-rata by thematic programme expenditure	(263)	(1,766)
Total support costs		36,396	30,299

c Geographical analysis of expenditure

	2016 USD 000s	2015 USD 000s
Afghanistan	26,142	27,256
Bangladesh	41,564	47,417
Cambodia	10,242	9,001
Central Asia	6,279	6,305
China	11,160	10,656
Democratic People's Republic of Korea	3,067	6,104
Indonesia	11,860	8,958
Laos	5,308	4,633
Myanmar	82,139	81,515
Nepal and Bhutan	65,077	66,119
Philippines	22,826	35,374
Sri Lanka	2,316	3,566
Thailand	6,463	6,377
Vietnam	5,612	5,945
Regional office	5,834	5,182
Asia	305,889	324,408
Albania	4,206	2,821
Armenia	1,744	1,356
Egypt	9,580	9,007
Northwest Balkans	2,733	2,255
Georgia and Azerbaijan	567	361
Occupied Palestinian Territory	10,743	13,407
Iraq	21,872	27,502
Jordan	24,201	23,713
Kosovo	1,841	2,112
Lebanon	76,938	51,685
Syria	29,430	34,183
Ukraine	7,091	7,307
Yemen	32,780	25,311
European Refugee Response sub-regional office (Greece)	22,419	2,092
Regional office	4,234	4,379
Middle East and Eurasia	250,379	207,491
Bolivia	4,606	4,901
Colombia	5,387	4,027
El Salvador	5,804	4,961
Guatemala	14,765	13,174
Haiti	7,428	5,693
Nicaragua	3,678	3,886
Peru and Ecuador	5,934	5,540
Regional office	2,315	1,867
Latin America and Caribbean	49,917	44,049

c Geographical analysis of expenditure (continued)

	2016 USD 000s	2015 USD 000s
Burkina Faso	7,147	13,810
Central African Republic	6,646	12,170
Côte d'Ivoire	15,526	7,788
Democratic Republic of the Congo	20,576	25,156
Liberia	9,780	22,576
Mali	27,982	25,759
Niger	31,302	33,525
Nigeria	29,734	27,699
Senegal	5,594	5,846
Sierra Leone	12,456	28,664
Regional office	5,847	4,433
West and Central Africa	172,590	207,426
Ethiopia	156,150	113,770
Kenya	17,911	16,495
Malawi	63,999	40,779
Mozambique	37,724	22,056
Rwanda	7,760	5,831
Somalia	44,543	46,325
South Sudan	29,510	38,335
Tanzania	9,800	5,918
Uganda	14,215	15,991
Zambia	8,709	7,047
Zimbabwe	12,822	7,096
Regional office	9,864	10,592
East and Southern Africa	413,007	330,235
Addis Ababa	658	666
Brussels	944	818
Geneva	1,257	1,170
New York	737	673
Save the Children advocacy offices	3,596	3,327
Save the Children International centre	40,031	42,605
Strategic Investment Fund	9,046	—
Total expenditure	1,244,455	1,159,541

d <i>Net income for the year is stated after charging:</i>	2016	2015
	USD 000s	USD 000s
Auditor's remuneration:		
Audit of these financial statements (including irrecoverable VAT)	611	535
Amounts receivable by the charity's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the charity	69	92
Other assurance services	801	401
Tax advisory services	74	—
Forensic advisory services	748	—
Lease rental payments	34,195	34,360
Depreciation	1,764	2,737

e *Trustees' remuneration*

None of the trustees received any remuneration from the charity during 2016 (2015: nil).

None of the trustees received any other benefits in kind during 2016 (2015:nil).

Out-of-pocket expenses, including travel and subsistence were reimbursed to trustees as follows:

3 trustees totalling USD 3,191 (2015: 2 trustees totalling USD 2,126).

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>	2016	2015
	Total	Total
	USD 000s	USD 000s
Wages and salaries	266,251	251,372
Social security costs and payroll taxes	8,160	7,694
Pension contributions	1,139	1,165
Terminal grants and long-term savings plans	17,964	16,916
Benefits in kind	21,524	19,881
Other staff costs	13,577	15,010
Total direct staff costs	328,615	312,038
Donated staff costs from members	4,467	3,040
Total staff costs	333,082	315,078

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 1,110,282 (2015: USD 1,053,586) 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 444,671 (2015: USD 417,438). 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 3,139,160 (2015: USD 3,217,996).

