



MARIE STOPES
INTERNATIONAL

2017

FINANCIAL STATEMENTS & ANNUAL REPORT



2017 IN NUMBERS

26.9M

WOMEN AND MEN USING
CONTRACEPTION PROVIDED BY
MARIE STOPES INTERNATIONAL

11,000

TEAM MEMBERS

31.7M

CYPs*

8.2M

UNINTENDED PREGNANCIES AVERTED

3,100

SOCIAL FRANCHISEES

9.3M

CLIENT VISITS

5.4M

UNSAFE ABORTIONS AVERTED

516

OUTREACH TEAMS

23,900

MATERNAL DEATHS AVERTED

622

CENTRES

37

COUNTRIES WHERE WE
PROVIDE SERVICES

£296M

INCOME

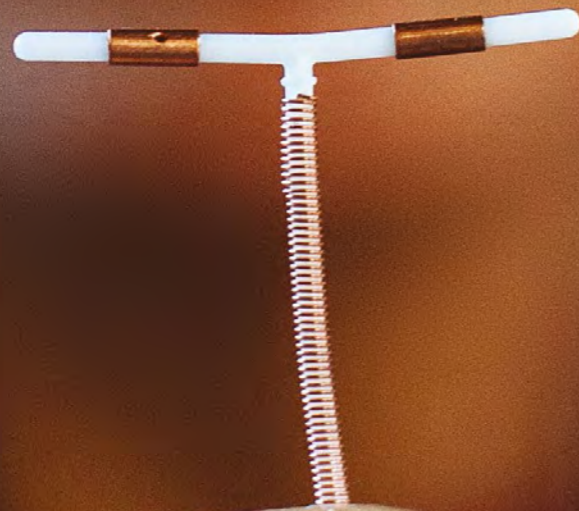
*Couple years of protection (CYP): our key service delivery metric

CYP is a measure that estimates the future protection from pregnancy provided by contraceptive methods. Different methods of contraception have different CYP values. It depends on how long they can be used for, the likelihood of wastage, and how effectively they prevent pregnancy. For instance, 120 condoms are needed to provide one CYP, while a five-year IUD provides 3.3 CYPs.

For a more detailed explanation of CYPs please visit: mariestopes.org/cyps

OUR IMPACT FIGURES

The impact figures shown in this document have been calculated using Impact 2, our innovative socio-demographic mathematical model that allows us to estimate the impact of our work, and the wider social and economic benefits of offering access to contraception and safe abortion. You can find out more about Impact 2 on our website: mariestopes.org/impact2



Registered name and charity number

Marie Stopes International, 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

The Trustees of Marie Stopes International are the charity's Trustees under charity law, and the Directors of the charitable company.

Chair

Suzanna Taverne (appointed 15 January 2018)

Trustees

Timothy M Rutter FRCS (resigned as Chair 31 July 2017)
Dr Mohsina Bilgrami (MSI staff representative)
Frank Braeken
Philip D Harvey
Claire Emma Morris
Dr Kristin Anne Rutter
Jess Search
Baroness Shreela Flather (resigned on 6 March 2017)

Chief Executive Officer

Simon Cooke

Company Secretary

Amanda Couper (appointed 1 April 2018)

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Principal bankers

Standard Chartered Bank Plc
1 Aldermanbury Square
London, EC2V 7SB

Barclays Bank Plc

Churchill Place
London, E14 5HP

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CEO STATEMENT

2017 was a challenging year for the Group, as the impact of the US election and the consequent reinstatement of the 'Mexico City Policy' signalled the end of eight years of programmatic support funded by USAID. I am immensely proud of the work we were able to achieve during these years, but equally proud of Marie Stopes International's (MSI) unequivocal stance in support of comprehensive sexual reproductive health services that include access to, and provision of, safe abortion. Simply, we refuse to look away.

The Mexico City Policy, also known as the 'Global Gag Rule' (as it prevents even the discussion of safe abortion as an option) has had the expected chilling effect on the whole sector, and will continue to undermine progress made in increasing access not only to safe abortion and post-abortion care but also to contraception and family planning in some of the world's poorest communities.

That said, we set ourselves ambitious goals at the beginning of 2016 as part of our 'Scaling-Up Excellence' strategy, and I am delighted that we have managed to keep these in sight.

