



**MARIE STOPES
INTERNATIONAL**

Financial Statements

31 December 2012



Registered name

Marie Stopes International

Charity number

265543 (registered in England and Wales)

Company number

1102208 (registered in England and Wales)

Registered office

1 Conway Street
Fitzroy Square
London W1T 6LP

Board of Trustees

Chairman

Timothy M Rutter FRCS

Trustees

Getachew Bekele

Dr Mohsina Bilgrami (resigned 6 March 2012)

Dr TRL Black CBE MBBS MRCP DTM&H MPH

Baroness Flather

Philip D Harvey

Kristen Anne Rutter

Peter Smitham (resigned 24 May 2012)

Virgilio Pernito (appointed 29 March 2012)

Secretary

Solscan Limited

Chief Executive

Dana Hovig (resigned 1 May 2013)

Michael Holscher – Interim CEO (appointed 1
May 2013)

Auditor

Crowe Clark Whitehill LLP

St Bride's House

10 Salisbury Square

London EC4Y 8EH

Principal bankers

Standard Chartered Bank Plc

1 Aldermanbury Square

London EC2V 7SB

Barclays Bank Plc

1 Churchill Place

London E14 5HP

Solicitor

Andrew Lutley

Springfield, Rookery Hill

Ashtead Park, Ashtead, Surrey KT21 1HY

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Report of the Board of Trustees

The Board of Trustees presents its report and the audited financial statements for the year ended 31 December 2012.

1. Structure, governance and management

Constitution of the charity

Marie Stopes International is a charity registered in England and Wales, constituted as a company and limited by guarantee. The charity is governed in accordance with its Memorandum and Articles of Association.

Our Objects

The charitable objectives of Marie Stopes International are:

- to educate the public about voluntary family planning and contraception with a view to preventing the poverty, hardship and distress caused by unplanned pregnancy.
- to preserve and protect the good health, both mental and physical of parents, young people and children, and to prevent the poverty, hardship and distress caused by unplanned pregnancy.

The Board of Trustees

Marie Stopes International's Board of Trustees is made up of individuals who are leaders in their field, committed to the organisation's mission. They bring skill, energy, and experience to Marie Stopes International. Their backgrounds include senior level experience in: the commercial health sector; clinical and teaching experience in women's reproductive health; leadership in the charity sector; business; finance; government; and advocacy.

The Trustees periodically discuss the skill set and experience necessary for the Board to exercise its role. If the Trustees identify the need for a new Trustee or if a Trustee needs to be replaced (due to retirement or otherwise), the Trustees: identify potential candidates; interview the potential Trustee(s) to establish their suitability and commitment; and check

references as needed. The potential Trustee is often then invited to be an observer at the next Board meeting, after which the Trustees may formally invite the selected candidate to become a Trustee.

In addition, and following Charity Commission approval, Marie Stopes International has two Trustees selected from amongst Marie Stopes International's most senior country programme directors in Africa, Asia and Latin America. These Trustees are invited to join the Board for a three year term.

New Trustees are inducted to Marie Stopes International via formal and informal exchanges with other Trustees and senior team members, on areas such as Marie Stopes International's mission, goal, finances, strategy, and health service portfolio. New Trustees often visit a Marie Stopes International overseas programme, or one of the organisation's centres in the UK, in order to understand the health service mix, challenges, opportunities, and the difference that Marie Stopes International makes to individual women, men, couples, communities, and countries around the world.

The Trustees serving in the year ended 31 December 2012 and up to the date of signing this report are noted on page 2.

Public benefit

The Trustees have satisfied themselves that Marie Stopes International meets the public benefit requirement contained within the section 17 of the Charities Act 2011. As detailed above, the charitable objectives, aims and strategy of the organisation comply with the public benefit test in the following areas:

- prevention or relief of poverty
- advancement of health and the saving of lives
- advancement of human rights

At the core of our organisation is the aim to provide choices in reproductive healthcare, so that women have children by choice not chance.

Organisational structure and decision making process

Marie Stopes International is an international non governmental organisation delivering sexual and reproductive health services through its family planning centres and clinical outreach teams in 38 countries globally.

Marie Stopes International (the Charity) - or the Company for the purposes of company law - refers to Marie Stopes International's UK operations (its family planning centres and London Central Office) and Marie Stopes International's 20 international branch offices. The London Office provides support for Marie Stopes International's UK clinics as well as its network of international branches; subsidiaries and affiliated partners in over 40 countries worldwide.

Marie Stopes International (the Group) refers to Marie Stopes International's UK operations and its branches and subsidiaries but excluding affiliated partners.

Marie Stopes International (the Partnership) refers to the whole Partnership, being Marie Stopes International's UK operations, its branches, subsidiaries plus affiliated partners.

All Marie Stopes International branches and subsidiaries are listed in Note 21. Additionally Marie Stopes International's investment in subsidiaries is contained in Note 10b.

Unless otherwise stated all references to Marie Stopes International refer to Marie Stopes International (the Group) i.e. excluding affiliated partners.

The Trustees of Marie Stopes International are responsible for the overall strategic direction and policies of the Group. The Executive team based in London, led by the CEO, are responsible for the implementation of this direction and for the Group's overall operational management.

Marie Stopes International subsidiaries have their own board of Trustees (or directors/ members) of varying size which fulfil local statutory and regulatory requirements. Operationally each branch/subsidiary has a management team headed by a Country Director who reports operationally into London.

Wider networks in which the organisation is involved

The Reproductive Health Supplies Coalition

The Reproductive Health Supplies Coalition is a global partnership of public, private, and non-government organisations dedicated to ensuring that all people in low- and middle-income (LMI) countries can access and use affordable, high quality supplies to ensure their better reproductive health.

The Coalition brings together diverse agencies and groups with critical roles in providing contraceptives and other reproductive health supplies. These include multilateral organisations, all the major northern donors, bilateral and private foundation donors, LMI country governments, civil society, and private sector representatives. Since 2004, the Coalition has been at the forefront of international efforts to secure reproductive health supplies by increasing resources, strengthening systems, and building effective partnerships.

The Inter-Agency Procurement Group

The Inter-Agency Procurement Group (IAPG) along with 13 other non government organisations is a network of logistics professionals who work collectively on humanitarian supply chain activities. The Group meets once a quarter and its aim is to share knowledge and develop expertise with the goal of improving standards and the effectiveness of humanitarian logistical systems and practices worldwide.

EuroNGOs

Marie Stopes International is a member of EuroNGOs network. This is a European network of non government organisations that cooperate in the field of sexual and reproductive health and rights, population and development.

UK Sexual & Reproductive Health & Rights (SRHR) Network

Marie Stopes International chairs the UK SRHR Network. The aim of this network is to promote the centrality of Sexual and Reproductive Health and Rights (SRHR) in development policies and programmes, particularly with the UK government and its related decision-making bodies.

Risk management

The organisation regularly assesses risks, and undertakes activities to manage and mitigate risks.

Whilst no system of internal control can provide absolute assurance against material misstatement or loss, the Marie Stopes International risk management system has been developed to provide reasonable assurance to the Trustees that there are adequate procedures in place and that we identify and evaluate their effective operation.

The key elements of the system of internal control are:

- **delegation:** there is a clear organisational structure with clear decision rights and lines of authority and responsibility for control together with procedures for reporting issues, decisions and actions
- **reporting:** the Trustees approve and review the annual objectives (Key Performance Indicators KPIs), activities programme, income and expenditure predictions and monitor actual income and expenditure on a regular basis
- **risk management:** there are processes in place for identifying, evaluating and managing significant risks faced by Marie Stopes International. The Trustees believe that all of the major risks to which Marie Stopes International is exposed have been identified and reviewed and that systems have been established to manage those risks. The Trustees review critical risks as a formal agenda item in every Board meeting.
- **internal audit:** Marie Stopes International's internal audit team, established in 2006 and reporting direct to the Board, is a key part of Marie Stopes International's internal review and control process for its international operations, visiting 23 partner countries in 2012 to assess risks and review operational and financial controls within the Group.
- **review:** Marie Stopes International's Internal Audit Supervisory Group (ASG) comprises: one Trustee; three representatives from the Marie Stopes International partnership; the Chief Executive; Finance Director and the Regional Directors. The ASG oversees the adequacy of internal control



systems and compliance with finance guidelines. The ASG meets periodically, and at least prior to every Board meeting, to discuss the results from the internal audits conducted in the UK and overseas. The Trustee representative then briefs the remaining Trustees at the next Board meeting on key risks, and the actions undertaken to mitigate these risks.