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

	2016	2015
	USD 000s	USD 000s
Temporary and casual labour	13,145	16,280
Secondment costs from Boston Consulting Group	810	221
	13,955	16,501

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

	Country offices	Regional offices	Advocacy offices	Centre	2016	2015
					Total	Total
Charitable activities	16,995	210	39	263	17,507	16,061
Fundraising	21	—	—	—	21	21
	17,016	210	39	263	17,528	16,082

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

The highest paid employee in 2016 received emoluments amounting to USD 302,475. This was not the Chief Executive Officer, whose employment started on 4 April 2016 and who received emoluments in 2016 of USD 257,358. The 2015 comparative was USD 399,283, which represented the full year's emoluments for the previous Chief Executive Officer.

The members of the Senior Leadership Team received emoluments amounting to USD 1,613,160 in 2016 (USD 1,704,284 in 2015).

For key members of staff working in our international programmes, emoluments may include accommodation and other benefits, which allow us to be appropriately competitive in recruiting and retaining staff. Employees based in Save the Children International's centre office receive salary amounts in GBP and therefore foreign exchange movements between GBP and USD will impact comparisons between financial years.

Band (USD)	2016	2015
0 – 15,000	17,890	18,156
15,001 – 30,000	3,479	3,158
30,001 – 45,000	942	852
45,001 – 60,000	375	379
60,001 – 75,000	229	227
75,001 – 90,000	140	129
90,001 – 105,000	89	72
105,001 – 120,000	65	60
120,001 – 135,000	47	28
135,001 – 150,000	24	31
150,001 – 165,000	12	18
165,001 – 180,000	17	12
180,001 – 195,000	6	5
195,001 – 210,000	4	3
210,001 – 225,000	5	3
225,001 – 240,000	3	3
240,001 – 255,000	—	1
255,001 – 270,000	3	4
270,001 – 285,000	1	—
285,001 – 300,000	3	2
300,001 – 315,000	2	3
390,001 – 405,000	—	1

5 Fixed assets

<i>Group</i>	Furniture, fittings and equipment USD 000s	Motor vehicles USD 000s	Leasehold property USD 000s	Freehold property USD 000s	Total USD 000s
Cost					
Brought forward at 1 January 2016	7,200	6,557	561	1,238	15,556
Additions	583	582	—	—	1,165
Disposals	—	(444)	—	—	(444)
Carried forward at 31 December 2016	7,783	6,695	561	1,238	16,277
Depreciation					
Brought forward at 1 January 2016	4,527	3,975	496	183	9,181
Charge for the financial year	790	852	65	57	1,764
Disposals	—	(166)	—	—	(166)
Carried forward at 31 December 2016	5,317	4,661	561	240	10,779
Net book value					
31 December 2016	2,466	2,034	—	998	5,498
1 January 2016	2,673	2,582	65	1,055	6,375
Charity					
	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 2016	7,098	6,180	561	1,238	15,077
Additions	571	450	—	—	1,021
Disposals	—	(444)	—	—	(444)
Carried forward at 31 December 2016	7,669	6,186	561	1,238	15,654
Depreciation					
Brought forward at 1 January 2016	4,431	3,677	496	183	8,787
Charge for the financial year	788	763	65	57	1,673
Disposals	—	(166)	—	—	(166)
Carried forward at 31 December 2016	5,219	4,274	561	240	10,294
Net book value					
31 December 2016	2,450	1,912	—	998	5,360
1 January 2016	2,667	2,503	65	1,055	6,290

All fixed assets are held for direct charitable purposes.

Leasehold property amounts all relate to long-term leases.

6 Stock

	2016 USD 000s Group	2016 USD 000s Charity	2015 USD 000s Group	2015 USD 000s Charity
<i>Undistributed gifts in kind</i>				
Food aid	4,787	4,787	11,648	11,618
Pharmaceutical and medical goods	1,546	1,529	9,448	9,358
Other goods	1,182	1,103	1,162	1,012
Total undistributed gifts in kind	7,515	7,419	22,258	21,988
<i>Other stocks</i>				
Food aid	483	483	475	479
Pharmaceutical and medical goods	5,403	5,140	6,816	6,669
Other goods	9,879	8,317	17,623	14,184
Total other stocks	15,765	13,940	24,914	21,332
Total stock	23,280	21,359	47,172	43,320