In 2017, MSI's 11,000 team members delivered 31.7 million CYP's (couple years of protection, our key metric) across the 37 countries in which we operate. Although a slight decline compared on 2016 CYPs, we maintained our total income levels at £296 million, and increased our additional contraceptive users to 7.4 million (since the original 2012 Family Planning Summit pledge of 6 million). We also step-changed our delivery to those least likely to have access to modern contraceptive choice, those living in extreme poverty and adolescents below 20 years. Our impact was excellent: in 2017, 26.9 million women and men were using a method of contraception supplied by MSI. We averted 5.4 million unsafe abortions, 8.2 million unintended pregnancies and 23,900 maternal deaths.

With a gap of \$30 million per year in income from 2018 as a result of the Global Gag Rule, the road ahead remains challenging. However, we have taken steps to ensure that MSI continues to thrive, and have built strong processes to ensure financial resilience and sustainability, and improved clinical quality assurance in our core service delivery channels. We have also focused on productivity, by deployment of our channel success models, meaning better value for money and more impact at no compromise to quality.

We invested heavily in 2017 in the UK following the issues highlighted by the Care Quality Commission in 2016, and have made steady improvements in all aspects of the service throughout the year. We are delighted with the progress made and have been able to restore efficient service levels that minimise wait times for clients whilst providing consistently high quality assurance, under a new management team. We expect this work to continue in 2018. We also achieved seven 'met with merit' accreditations from the Australian Council of Healthcare Standards (ACHS) for our Australian Clinics operation.

In our overseas programmes, we continue to invest in data validation (to assure ourselves and donors of the robustness of our service and impact metrics). We are strengthening our governance over clinical quality via the further development of our comprehensive Quality Technical Assessment (QTA) tool, ensuring that services in all channels meet MSI's stringent standards, gaps are identified and addressed, and providers are trained and competent. We also rolled out a comprehensive 'Anti-Fraud and Bribery' training programme globally, underpinned by MSI's code of conduct. The code of conduct also guided our response to concerns raised after the extensive media coverage of safeguarding issues at a number of large NGOs. We took the time to assure ourselves and our donors that we have the necessary checks, systems and processes in place, and while we will never be complacent we believe that we are well-positioned to ensure the safety of our clients and team members.

During the year, we restructured to anticipate changes in donor funding behaviour, with a US fundraising unit established to generate new revenue sources, in part to offset US government losses, but also to allow us to further innovate and to bridge gaps in service provision left when donor contracts end. We expect to see significant results from this team in 2018 and beyond.

Our mission is what drives us: we believe that women should be able to have children by choice, not chance, wherever they live in the world. We exist to ensure that those who have no or limited access to contraception, who lack the means or face unacceptable barriers, who may have no other choice but to resort to unsafe abortion, are given the opportunity to take control of their bodies and to live the lives they deserve.

**SIMON COOKE, CEO
MARIE STOPES INTERNATIONAL**



TRUSTEES' REPORT

The Board of Trustees presents its report and the audited consolidated financial statements for the year ended 31 December 2017 under the Charities Act 2011 and the Companies Act 2006, incorporating the Directors' Report. Pages 8 to 39 incorporate the requirements of the Strategic Report.

ABOUT MARIE STOPES INTERNATIONAL



For over 40 years, Marie Stopes International (MSI) has provided lifesaving services to millions of women and men around the world. Since day one we have been dedicated to the people we serve and will continue to deliver our services through an unwavering commitment to our clients.

OUR VISION, MISSION AND VALUES

Our vision:
A world where every birth is wanted

Our mission:
Children by choice, not chance

We provide contraception and safe abortion services to women and girls, wherever they are, and do so in some of the world's most hard-to-reach communities. Every year, millions of women and girls around the world have their lives interrupted by an unintended pregnancy. We know what difference the right to choose can make, and we firmly believe that any woman, wherever she is, should be able to control her future, and have children by choice, not chance.

We know – from our many years of providing these services all over the world – that contraception and safe abortion services have the power to change lives. We also know that opening up access to these services reaches far beyond the individual, that it is a critical ingredient in tackling poverty and creating more equitable societies.

The way we work and the culture of our organisation is driven by our values. Our dedicated team members across the partnership embody our vision, never lose sight of the mission and continue to deliver high-quality services aligned with our values:

Mission driven: With unwavering commitment, we exist to empower women and men to have children by choice, not chance.

Client centred: We are dedicated to our clients and work tirelessly to deliver high-quality, high-impact services that meet their individual needs.

Accountable: We are accountable for our actions and focus on results, ensuring long term sustainability and the impact of the partnership.