Current risks and uncertainties facing the organisation

Currently identified risks facing Marie Stopes International are:

- the provision of services in countries where political and regulatory unpredictability exist and may increase;
- managing the transition from donor grant management to more output-based aid contracting;
- meeting the need to update its management information systems (MIS) and control processes as service delivery expands and diversifies.

Objectives and activities

Objectives, aims and strategy

Marie Stopes International's mission is to enable people to have children by choice, not chance. The charity's vision is a world in which every birth is wanted.

To achieve these objectives, the charity operates under the following principles:

- We will not turn away a woman in need. Provided that our standards for quality, security and legal compliance can be met, we will do our best to help anyone who seeks out our services.
- We are committed to providing family planning and safe abortion services (where we are legally able to do so) and treating complications related to unsafe abortions everywhere.
- We are passionate about excellence. In everything

we do, including clinical quality and in our business processes, we embrace a spirit of innovation, efficiency, cost-effectiveness and a commitment to measurable results.

- We engage actively with the global family planning community, learning from and catalysing others to provide choices to the under-served, mobilising resources for choice and helping transform restrictive environments.
- We remain committed to our longstanding social enterprise approach, with an emphasis on diversifying revenue, maximising cost-effectiveness, achieving bottom line results and ensuring long term sustainability.
- We are One Marie Stopes International, a single global organisational franchise united by our mission and dedicated to common goals. We expect our standards of excellence – clinical, managerial and operational – to be replicated in every programme.

2012 Objectives

Our 2012 objectives were focused around three key areas:

1. Choice and channel:

- Focus relentlessly on reaching the women most in need of our family planning services and improve the way in which we measure the success of reaching those groups
- Increase access to all of our services in order to reduce the harm caused by unsafe abortion
- Share the innovations that are taking place around our organisation and improve the ways in which we learn from them

2. Capacity:

- Continue to focus on clinical quality across all service delivery channels.
- Develop talent and capacity both in our country programmes and the offices that support their work.
- Continue to build "One MSI" systems, standards and guidelines, to ensure excellence across our organisation.

3. Connections:

- Develop opportunities to further integrate into countries' health systems and complement existing service delivery.
- Use our position as one of the largest sexual and reproductive health service delivery organisations in the world to act as a thought leader in our sector.

Significant 2012 activities

The Power of 10 strategy

2012 was the second year of our five year strategic plan: The Power of 10. Designed for the period 2011-2015, the plan sets out ambitious goals for Marie Stopes International in terms of health impact, organisational capacity building and enhanced revenue generation. It builds on Marie Stopes International's success in achieving many of the goals in the 2007-2011 plan, while addressing areas identified for improvement. It also responds to fundamental changes in services and how the organisation delivers them, and prepares for the long term impact of these changes.

The plan focuses on three broad strategies for achieving our ambitious health goals:

First, we will dramatically expand the family planning and reproductive health choices available to our clients and deliver services as close to our clients as possible.

Second, we will build our institutional capacity – systems, standards, and people – to improve our effectiveness and efficiency around the world.

And third, we will forge enduring connections with governments and other institutions that influence policy, funding and practice for family planning, both at the country level and globally.

2012 global impact

Each year we track our progress towards our global mission – children by choice, not chance - in our Global Impact Report. The highlights from our 2012 report* are as follows.

In 2012 we reached more people than ever before and focused our service delivery on those women most in need of our family planning services. In 2012:

- we delivered 20.8 million CYPs and provided choices to more women than ever before;
- our services averted 5.3 million unintended pregnancies;
- our services prevented 2.1 million pregnancies;
- our services prevented 11,300 maternal deaths;
- we saved health system around the world £226 million.

Our services reached some of the most at need groups:

- 34% of our clients were not previously using a method of family planning.
- 26% of our clients were living in extreme poverty (living on less than \$1.25 per day).
- 30% of our clients were under 25.

During 2012 we continue to implement our High Impact CYP measure across 28 of our country programmes. This builds on the industry standard CYP (couple year of protection) and records the CYPs delivered to those groups most in need of our family planning services. Across the 28 programmes where we measured High Impact CYPs, 86% of the family planning services we delivered were High Impact CYPs.

In 2012 we launched our internally funded Innovations Fund, in order to encourage programmes to innovate in the way that they deliver their services and to ensure that innovations are captured and shared as widely as possible. In Afghanistan the Fund paid for the roll-out of solar panels on our clinics, which means that they are now able to continue to offer services even when the main power grid is down.

In July we played a key role in the London Summit on Family Planning and helped to highlight the importance of family planning to a global audience. We stood up alongside international donors, governments, the private sector and civil society organisations and made a pledge that Marie Stopes International will deliver family planning services to an additional 10 million girls

* Reported service outcomes include the results of affiliated Partners in order to present a true picture of Marie Stopes International's global impact.

and women by 2020. Our commitment to reaching these women will drive us and our work for years to come, and we will play a vital role in holding others to account for the pledges that they made.

You can read more about our 2012 impact, or download the full report at www.mariestopes.org/impact

UK Division

During 2012 the UK Management Team focused on quality and value and received full compliance in all centres from the Care Quality Commission. The UK has also continued to develop the full range of integrated sexual and reproductive healthcare services for its clients.

In England and Wales, Marie Stopes International provided over 196,000 client services during the year (2011: 198,000). Marie Stopes One Call, our telephone helpline and booking service, received 313,000 calls (2011: 319,000) for all issues related to sexual and reproductive health.

3. Plans for future periods

In the developing world, over 200 million women have an unmet need for family planning, and more than 20 million women resort to unsafe abortion each year. We will continue to forge lasting connections with governments and other key organisations to accelerate progress towards universal access to contraception. And we will strive every day to make sure women can make informed choices about their family size, their fertility and their futures.

Our 2013 corporate priorities are driven by 4 imperatives:

- The client: should be at the centre of all that we do.
- Country and programme-led: we want to make sure that the organization, including our support functions, serves MSI's programmes as it is our programmes and our people working therein that deliver life-saving and life-changing services to our clients

- Power of 10: aligning all we do to our Power of 10 Strategy noting that a mid-term review of the strategy will take place this year
- Innovation: advancing MSI and the family planning and safe abortion sector

And will focus on 5 priorities:

1. **High Impact CYPs** – focusing our family planning services on the women and communities that need them most
2. **People and leadership** – developing our people across the organisation and ensuring strong leadership and focus on our mission
3. **MSI systems** – making sure that we have systems in place that allow our country programmes to deliver services more effectively
4. **Clinical quality** – we will always focus our efforts on delivering high quality services to our clients
5. **Programme resourcing** – support Country Directors to resource their programmes so that can they achieve equitable national impact on family planning and unsafe abortion, and deliver on their 2015 objectives
6. **Capitalise on our position:** use our position as the sector leader to ensure that our impact increases as a result of the London Summit on Family Planning

4. Financial Review

The results for the year are shown in the Consolidated Statement of Financial Activities. The Trustees are pleased to note the continued financial health of the organisation.

Principal sources of funding and areas of charitable expenditure

Marie Stopes International's income rose in 2012 to £172.1m. Our principal sources of funding in 2012 were:

- From Governments and fees charged for our global sexual and reproductive health services- £85.9million (2011: £79.2million) an 8.5% increase.