7 Debtors

	2016 USD 000s Group	2016 USD 000s Charity	2015 USD 000s Group	2015 USD 000s Charity
Amounts due from Save the Children members	190,429	174,681	128,783	119,988
Amounts due from subsidiary undertakings	—	3,105	—	3,643
Other debtors	10,834	10,159	8,556	8,028
Prepayments and accrued income	10,156	9,020	9,829	8,628
	211,419	196,965	147,168	140,287

8 Investments

	2016 USD 000s Group	2016 USD 000s Charity	2015 USD 000s Group	2015 USD 000s Charity
Short term investments	—	—	5,000	5,000
Hedged instrument assets	169	169	—	—
	169	169	5,000	5,000

9 Cash at bank and in hand

	2016 USD 000s Group	2016 USD 000s Charity	2015 USD 000s Group	2015 USD 000s Charity
Cash held at centre	86,357	86,526	102,974	102,974
Cash held in overseas offices	65,655	56,659	64,329	57,911
	152,012	143,185	167,303	160,885

10 Creditors due within one year

	2016 USD 000s Group	2016 USD 000s Charity	2015 USD 000s Group	2015 USD 000s Charity
Amounts due to Save the Children Association	2,347	2,347	199	199
Amounts payable to Save the Children members	217,131	200,818	187,251	178,381
Trade creditors	11,366	11,655	6,151	6,028
Other short term liabilities	12,158	11,061	10,035	9,409
Accruals and deferred income	30,619	26,723	28,343	25,223
	273,621	252,604	231,979	219,240

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 2016 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 2016 USD 000s
<i>Group</i>					
Terminal grant provisions	29,356	1,990	—	—	31,346
Property dilapidations	222	47	—	—	269
Operating lease provision	38	651	(38)	—	651
Provision for tax liability	483	2,358	(89)	(486)	2,266
Other provisions	68	1,080	(164)	1	985
	30,167	6,126	(291)	(485)	35,517
<i>Charity</i>					
Terminal grant provisions	27,635	1,672	—	—	29,307
Property dilapidations	220	39	—	—	259
Operating lease provision	38	651	(38)	—	651
Provision for tax liability	483	2,358	(89)	(486)	2,266
Other provisions	68	868	(164)	1	773
	28,444	5,588	(291)	(485)	33,256

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

	2016 Unrestricted USD 000s	2016 Restricted USD 000s	2016 Total USD 000s
<i>Group</i>			
Fixed assets	5,498	—	5,498
Current assets	320,081	66,799	386,880
Current liabilities	(273,621)	—	(273,621)
Provisions	(35,517)	—	(35,517)
	16,441	66,799	83,240
<i>Charity</i>			
Fixed assets	5,360	—	5,360
Current assets	275,916	65,137	341,053
Current liabilities	(231,979)	—	(231,979)
Provisions	(33,256)	—	(33,256)
	16,041	65,137	81,178

13 Commitments under operating leases

The total future minimum lease payments and current year expenditure on non-cancellable operating leases:

	2016 Land and buildings USD 000s	2016 Other leases USD 000s	2015 Land and buildings USD 000s	2015 Other leases USD 000s
lease payments recognised as current year expense	18,982	1,747	17,403	2,733
lease payments due within one year	10,987	604	11,053	851
lease payments due between one and five years	7,936	9	7,068	155
lease payments due after five years	837	—	1,839	—
	19,760	613	19,960	1,006

14 Financial commitments

- a At 31 December 2016, 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 2016 USD 000s	Charged to SOFA in 2016 USD 000s	New commitments USD 000s	Balance as at 31 December 2016 USD 000s
Commitments to partner organisations	154,063	(250,714)	282,826	186,175
			2016 USD 000s	2015 USD 000s
Commitments to partner organisations consist of amounts falling due:				
within one year			145,905	124,178
after one year			40,270	29,885
			186,175	154,063

- 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 2016 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 SCl costs in 2017. The contracts were entered into during November and December 2016 and will all mature during 2017.