- From donors in the form of grant income which in total rose to £72.9million (2011 restated: £47.2million) an increase of 54%.

The prior year figures have been restated. See note 23 for details of the reason for the restatement and the impact of it on the 2011 figures.

Expenditure on charitable activities in support of the objectives of the charity was £173.7 million (2011: £139.0 million).

Reserves Policy

On 25 October 2011 the Board approved a revised reserves policy. MSI views reserves requirements from both a long-term and short-term perspective. In both cases, the purpose of reserves is to provide an unencumbered resource foundation for the pursuit of Marie Stopes International's charitable mission of children by choice, not chance.

Reserves are defined as unrestricted funds and are available to Marie Stopes International to meet its charitable objectives. These reserves represent the accumulated surpluses from MSI's worldwide operations of a network of over 600 clinics and over 40 country programmes, including substantial commercial

operations in the UK, Australia and Western Europe. The Trustees again endorse the use of surplus service income from these operations to fund the growth of family planning and sexual and reproductive health services within the developing world.

These reserves would be used to ensure the organisation can operate in times of substantial income fluctuations or where expenditure on charitable activities could not or should not be scaled back in the short to medium term. Marie Stopes International aims to hold at all times reserves equal to the prior six months of total expenditures. Management will notify the Board if natural fluctuation takes this figure to either five months or seven months and will alert the Board if it deviates to four months or eight months. Should net assets fall below four months total expenditure Marie Stopes International risks not having control over the resource base to maintain focus on its organisational goals. Should MSI's net assets exceed eight months expenditure the Trustees should consider using extra resources for Marie Stopes International's charitable mission. Sufficient reserves are critical to the long-term sustainability of Marie Stopes International's infrastructure, platforms, people, and mission irrespective of donor funding ups and downs. This long-term reserves target will provide



sufficient internal resources to support Marie Stopes International's business model.

Our general reserves were £26.1million (2011 restated - £32.3 million).

Marie Stopes International has designated part of the unrestricted reserves to create:

- a tangible fixed asset reserve of £27.3 million (2011: £22.9 million) which represents MSI funds invested in tangible fixed assets – primarily clinic buildings – to further the long-term objectives of the group
- a sustainability reserve of £6.3 million (2011: 5.7 million) which continues to be set aside to provide working capital for the continued expansion of family planning services post donor funding and for strengthening institutional development capacity.

This equates to total unrestricted reserves of £59.7m which is equal to 4.1 months of total expenditure and 7.1 months of unrestricted expenditure. Although this is below our threshold target based on total expenditure, should MSI experience a significant reduction in grant income, total expenditures will be reduced accordingly and immediately due to the inherent nature of MSI's grant funding. Clinics that do not cover their costs with earned income are closed and the assets liquidated if appropriate subsidies cannot be found from reserves or grants. The Trustees therefore are confident that our unrestricted reserve levels are appropriate for our organisation but we intend to continually review our reserves policy in the future.

Our restricted funds at 31 December 2012 were £7.1 million (2011 restated: £8.5 million). These funds are from two sources. Firstly, funds received from donors to directly support our charitable activities and secondly net proceeds for clinic services from international operations which, for local legal reasons or at Marie Stopes International's discretion the proceeds are restricted to be used within the country where the original income was generated. For donor funds in the highly unlikely event of such funds not being able to be used for their intended purpose, any

non-committed balance would be returned to the original donors.

For Marie Stopes International, all reserves relate to reserves held by the Group, which includes all branches and subsidiaries.

Investment

Excluding investments in subsidiaries and programme-related investments, Marie Stopes International's principal investments are a Dublin property (net book value £262,000 at 31 December 2012; 2011: £268,000) and a managed investment fund (net book value £6.3 million at 31 December 2012; 2011: £5.7 million).

The Board of Marie Stopes International has delegated to the Investment Supervisory Group the responsibility for developing an overall approach to investment management on behalf of all of the financial assets under the charity's control.

The principal responsibilities of the Supervisory Group include:

- determining an appropriate investment strategy consistent with the risk appetite prevailing from time to time
- developing guidelines based on the agreed investment strategy
- recommending the appointment, re-appointment or removal of investment managers
- setting of appropriate investment benchmarks and targets.

The members of the Investment Supervisory Group in 2012 were:

Mr T M Rutter FRCS (Chairman)
Dr T R L Black CBE MBBS MRCP DTM&H MPH (Trustee)
Mr D S Hovig (Chief Executive)
Mr A K Brown (Global Finance Director)

Marie Stopes International's investment policy seeks to maximise income returns subject to the following considerations:

- Any risks are minimised and no speculative investments are made

- No investment will be made if the Trustees are aware that the investment may present a compromise to the charity's commitment to sexual and reproductive health rights
- From inception the value of our external investments has increased by 11.4% to £6.3 million at 31 December 2012. An improvement this year from the turbulent global markets in recent years.
- The Investment Supervisory Group has developed a more detailed investment strategy for Marie Stopes International to include investment in managed funds. The objective for this investment is to increase the value of its portfolio. In October 2011, we confirmed the delegation of funds to Schroder & Co Limited and have reinforced that the portfolio should be invested within the following tactical ranges:

Category	Tactical Range
Equities	20 - 78%
Bonds	0 – 18.5%
Hedge Funds	10 – 20%
Private Equity	5 – 15%
Commodities	3 – 13%
Cash	0 – 10%

The performance of the Schroder fund is benchmarked internally to the FTSE 100 index. As the make up of the Schroder fund is particular to Marie Stopes International, there are no exact third party alternatives available to consider when looking for comparable performances. The FTSE 100 index is a sensible benchmark to look at when considering general global market trends.

5. Employees

Marie Stopes International aims to be an organisation where team members enjoy working and where they feel supported and continue to be developed in their roles. Our team members are kept fully informed of the organisation's strategy and objectives. Their

individual performance is reviewed at least twice a year and learning and development is an integral part of the staff appraisal process. All managers attend the Performance Plus Management Programme to create a supportive environment and ensure proper performance management. A two way feedback and appraisal process are part of the Marie Stopes International culture.

We conduct a survey each year to gather views of our team. From this an action plan is developed so we can enhance the experience of our employees and improve performance and productivity. Marie Stopes International is dedicated to attracting and retaining a talented and diverse workforce and we aim to hire for talent to allow team members to develop within their employment at Marie Stopes International. Marie Stopes International has an Equality and Diversity policy and we are committed to non-discrimination. As an organisation we have full and fair consideration to applications for employment by the company made by disabled persons having regard to their particular aptitudes and abilities. This policy and culture is embedded in policies, procedures and practices throughout the organisation.

6. Creditors

The organisation abides by the payment terms of our suppliers. At the end of 2012 the amount owed to Trade Creditors by the group was £5.7 million (2011: £5.2 million). This equated to 21 days of applicable expenditure (2011: 30.5 days)

7. Auditor

Crowe Clark Whitehill LLP have expressed their willingness to continue as auditor for the next financial year.

8. Statement of Trustees' responsibilities

The Trustees (who are also directors of Marie Stopes International for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding

the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Trustee who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware ;
- the director has taken all steps that he/she should have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S.418 of the Companies Act 2006. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

During 2012 we increased our service provision so that we delivered over 20.8 million CYPs. We are expanding our service delivery due to our reputation for delivering clinical excellence and services to women in need. We cannot do this without the continued and increasing support from our donors, for which we are grateful. As we continue to expand our horizons and start on the path to achieving our strategic vision for 2015, the Board of Trustees has confidence in the future success and growth of the organisation.

Company 1102208
(Registered in England and Wales)
By order of the Board

Mr TM Rutter FRCS Chairman
18th October 2013

Independent auditor's report to the members of Marie Stopes International

We have audited the financial statements of Marie Stopes International for the year ended 31 December 2012 set out pages 16 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the company's 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, the trustees (who are also the directors of the charitable company for the purpose 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- the parent 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 parent 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.

Pesh Framjee
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

18th October 2013



Consolidated statement of financial activities incorporating the income and expenditure account for the year ended 31 December 2012

	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2012 £'000	Restated Total 2011 £'000
Incoming resources					
Incoming resources from generated funds					
-Voluntary income	2a	5,328	7,524	12,852	6,237
-Investment income	2b	243	283	526	779
Incoming resources from charitable activities	2c	90,824	67,947	158,771	126,405
Other incoming resources	2d	1,073	190	1,263	2,855
Total incoming resources	2e	97,468	75,944	173,412	136,276
Resources expended					
Costs of generating funds	5	525	-	525	410
Charitable activities	3 / 5	99,398	74,345	173,743	139,000
Governance costs	4	294	426	720	495
Total resources expended	5	100,217	74,771	174,988	139,905
Net incoming resources before transfers		(2,749)	1,173	(1,576)	(3,629)
Transfer between Restricted Funds	17	2,575	(2,575)	-	-
Net incoming resources before other recognised gains or losses, being net income for the year		(174)	(1,402)	(1,576)	(3,629)
-Net loss on revaluation of investment properties	10a	(6)	-	(6)	-
-Net (loss)/gain on revaluation of investments	10d	643	-	643	(319)
-Exchange translation difference arising on consolidation		(1,700)	-	(1,700)	211
Net movement in funds		(1,237)	(1,402)	(2,639)	(3,737)
Total funds brought forward at 1 January 2012 as previously stated	17	69,125	9,229	78,354	73,194
Prior year adjustment	23	(8,193)	(704)	(8,897)	-
Total funds brought forward at 1 January 2012 as restated		60,932	8,525	69,457	73,194
Total funds carried forward at 31 December 2012	16/17	59,695	7,123	66,818	69,457

All amounts relate to continuing activities. All gains and losses have been included above, therefore no Statement of Total Recognised Gains and Losses has been presented.

The notes on pages 18 to 34 form part of these financial statements.

Balance Sheet as at 31 December 2012

	Note	Group		Company	
		Total 2012 £'000	Restated Total 2011 £'000	Total 2012 £'000	Restated Total 2011 £'000
Fixed assets					
Tangible assets	9	36,184	36,607	25,328	23,551
Investment property	10a	262	268	262	268
Investment in subsidiaries	10b	-	-	1,336	1,256
Investment in Affiliates	10b	371	-	371	-
Programme related investments	10c	-	-	688	920
Investments	10d	7,422	7,945	6,304	5,661
Intangible Assets	10e	4,838	2,744	3,386	2,744
		49,077	47,564	37,674	34,400
Current assets					
Stock and work in progress		7,382	6,233	3,751	3,478
Debtors	11	29,071	25,691	41,746	35,843
Short term investments	14	2,974	243	1,958	243
Cash at bank and in hand	14	22,107	17,293	11,474	5,743
		61,534	49,460	58,929	45,308
Creditors: amounts falling due within one year	12a	41,385	24,384	33,512	20,535
Net current assets		20,149	25,076	25,417	24,773
Total assets less current liabilities		69,226	72,640	63,092	59,172
Creditors: amounts falling due after more than one year	12b	1,616	1,661	1,616	1,661
Loans: amounts falling due after more than one year	13	792	1,522	792	1,109
Total amounts falling due after more than one year		2,408	3,183	2,408	2,770
Net assets	15	66,818	69,457	60,684	56,402
Represented by:					
Unrestricted funds					
General reserves	17	26,081	32,378	30,984	29,431
Designated funds - tangible fixed asset reserve	17	27,314	22,896	22,096	20,965
Designated funds - sustainability reserve	17	6,300	5,657	6,300	5,657
		59,695	60,931	59,380	56,053
Restricted funds	16	7,123	8,526	1,304	349
		66,818	69,457	60,684	56,402

Approved and authorised for issue by the Board of trustees on 18 October 2013 and signed on its behalf by Mr TM Rutter FRCS Chairman.
The notes on pages 18 to 34 form part of these financial statements.

Consolidated cashflow statement for the year ended 31 December 2012

	2012		Restated 2011	
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities				
Net outgoing resources before other gains and losses	(1,576)		(3,629)	
Investment income	(526)		(779)	
Interest payable	167		40	
Depreciation and amortisation	5,945		4,918	
Tax charge	24		299	
Loss/(gain) on sale of tangible fixed assets	108		(1,049)	
Increase in stock	(1,149)		(1,085)	
Increase in debtors	(3,380)		(7,750)	
Increase in creditors	13,780		3,085	
Exchange movements	488		1,449	
Net cash inflow/(outflow) from operating activities		13,881		(4,481)
Returns on investment and servicing of finance				
Interest received	389		669	
Distributions received	98		52	
Interest received	(169)		26	
Rent receivable	41		32	
		359		779
Taxation paid	(80)		(219)	
		(80)		(219)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(7,757)		(8,586)	
Purchase of intangible assets	(2,421)		(2,909)	
Purchase of fixed asset investments	(371)		(3,109)	
Proceeds from sale of tangible fixed assets	259		2,099	
Proceeds from sale of fixed asset investments	1,253		-	
		(9,037)		(12,505)
Financing				
Increase in bank and unsecured loans	267		377	
Capital repayment of long term loans	-		(871)	
Increase in bank overdraft	2,155		-	
		2,422		(494)
Management of liquid resources				
(Increase)/decrease in short term investments	(2,731)		11,596	
		(2,731)		11,596
Net cash inflow/(outflow)		4,814		(5,323)
Increase/(decrease) in cash				
Cash at 1 January 2012	17,293		22,616	
Increase/(decrease) in cash	4,814		(5,323)	
Cash at 31 December 2012		22,107		17,293

The notes on pages 18 to 34 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments to market value and in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005, and applicable United Kingdom law and accounting standards. Having considered the risks, reserves and financial position the financial statements have been prepared on a going concern basis.

The principal accounting policies adopted are as follows:

a) Basis of consolidation

The Group financial statements combine the results of the parent undertaking, Marie Stopes International, and its subsidiary undertakings detailed in Note 10b and after eliminating inter-group transactions.

No separate Statement of Financial Activities or income and expenditure account has been presented for the company alone as permitted by section 230 of the Companies Act 2006 and paragraph 397 of the 2005 Charities SORP. The company had total incoming resources in the year of £120.6m (2011 restated: £90.3m) and total resources expended of £116.9m (2011: £92.3m) giving a net gain for the year of £3.7m (2011 restated : loss of £2.0m). The net movement in funds, after investment gains/losses was £4.3m (2011: -£2.8m).

b) Incoming resources

Incoming resources from charitable activities comprises income from the provision of services to clients for sexual and reproductive healthcare, grants for the delivery of sexual & reproductive health services and consultancy services.

Service income

Service income comprises income received and receivable from clients for sexual and reproductive

health services and products provided during the period.

Grant income

Income from external grants is recognised in the Statement of Financial Activities as soon as it is receivable unless donor conditions related to performance and specific deliverables apply. These grants are accounted for as the charity earns the right to consideration through performance. Where income is received in advance it is classified as deferred and included in creditors. Where entitlement occurs before the income is received the income is accrued and included in debtors.

Donated goods and services

Where the charity receives donations of goods and services in kind and where there is a measurable value to the charity, which can be ascertained with reliability, they are included as both income and expenditure. The donation is recognised on receipt of goods and services and the goods and services are expended when used.

Voluntary income

Legacies and donations are included in the Statement of Financial Activities in the year in which they are received or once it is known with certainty that an identifiable sum of money is going to be received.