Member	Currency	Value of contracts in purchased currency	USD equivalent as at 31 December 2016
Save the Children Norway	NOK	28,303,200	3,358,371
Save the Children Switzerland	CHF	1,178,400	1,178,143
Save the Children Canada	CAD	375,600	287,012
Save the Children Sweden	SEK	46,623,600	5,143,340
Save the Children Finland	EUR	796,938	856,434
Save the Children Germany	EUR	1,445,983	1,553,933
Save the Children Italy	EUR	4,217,119	4,531,950
Save the Children Netherlands	EUR	1,623,312	1,744,501
Save the Children Spain	EUR	1,047,448	1,125,646
			19,779,330

15 Consolidated statement of funds

	Balance as at 1 January 2016 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2016 USD 000s
<i>Unrestricted funds</i>					
General funds	789	11,602	(11,008)	(529)	854
Fixed asset fund	6,655	22	(1,068)	(111)	5,498
Fixed asset replacement fund	—	493	(63)	(430)	—
International programming reserve	8,789	—	—	—	8,789
Closure reserve	1,300	—	—	—	1,300
Designated funds	16,744	515	(1,131)	(541)	15,587
Total unrestricted funds	17,533	12,117	(12,139)	(1,070)	16,441
<i>Restricted funds</i>					
International programme grants	80,086	1,119,214	(1,143,297)	(128)	55,875
International programme operational fund	6,513	62,480	(63,061)	1,198	7,130
Strategic Investment Fund	3,173	7,850	(10,430)	—	593
Donated professional services	—	6,712	(6,712)	—	—
Financial management system fund	9	—	(9)	—	—
Member growth fund	3,558	8,450	(8,807)	—	3,201
Total restricted funds	93,339	1,204,706	(1,232,316)	1,070	66,799
Total funds	110,872	1,216,823	(1,244,455)	—	83,240

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. A further transfer to the reserve of USD 620,000 was made from general funds during 2015.

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 financial management system fund represents contributions from Save the Children UK and Save the Children USA to the design and implementation of the financial management systems of Save the Children International.

The 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 2016 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2016 USD 000s
<i>Unrestricted funds</i>					
General funds	788	10,595	(10,399)	(529)	455
Fixed asset fund	6,655	(49)	(997)	(111)	5,498
Fixed asset replacement fund	—	493	(63)	(430)	—
International programming reserve	8,788	—	—	—	8,788
Closure reserve	1,300	—	—	—	1,300
Designated funds	16,743	444	(1,060)	(541)	15,586
Total unrestricted funds	17,531	11,039	(11,459)	(1,070)	16,041
<i>Restricted funds</i>					
International programme grants	67,438	1,108,019	(1,130,996)	(128)	44,333
International programme operational fund	14,550	(4,337)	—	1,198	11,410
Strategic Investment Fund	3,173	7,536	—	—	10,709
Donated professional services	—	—	(6,712)	—	(6,712)
Financial management system fund	9	—	(9)	—	—
Member growth fund	5,397	—	—	—	5,397
Total restricted funds	90,567	1,111,218	(1,137,717)	1,070	65,137
Total funds	108,098	1,122,257	(1,149,176)	—	81,178

16 Subsidiary companies

Save the Children International had ten wholly-owned subsidiary entities at 31 December 2016:

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 2016 were as follows:

	2016 USD 000s	2015 USD 000s
Assets	635	1,109
Liabilities	39	(300)
Total net assets	674	809
Income	5,693	5,848
Expenditure	(5,834)	(5,183)
Net incoming resources	(141)	665

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 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	1,219	500
Liabilities	(1,301)	(606)
Total net assets	(82)	(106)
Income	4,199	2,683
Expenditure	(4,205)	(2,821)
Net incoming resources	(6)	(138)

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 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	1,249	3,003
Liabilities	(779)	(1,304)
Total net assets	470	1,699
Income	16,187	18,080
Expenditure	(17,911)	(16,495)
Net incoming resources	(1,724)	1,585

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 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	1,023	606
Liabilities	(1,182)	(847)
Total net assets	(159)	(241)
Income	8,504	6,537
Expenditure	(8,708)	(7,047)
Net incoming resources	(204)	(510)

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. Save the Children International is sole member with right to remove and appoint director / officer(s). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	250	83
Liabilities	(323)	(155)
Total net assets	(73)	(72)
Income	737	601
Expenditure	(738)	(673)
Net incoming resources	(1)	(72)

g *Save the Children Philippines (SCP), Inc.* (Company registration number CN201408291) was incorporated in the Philippines as a non-stock non-profit corporation on 28 April 2014. All Incorporators, Trustees and Members are appointed by Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	5,515	5,342
Liabilities	(3,316)	(3,419)
Total net assets	2,199	1,923
Income	22,988	34,751
Expenditure	(22,826)	(35,375)
Net incoming resources	162	(624)

h *Fundación Save the Children Colombia* (registration number S0046070) was incorporated in Colombia as a Foundation (a type of private, not-for-profit entity) on 4 March 2014. Save the Children International is Sole Member (a corporate member). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	726	520
Liabilities	(797)	(898)
Total net assets	(71)	(378)
Income	5,329	3,587
Expenditure	(5,387)	(4,029)
Net incoming resources	(58)	(442)