Investment income

Investment income comprises interest, dividends, distributions and rents and is recognised in the period in which it becomes receivable.

c) Foreign currencies

For reporting purposes monetary assets and liabilities in foreign currencies are translated into sterling at the year end exchange rate at the balance sheet date and exchange differences are included in the Statement of Financial Activities. Exchange differences arising from the re-translation at year end of Group assets and liabilities are recognised as unrealised in the Statement of Financial Activities.

d) Pension costs

The charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund managed by Standard Life Assurance Company. Employer contributions are charged to the Statement of Financial Activities as they fall due.

e) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account as incurred.

f) Resources expended

All expenditure is accounted for on an accruals basis. Direct costs incurred by the Group are allocated across the various types of expenditure as follows :

Costs of generating voluntary income comprise costs relating to the raising of voluntary donations such as production of publications, direct mailing campaigns, donations database maintenance and personnel.

Charitable activities comprise costs relating directly to the delivery of family planning and other sexual & reproductive health services and related advocacy & awareness raising and capacity building. Costs include delivery of clinical and outreach services throughout the global partnership, such as service providers' salaries, costs of drugs and equipment, materials, premises, training and travel.

Governance costs represent the costs of compliance with statutory requirements and include the costs of audits and costs incurred on behalf of trustees relating to the governance of the organisations, such as travel and meeting attendance.

g) Grants paid

Grants payable to affiliates of Marie Stopes International and other third parties to reimburse them for specific activities undertaken by them in support of Marie Stopes International's charitable activities are charged to the Statement of Financial Activities when an obligation exists.

h) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided at rates calculated to write off the cost of fixed assets less their estimated residual value, on a straight line basis over their useful economic lives as follows:

Freehold properties	Over estimated useful life
Leasehold properties	Over period of the lease
Furniture, fixtures, fittings & office equipment	20% to 50% per annum
Medical equipment	20% to 50% per annum
Computer equipment	25% to 50% per annum
Motor Vehicles	25% per annum

Marie Stopes International capitalises fixed assets in the UK above a value of £1,200. For Marie Stopes International's branches and subsidiaries overseas the capitalisation level is lower and varies by entity.

i) Intangible Assets

Goodwill, which represents the excess of the acquisition costs over the fair values of the identifiable net assets acquired is capitalised at cost and amortised over its estimated useful life

Registration and license fees are capitalised at cost and will be depreciated over the period to which the rights relate (estimated to be seven years).

j) Investments

Listed properties and investment properties are stated at the market value at the balance sheet date. Investments such as hedge funds and private equity funds, which have no readily identifiable market value, are included at the most recent valuations from their respective managers.

Investments in subsidiaries are stated at cost less any provision to impairment.

Revaluation gains or losses arising during the year are included in the Statement of Financial

Activities. Impairments are charged to resources expended on charitable activities. Investment income is the amount receivable by Marie Stopes International in the year.

k) Programme related investments

Programme related investments are included at the amount invested less any repayments and impairments.

l) Stock

Stock represents medical equipment and supplies purchased to fulfill Marie Stopes International charitable objectives and is reported at the lower of cost or net realisable value. In some circumstances stock items are sold (rather than used internally) after the balance sheet date. In such cases our assessment of net realisable value is based on the service potential provided by the items of stock because, as indicated, the sale after the balance sheet date is made in furtherance of our charitable objectives. As a result, in these cases, it is not necessary to impair the carrying value of this stock at the period end.

m) Reserves & fund accounting

General reserves are unrestricted funds available to be used at the discretion of the Board of Trustees for the furtherance of the charitable objectives of the Group and which have not been designated for any other purpose.

Designated funds comprise unrestricted funds that have been set aside by the Board of Trustees for particular purposes. The aim of each designated fund is set out in Note 17.

Restricted funds are funds which have to be used in accordance with specific restrictions imposed by donors.



2 Incoming resources

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000	Restated Total 2011 £'000
a. Voluntary income				
Gifts in Kind	1,961	7,302	9,263	661
Donations and legacies	3,367	222	3,589	5,576
	5,328	7,524	12,852	6,237
b. Investment income				
Bank interest receivable	125	264	389	669
Distributions receivable	98	-	98	52
Loan interest receivable	(17)	15	(2)	26
Rent receivable	37	4	41	32
	243	283	526	779
c. Incoming resources from charitable activities				
Grant income				
Department for International Development:				
<i>Prevention of Maternal Death from Unwanted Pregnancy</i>	12,464	-	12,464	4,447
<i>Programme Partnership Arrangements (PPA)</i>	4,393	-	4,393	3,127
<i>African Health Markets for Equity</i>	-	399	399	-
<i>Other</i>	-	3,797	3,797	5,923
Danish International Development Agency	-	-	-	2,142
European Union	-	2,045	2,045	2,068
United Nations	-	584	584	762
Packard Foundation	-	391	391	328
Kreditanstalt für Wiederaufbau	-	1,536	1,536	900
Netherlands Ministry of Foreign Affairs	-	2,987	2,987	1,724
Finland Ministry of Foreign Affairs	-	364	364	418
UK Trusts & Foundations	-	-	-	769
United States Agency for International Development	-	9,142	9,142	2,788
The Gates Foundation	-	1,446	1,446	-
Other	778	32,569	33,347	21,826
	17,635	55,260	72,895	47,222
Grant income is recognised in accordance with the Charity SORP. Actual receipts under key agreements during the year were: PMDUP £11.6m, PPA £5.4m				
Service income				
Sexual and reproductive healthcare services	73,677	12,892	86,569	80,034
Fees waived	(488)	(205)	(693)	(851)
	73,189	12,687	85,876	79,183
	90,824	67,947	158,771	126,405
d. Other incoming resources				
	1,073	190	1,263	2,856
e. Total incoming resources				
	97,468	75,944	173,412	136,277

Approximately half of Marie Stopes International's income relates to MSI's global projects. It is not possible to allocate this income between countries on a consistent and reliable basis and for this reason the company has not disclosed the geographical analysis of income.

3 Charitable activities

Expenditure on charitable activities comprises the costs of operating MSI's global programme activities, consultancy services and support costs. In 2012, total expenditure on charitable activities was £173.7million (2011: £139.0million) including support office costs of £8.9million (2011: £9.2million).

Expenditure within our programmes relates to the cost of providing services within our centres, franchise network and outreach teams. The support costs relate to the costs of technical assistance to programmes and to the corporate functions of information technology, people and development, communications and other centralised functions.

Programme activity expenditure includes grants made to MSI affiliated partners and external partners of £6,140,605 (2011: £4,409,209). Details of these grants are available from Marie Stopes International, 1 Conway Street, London, W1T 6LP.

Programme activity expenditure includes the following payments disclosed separately in accordance with the requirements of the donor. These figures include contributions to support costs.

	2012 £'000	2011 £'000
Funded by Department for International Development		
Malawi/BLM Programme of Work II	3,119	3,307
Prevention of Maternal Death from Unwanted Pregnancy	10,339	4,341
Programme Partnership Arrangement	2,590	1,441
Improving Maternal Health in Rural Ethiopia	-	450
Increasing Maternal Health Services Sierra Leone	31	297
CSCF 420: Ethiopia SRH Rights Protection	31	76
Sudan Improving Safety Nets in HS Prov-Abiemnom & Mayom	104	61
Bangladesh Better MH for the poor/vulnerable in Kishoreganj	16	17
	16,230	9,990

4 Governance costs

	2012 £'000	2011 £'000
Costs of Trustees' meetings and support	20	11
Fees payable to the company's auditors for:		
- current year provision	125	110
- under provision relating to prior year	60	67
- company tax advice	2	-
- project audit	60	50
Fees payable to other auditors for the audit of other Group entities	453	257
	720	495

5 Total resources expended

	Programme activities £'000	Direct Staff costs £'000	Depreciation & amortisation £'000	Other costs £'000	Support costs £'000	Total 2012 £'000	Total 2011 £'000
Charitable activities	65,293	81,764	5,945	11,819	8,922	173,743	139,000
Costs of generating voluntary income	-	430	-	95	-	525	410
Governance costs (note 4)	196	-	-	511	13	720	495
	65,489	82,194	5,945	12,425	8,935	174,988	139,905
Staff costs:							
- Wages and salaries						54,151	52,223
- Social security costs						3,150	2,557
- Employer's pension contributions						2,124	1,954
						59,425	56,734
Sessional fees and agency costs						16,579	15,238
Note : Staff costs are included in both direct staff costs and support costs.						76,004	71,972

	Number	Restated Number
The average number of staff analysed by function was:		
- Generating voluntary income	2	2
- Charitable activities	5,918	5,867
- Governance	27	20
	5,947	5,889
The numbers of employees whose emoluments were more than £60,000 were:		
£60,001 - £70,000	19	17
£70,001 - £80,000	11	7
£80,001 - £90,000	8	4
£90,001 - £100,000	5	4
£100,001 - £110,000	-	3
£110,001 - £120,000	6	3
£120,001 - £130,000	-	1
£130,001 - £140,000	1	-
£140,001 - £150,000	1	-
£180,001 - £190,000	1	1
£190,001 - £200,000	-	1
£200,001 - £210,000	1	-
£260,001 - £270,000	-	-
£290,001 - £300,000	1	1

Contributions paid in the year for employees earning over £60,000 for the provision of defined contribution scheme were £190,450 (2011 - £130,056)

The number of staff to whom the retirement benefits are accruing under defined contribution schemes were 222 (2011: 186)

Support costs	Management & Office Services £'000	Finance & IT £'000	Programme Support £'000	Human Resources £'000	External Relations £'000	Total support costs £'000
Support costs by function	735	1,150	5,634	882	534	8,935

Support cost represent the cost of London and Marie Stopes International regional support offices and allocated by function

6 Directors' emoluments

None of the directors received any emoluments during the year for their services as Trustees (2011: none)

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Loans & overdrafts	167	40

Interest payable on The David and Lucile Packard Foundation loan is charged against a restricted reserve into which interest earned from bank deposits and onward loans are allocated and against which administration costs are also charged. The balance of the restricted reserve must be offset against any exchange losses suffered by The David and Lucile Packard Foundation at the date of repayment by Marie Stopes International.

Overdraft fees payable on Standard Chartered Overdraft Facility have been incurred in 2012 (2011: none)

8 Surplus on ordinary activities before taxation

	2012 £'000	2011 £'000
Surplus on ordinary activities before taxation is stated after charging (crediting):		
- Depreciation of tangible fixed assets:	5,619	4,753
- Operating lease rentals	3,819	3,237

9 Tangible fixed assets

The latest revaluation of freehold properties in the UK was at 1 December 1994 by Nelson Bakewell, Chartered Surveyors. As this valuation was prior to the introduction of FRS 15 - Tangible Fixed Assets, the revalued assets are treated as being held at cost. Properties purchased since 1994 are included at cost

	Freehold properties £'000	Short leasehold properties £'000	Furniture, fixtures & office equipment £'000	Medical equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation							
At 1 January 2012	34,480	3,114	5,394	5,994	7,694	8,669	65,345
Additions	1,312	862	795	606	2,356	1,826	7,757
Disposals	(60)	(331)	(445)	(352)	(393)	(387)	(1,968)
Exchange movements on consolidation	(725)	(693)	(386)	(309)	(209)	(1,297)	(3,619)
At 31 December 2012	35,007	2,952	5,358	5,940	9,448	8,811	67,515
Depreciation							
At 1 January 2012	11,213	1,695	3,628	4,140	3,110	4,952	28,738
Charge for the year	1,193	377	647	610	1,423	1,368	5,618
Disposals	(4)	(288)	(361)	(309)	(329)	(308)	(1,600)
Exchange movements on consolidation	(73)	(84)	(190)	(203)	(125)	(751)	(1,426)
At 31 December 2012	12,329	1,700	3,724	4,238	4,079	5,261	31,331
Net book value							
At 31 December 2012	22,678	1,252	1,634	1,701	5,370	3,550	36,184
At 31 December 2011	23,267	1,419	1,766	1,854	4,584	3,717	36,607

Company

Cost or valuation							
At 1 January 2012	25,669	1,966	3,411	2,694	6,328	2,377	42,444
Additions	2,326	732	379	394	1,843	545	6,219
Disposals	–	(6)	(342)	(238)	(328)	(14)	(928)
Exchange movements on consolidation	(276)	(23)	(175)	(90)	(87)	(281)	(933)
At 31 December 2012	27,719	2,669	3,273	2,760	7,756	2,626	46,803
Depreciation							
At 1 January 2012	10,708	1,034	2,207	1,477	2,181	1,286	18,893
Charge for the year	1,030	255	446	391	1,205	420	3,747
Disposals	–	(6)	(281)	(217)	(292)	(14)	(810)
Revaluations	(55)	(8)	(70)	(48)	(51)	(123)	(355)
At 31 December 2012	11,683	1,275	2,302	1,603	3,043	1,569	21,475
Net book value							
At 31 December 2012	16,036	1,394	971	1,157	4,713	1,057	25,328
At 31 December 2011	14,961	932	1,204	1,217	4,147	1,090	23,551

10 Investments

The investment property was revalued at €320,000 (£268,000) by Damien Baxter MRICS Chartered Surveyor, on the basis of market value as at 24 March 2011. The market valuation is affected by a number of factors including an oversupply of commercial property in Dublin, the IMF/EU bailout of the Republic of Ireland in November 2010 and current credit restrictions on the purchase of commercial property. This resulted in a market value of £274k at the end of 2010. During 2011 and 2012 there have been no additions or market revaluation, but a further loss on exchange

	Group and Company 2012 £'000	Group and Company 2011 £'000
a) Investment property		
Investment property at valuation:		
Original cost	972	972
Market revaluations to date	(704)	(698)
Market value at 1 January 2012	268	274
Unrealised (loss)/gain on exchange movement	(6)	(6)
At 31 December 2012	262	268
Net book value	262	268
b) Investments in subsidiaries		
Investment in subsidiary undertakings at cost:		
At 1 January 2012	1,256	1,256
Capital invested	80	-
At 31 December 2012	1,336	1,256

The charity controls the following principal subsidiaries, the results of which have been consolidated.

Name of company	Country of incorporation	% Holding	Income	Expenditure	Net Incoming Resources	Net Assets as at 31 December	Nature of business
Options Consultancy Services Ltd	England	100	16,016	15,991	25	507	Provision of consultancy services in Sexual and Reproductive Health
Ambulatorium am Fleischmarkt Betrisbs GMBH (Trading as Pro:Woman)**	Austria	100	1,147	1,114	34	121	Operation of centre based sexual and reproductive health services
MSI-US	United States	100	21,497	21,844	(346)	(57)	Technical Exchange/Fundraising/ Advocacy
Marie Stopes Albania Shpk	Albania	75	-	-	-	43	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Kenya Limited*	Kenya	99	6,371	6,703	(386)	(2)	Operation of centre based sexual and reproductive healthcare services
Marie Stopes India	India	99	1,556	1,516	40	0	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Madagascar	Madagascar	100	4,720	4,002	718	2	Operation of centre based sexual and reproductive healthcare services
Banjo La Matsogolo	Malawi	50	6,816	4,980	1,836	2989	Operation of centre based sexual and reproductive healthcare services
Fundacion Marie Stopes Mexico	Mexico	100	1,908	2,257	(349)	0	Operation of centre based sexual and reproductive healthcare services
Marie Stopes International Contraceptive Social Marketing Limited	Mongolia	100	712	626	87	66	Operation of centre based sexual and reproductive healthcare services
Maries Stopes Services Pvt Ltd*	Nepal	100	859	866	(7)	307	Operation of centre based sexual and reproductive healthcare services
Marie Stopes International Nigeria	Nigeria	100	2,267	1,584	683	711	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Society	Pakistan	100	5,765	5,147	618	2971	Operation of centre based sexual and reproductive healthcare services
CSM Pakistan (Guarantee) Ltd	Pakistan	100	619	598	21	146	Operation of centre based sexual and reproductive healthcare services
Yumi Health Papua New Guinea	Papua New Guinea	100	1,608	1,415	193	71	Operation of centre based sexual and reproductive healthcare services
Population Services Pilipinas Inc	Philippines	100	1,504	2,073	(568)	13	Operation of centre based sexual and reproductive healthcare services
Marie Stopes International Romania Foundation	Romania	100	355	357	(2)	122	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Society Sierra Leone	Sierra Leone	100	2,600	2,298	301	364	Operation of centre based sexual and reproductive healthcare services
Community Medical Services (TA Marie Stopes South Africa)	South Africa	100	5,115	5,738	(623)	480	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Clinics Services	Sri Lanka	100	13	25	(12)	(94)	Operation of centre based sexual and reproductive healthcare services
Population Services Lanka	Sri Lanka	100	700	796	(96)	1453	Operation of centre based sexual and reproductive healthcare services
Marie Stopes Tanzania*	Tanzania	100	3,794	3,549	245	(614)	Operation of centre based sexual and reproductive healthcare services
Marie Stopes International Zambia Ltd	Zambia	100	1,652	1,818	(165)	264	Operation of centre based sexual and reproductive healthcare services
Population Services Zimbabwe	Zimbabwe	100	2,965	2,943	22	306	Operation of centre based sexual and reproductive healthcare services