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 Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	1,727	842
Liabilities	(1,704)	(1,202)
Total net assets	23	(360)
Income	11,872	8,425
Expenditure	(11,860)	(8,958)
Net incoming resources	12	(533)

j *Greek NFP partnership* registered in Greece under Greek law (registration number 135942101000). Made up of 2 partners, both employees of Save the Children International. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2016 were as follows:

	2016	2015
	USD 000s	USD 000s
Assets	342	117
Liabilities	(1,262)	(619)
Total net assets	(920)	(502)
Income	17,391	1,588
Expenditure	(17,808)	(2,091)
Net incoming resources	(417)	(503)

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 2016 Save the Children Association comprised 26 members and 3 associate members.

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

The boards of Save the Children Association and Save the Children International have identical membership and both are managed on a day-to-day basis by the same leadership team employed by Save the Children International. During the financial year, the following types of transactions took place between Save the Children International and Save the Children Association: grants of USD 21,746,000 (2015: USD 10,587,000) 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:

	2016	2015
	USD 000s	USD 000s
Amounts payable to the Save the Children Association	2,347	199

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 1,083,192,000 (2015: USD 1,087,964,000) was received from the members for international programming activities.
- ii Donated services of USD 4,467,000 (2015: USD 3,040,000) were received from members.
- iii Donated goods of USD 93,805,000 (2015: USD 83,739,000) were received from members.
- iv Contributions to the charity's working capital of USD 38,024,802 (2015: USD 31,951,504) were 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:

	2016 Amounts receivable USD 000s	2016 Amounts payable USD 000s	2016 Net balance USD 000s	2015 Net balance USD 000s
Save the Children member organisation				
Australia	697	(4,038)	(3,341)	(4,299)
Canada	2,771	(6,459)	(3,688)	(173)
Denmark	18,371	(11,885)	6,486	(6,379)
Fiji	3	-	3	—
Finland	1,041	(1,839)	(798)	(774)
Germany	5,781	(1,893)	3,888	1,932
Hong Kong	3,190	(2,724)	466	918
India	16	-	16	9
Italy	4,083	(8,717)	(4,634)	(616)
Japan	1,329	(937)	392	820
Jordan	59	-	59	—
Korea	2,758	(2,819)	(61)	1,837
Mexico	20	-	20	28
Netherlands	1,974	(3,940)	(1,966)	(2,779)
New Zealand	355	(460)	(105)	(246)
Norway	5,474	(12,731)	(7,257)	(3,762)
Spain	2,770	(1,483)	1,287	1,421
South Africa	3	-	3	—
Sweden	4,546	(15,966)	(11,420)	(6,683)
Switzerland	2,806	(3,426)	(620)	(636)
United Kingdom	63,253	(75,808)	(12,555)	(31,085)
United States	69,119	(62,006)	7,113	(8,001)
	190,419	(217,131)	(26,712)	(58,468)

18 Post balance sheet events

The operations of Save the Children Guatemala, a member of the Save the Children Association were absorbed into the Guatemala country office of Save the Children International on 1 April 2017.

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19 Contingent assets

	2016 International programming reserve commitments (a) USD 000s	2016 International programming closure indemnity (b) USD 000s	2016 Total contingent assets USD 000s	2015 Total contingent assets USD 000s
Save the Children member organisation				
Australia	—	374	374	552
Canada	—	615	615	663
Denmark	—	1,080	1,080	1,051
Finland	—	198	198	133
Germany	—	175	175	70
Hong Kong	—	123	123	—
Italy	—	590	590	571
Japan	—	106	106	156
Korea	—	359	359	271
Netherlands	—	451	451	343
New Zealand	—	35	35	47
Norway	—	1,178	1,178	1,083
Spain	—	101	101	160
Sweden	—	1,382	1,382	1,676
Switzerland	—	190	190	54
United Kingdom	3,112	6,343	9,455	9,662
United States	3,100	6,700	9,800	9,720
	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.

20 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

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