*Shares directly held by Marie Stopes International.

** Shares indirectly held by Marie Stopes International through the dormant holding company Shawline Developments Limited. Further information on the activities of the subsidiary undertakings is given in the Trustees' Report.

	Group and Company 2012 £'000	Group and Company 2011 £'000
c) Investments in Affiliates		
Investment in Affiliated partners at cost:		
At 1 January 2012	-	-
Capital invested	371	-
At 31 December 2012	371	-

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
c) Programme related investments: Social investment fund loans				
Balance brought forward as at 1 January 2012	-	-	920	1,117
Capital repayment	-	-	(232)	(197)
Balance carried forward as at 31 December 2012	-	-	688	920

On 1 November 2002 Marie Stopes International created a social investment fund with a £4.435 million loan from The David and Lucile Packard Foundation (see note 13). The purpose of the social investment fund was to provide onward loans to partner organisations and subsidiaries for the delivery of sexual and reproductive health services, provided the goals and objectives of projects are in line with those of Marie Stopes International and The David and Lucile Packard Foundation. Loans are made in the recipient country currency and at interest rates of between 3% and 6% and are repayable by September 2015. Exchange gains and losses on capital repayments are offset against the amounts due to the David and Lucile Packard Foundation, as detailed in note 13.

d) Listed investments				
Market Value at start of year	7,945	5,730	5,661	5,421
Additions	-	3,109	-	504
Disposals	(1,253)	(575)	-	-
Revaluation	643	(319)	643	(264)
Exchange movements on consolidation	87	-	-	-
Market value at end of year	7,422	7,945	6,304	5,661
Historical cost at year end	5,376	5,986	6,127	5,627
Investment portfolio allocation:				
Equities	3,199	2,846	3,199	2,846
Bonds	629	571	629	571
Alternatives	1,914	2,125	1,914	2,125
Cash	1,680	2,403	562	119
	7,422	7,945	6,304	5,661

e) Intangible Assets (Goodwill, licenses and registration fees)				
Goodwill				
Opening Balance	2,113	-	2,113	-
Additions	1,618	2,278	1,579	2,278
Amortisations	(327)	(165)	(306)	(165)
Closing Balance	3,404	2,113	3,386	2,113
Intangible assets				
Registration and license fees				
Opening Balance	631	631	631	-
Additions	803	-	-	631
Transfer to Group from Company	-	-	(631)	-
Closing Balance	1,434	631	-	631
Goodwill and Intangible Assets	4,838	2,744	3,386	2,744

Goodwill has arisen due to purchase of clinic networks in Australia and in UK. Goodwill represents the excess of the acquisition costs over the fair values of the identifiable net assets acquired and is capitalised at cost and amortised over its estimated useful life.

Registration and License fees relate to costs incurred to acquire exclusive rights to a drug in Australia. Marie Stopes International has not yet activated the rights and therefore no amortisation has been charged in the year. During the year MS Health was legally constituted and historic costs for product registration incurred to date were transferred to MS Health. A licence has been obtained and we will start amortising the asset from that date.

11 Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	11,730	12,505	7,382	7,760
Amounts owed by subsidiary undertakings	-	-	19,747	15,331
Other debtors	844	2,449	192	1,710
Prepayments & Accrued Income	2,852	2,454	1,577	1,512
Grants receivable	13,645	8,284	12,848	9,530
	29,071	25,691	41,746	35,843

12 Creditors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
a) Amounts falling due within one year				
Bank loans	1,237	240	877	120
Bank overdrafts	2,479	324	1,880	323
Trade creditors	5,696	5,173	2,871	2,477
Corporation tax	47	12	47	-
Other taxes & social security	3,037	239	1,328	253
Accruals	10,503	7,921	5,743	5,590
Amounts owed to subsidiary undertakings	-	-	2,074	5,905
Deferred income	18,386	10,475	18,692	5,868
	41,385	24,384	33,512	20,535
b) Amounts falling due after more than one year				
Deferred Liabilities	1,616	1,661	1,616	1,661

Deferred income reflects grant income received where the contractual obligations of the grant are to be fulfilled in future periods.

Deferred liabilities relate to the outstanding HMRC Lennartz VAT liability (2012: £406k, 2011: £476k) and deferred consideration relating to the purchase of clinics in Australia (2012: £1,210k, 2011: £1,185k)

13 Loans

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts repayable:				
One year or more - Packard	792	1,021	792	1,109
One year or more - other	-	501	-	-
	792	1,522	792	1,109

Marie Stopes International agreed terms on 1 November 2002 with The David and Lucile Packard Foundation for a £4.435 million loan to be repaid in 2010. The purpose of the loan is to create a social investment fund which will provide onward loans to partner organisations and subsidiaries, provided the goals and objectives of the projects are in line with those of Marie Stopes International and The David and Lucile Packard Foundation (see note 10c).

In 2004, the loan agreement was extended to 2015. On 1 July 2010, Marie Stopes International and The David and Lucile Packard Foundation amended this agreement, which resulted in a periodic principal repayments over the remaining life of the loan. A further repayment of £199,558 was made in March 2012.

Other loans consist of commercial and other loan facilities arranged by Marie Stopes International's branches and subsidiaries.

14 Analysis of changes in net funds as shown in the balance sheet

	At 1 Jan 2012 £'000	Cash flows £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	17,293	4,814	22,107
Short term investments	243	2,731	2,974
Bank overdrafts	(324)	(2,155)	(2,479)
	17,212	5,390	22,602
Other loans falling due after more than one year	(1,522)	730	(792)
Bank loans	(240)	(997)	(1,237)
	15,450	5,123	20,573

15 Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balances at 31 December 2012 are represented by:			
Tangible fixed assets	27,314	8,870	36,184
Investments	12,893	-	12,893
Current net assets	20,680	(531)	20,149
Long-term liabilities	(1,192)	(1,216)	(2,408)
	59,695	7,123	66,818

16 Restricted funds

	At 1 Jan 2012 (Restated) £'000	Income £'000	Expenditure £'000	Transfers between Funds £'000	At 31 Dec 2012 £'000
Donor funds	484	43,376	(42,073)		1,653
Restricted by constitution					
Africa	(496)	20,808	(21,153)	-	(841)
Asia	3,707	7,936	(7,432)	-	4,211
Pacific Asia	2,255	3,824	(4,113)	-	2,100
Latin America	2,575	-	-	(2,575)	-
	8,525	75,944	(74,771)	(2,575)	7,123

Restricted funds represent the following:

a) Donor funds unspent at the end of the financial year, which will be expended in the future in line with the contractual and geographical conditions imposed by the donor.

b) Funds restricted by constitution represent the accumulated surpluses from those group entities where the funds have been generated locally and the future use is restricted to that location.

The transfer from restricted funds to unrestricted funds reflects the release of constitutional restrictions for an MSI subsidiary based in Latin America.

17 Statement of funds

	Note	General reserves £'000	Tangible fixed asset reserves £'000	Sustainability reserves £'000	Total Unrestricted Funds £'000	Restricted Funds £'000
As at 1 January 2012 (Restated)	23	32,378	22,896	5,657	60,931	8,526
Net incoming resources before transfers		(2,748)	-	-	(2,748)	1,172
Transfers:						
- Movement in tangible fixed asset reserve		(4,418)	4,418	-	-	-
- Movement in sustainability reserve		(643)	-	643	-	-
- Net (losses)/gains on revaluations		(1,063)	-	-	(1,063)	-
- Transfer between funds		2,575	-	-	2,575	(2,575)
At 31 December 2012		26,081	27,314	6,300	59,695	7,123

Unrestricted and restricted funds represent reserves available to Marie Stopes International for a range of purposes dependent on their designation.

Unrestricted Funds

General Reserves - Marie Stopes International's general reserves aim to provide medium and long-term security for the Group both in the United Kingdom and in the countries within which it operates. It aims to be sufficient to finance up to six months expenditure. This policy is reviewed by the Trustees on a regular basis.

Tangible Fixed Asset Reserves - represents the amount of general funds invested in fixed assets to achieve the objectives of the organisation.

Sustainability Reserves represent designations made by the Trustees to provide working capital for the continued expansion of family planning service delivery post donor funding and for institutional capacity development to support such services.

Restricted Funds

Restricted Funds represent donor funds received that are to be disbursed in accordance with the grant terms of the donor and the accumulated surplus/deficit of those entities within the group that are considered to be for a restricted purpose (See note 16).

Transfers

During 2012 we have transferred balances between funds to match the reserves held on behalf of donors

18 Taxation

Marie Stopes International has no liability to UK corporation tax as the company is a charity registered in England and Wales and takes advantage of the tax exemption available to charities. The liability to taxation shown in these financial statements relates to tax due on profits of the branches and subsidiary undertakings.

19 Financial commitments

	Group	
	2012 £'000	2011 £'000
a) Capital commitments		
At 31st December 2012 there was no capital commitments (2011: £329k)		
b) Operating lease commitments		
As at 31 December 2012 commitments for the following year under operating leases for land and buildings were as follows:		
Within one year	142	538
Between two and five years	1,202	2,639
Leases expiring in five years or more	384	536
	1,728	3,713

20 Transactions involving trustees and Company Secretary

During the year the charity reimbursed four trustees (2011: four) with out-of-pocket expenses of £0 (2011: £996) for travel to partner programmes, £2,158 (2011: £4,880) for travel to UK offices for trustee meetings.

21 Marie Stopes International branches and subsidiaries

Marie Stopes International is an international non-government organisation delivering family planning, sexual and reproductive health services in 43 countries worldwide. It delivers these services through its branches and subsidiaries and in partnership with affiliated partners.

a) Marie Stopes International branch offices :

	Name of organisation	Country of operation
1	Marie Stopes China	China
2	Marie Stopes International Yemen	Yemen
3	Marie Stopes Internationale	Belgium
4	MSI Afghanistan	Afghanistan
5	MSI Australia (clinics)	Australia
6	MSI Bolivia	Bolivia
7	MSI Burkina Faso	Burkina Faso
8	MSI Cambodia	Cambodia
9	MSI Ethiopia	Ethiopia
10	MSI Ghana	Ghana
11	MSI India	India
12	MSI Mali	Mali
13	MSI Mongolia	Mongolia
14	MSI Myanmar	Myanmar
15	MSI Nepal	Nepal
16	MSI Uganda	Uganda
17	MSI Vietnam	Vietnam
18	MSI South Sudan	South Sudan
19	MSI Senegal	Senegal
20	MSI Northern Ireland	Ireland

21 Marie Stopes International branches and subsidiaries

b) Marie Stopes International subsidiaries:

	Name of organisation	Country of operation
1	Ambulatorium am Fleischmarkt Betriebs GmbH	Austria
2	Banjo La Matsogolo	Malawi
3	Community Medical Services trading as Marie Stopes South Africa	South Africa
4	CSM Pakistan (Guarantee) Ltd	Pakistan
5	Marie Stopes Albania Shpk	Albania
6	Marie Stopes Clinics Services Lanka	Sri Lanka
7	Marie Stopes International Organisation Nigeria	Nigeria
8	Marie Stopes International Contraceptive Social Marketing Limited	Mongolia
9	Marie Stopes International Romania Foundation	Romania
10	MSI - US (formerly Marie Stopes International Ltd)	US
11	Marie Stopes International Zambia Ltd	Zambia
12	Marie Stopes Kenya Ltd	Kenya
13	Marie Stopes India	India
14	Marie Stopes Madagascar	Madagascar
15	Marie Stopes Mexico AC	Mexico
16	Fundacion Marie Stopes Mexico	Mexico
17	Marie Stopes Services Pvt Ltd	Nepal
18	Marie Stopes Society	Pakistan
19	Marie Stopes Society Sierra Leone	Sierra Leone
20	Marie Stopes Swaziland	Swaziland
21	Marie Stopes Tanzania Ltd	Tanzania
22	Options Consultancy Services	UK
23	Population Services Lanka	Sri Lanka
24	Population Services Pilipinas Inc	Philippines
25	Population Services Zimbabwe	Zimbabwe
26	Yumi Health Papua New Guinea	Papua New Guinea
27	MS Health PTY Ltd (Australia)	Australia
28	Vietpop	Vietnam
29	International Social Marketing (ISM)	India

22 Related Party Transactions

Marie Stopes International has taken advantage of the exemption under FRS 8, Related Party Disclosures, not to disclose transactions or balances between group entities that have been eliminated on consolidation in these financial statements.

23 Prior Year Adjustment

During the year a review of international balances and consolidation entries was carried out. This has resulted in prior year adjustments to correct balances brought forward.

	Balance in 2011 Financial Statements as previously stated	Adjustments	Reference for explanation of adjustments	Restated Closing Balance
Group				
Income	145,173	(8,897)	a-f	136,276
Stock	7,074	(841)	a	6,233
Debtors	28,006	(2,315)	b-c,f	25,691
Creditors	(18,643)	(5,741)	c-f	(24,384)
	16,437	(8,897)		7,540
Unrestricted Reserves	69,125	(8,193)	e	60,932
Restricted Reserves	9,229	(704)	a-d, f	8,525
	78,354	(8,897)		69,457
Company (included above)				
Debtors	38,158	(2,315)	b,f	35,843
Creditors	(17,887)	(2,648)		(20,535)
	20,271	(4,963)		15,308
Unrestricted Reserves	58,241	(2,188)	d	56,053
Restricted Reserves	3,124	(2,755)	b-d,f	349
	61,365	(4,963)		56,402

- a) Overstatement of gifted stock value as a result of invoicing error from donor**
The adjustment reduces group stock and income by £840k.
- b) Overstatement of accrued income due to change to grant agreement**
The adjustment reduces group and company debtors and income by £560k.
- c) Overstatement of accrued income due to error in recognition of local cost sharing arrangements**
The adjustment reduces group and company debtors, increases group and company creditors and reduces group and company income by £1,138k, £780k and £1,198k respectively.
- d) Understatement of accruals and other creditors arising from difference in accounting policy for capital grants**
The adjustment increases group creditors and decreases group income by £3,006k. The adjustment increases company creditors and decreases company income by £1,622k”
- e) Understatement of deferred income due to error in year end consolidation adjustment**
The adjustment increases group deferred income and reduced income by £1,277k.
- f) Overstatement of Local Deferred Income Balances**
The adjustment decreases deferred income and reduces income by £1,295k for group and £862k for company.

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Marie Stopes International delivers quality family planning and reproductive healthcare to millions of the world's poorest and most vulnerable women.