Courageous: We recruit and nurture talent, passionate and brave people who have the courage to push boundaries, make tough decisions and challenge others in line with our mission.

STRATEGY AND OBJECTIVES: SCALING-UP EXCELLENCE

Our mission of children by choice, not chance has never been more critical. Right now, there are 214 million women around the world who want to use contraception but can't. Through our strategy, 'Scaling-Up Excellence: universal access, one woman at a time', we are challenging ourselves to provide services to even more of these women and girls who want to access contraception but are currently unable to do so.

Our strategy is deeply rooted in our values and recognises the success and challenges we have seen in recent years. It builds on lessons learned and approaches we have developed over more than 40 years of providing services. By incorporating lessons learned from our country programmes' experiences in pioneering innovative service delivery models and radically transforming the provision of safe and affordable medical abortion, the strategy challenges us to continuously refine our models. We operate our services at scale without ever compromising our unwavering focus on clinical quality, client centred care and effective governance.

Our approach to delivering global impact is built on three interlinking pillars providing a clear framework that guides our work through to 2020. The three pillars – Scale and Impact, Quality and Sustainability – demand that we keep a steady eye on operational efficiency, challenge us to continue our long-term focus of sustainability and leverage our client centred approach to deliver a game-changing level of impact.

While we remain confident that the approaches taken under the three pillars will ensure that we reach more women with life changing services, the re-imposition of the Mexico City Policy by the US Government and the changing funding landscape that followed have challenged our ability to reach our strategic goals. The realities we faced in 2017 required us to make minor adjustments to our original goals. We recognised that our goal of reaching 50 million CYPs by 2020 was at risk, and adjusted accordingly to a still ambitious strategic goal of reaching 40 million CYPs by 2020.

INCREASED IMPACT

GIVING WOMEN THE ABILITY TO CHOOSE WHEN THEY HAVE CHILDREN SAVES LIVES AND PREVENTS UNNECESSARY HARM.

SCALE AND IMPACT

Doubling our health impact through contraception and safe abortion service delivery at scale.

We will:

- Double the number of annual MSI contraceptive users from 20m to 40m.
- Target our services at high impact clients and correct imbalances in service provision including adolescents aged 15-19 years and the poor.
- Increase annual CYPs from 30m to 40m*
- Provide contraception to 12m additional users by 2020, 10% of the global FP2020 commitment.
- Double provision of safe medical abortion (MA) and medical post-abortion care (MPAC), and increase post-abortion family planning (PAFP) to 90% for all safe abortion/PAC clients.

QUALITY

Setting the clinical, programmatic, and client care standards that other providers aspire to.

We will:

- Focus on clinical quality and client care so that our services are embedded as the preferred choice for women.
- Invest in the integrity of our data, so that we can ensure every dollar is spent effectively and all of our services can be validated.
- Grow and develop the talent within our organisation.
- Use the insights we gather from women to develop success models.

SUSTAINABILITY

Using our expertise as a social business to build sustainable private sector models that go beyond donor support.

We will:

- Build genuine sustainability by ensuring that every service has a funding source.
- Create sustainability models for all of our service delivery channels.
- Nurture relationships with donors, foundations, philanthropists and national governments.

*In 2017, this goal was altered from 50m as a response to a significantly changing funding landscape

To deliver scale and impact we:

- Use a balanced country portfolio approach to make deliberate choices about where to invest financial and technical resources. We choose service delivery models that correct gaps in service provision and deliver scale, impact and sustainability in each country to allow us to maximise the global impact of our Partnership.
- Increase access to medical abortion and medical post-abortion care, while ensuring a continuum of client care, including integrated call centres and post-abortion family planning.
- Prioritise the needs of our clients, by providing quality counselling and a comprehensive choice of contraception, and treating every woman who comes to us with respect. We demonstrate that the way we deliver long-acting and permanent methods of contraception is the most cost effective way of increasing contraceptive prevalence and delivering lasting change in behavioural norms.
- Work to remove policy and clinical restrictions that limit access to contraception, safe abortion, and post-abortion care services, using our position as a service provider to 'advocate by doing'.

We will not compromise our absolute commitment to quality in everything we do. It is the quality of our services that drives our ability to achieve scale and impact. To achieve this, we:

- Invest in governance and audit oversight, clinical quality standards and provider training.
- Nurture our unique Marie Stopes International culture and grow our capacity by putting investment in people at the heart of our strategy.

- Invest in insight so that we are led by the needs voiced by our clients as well as by women and girls with an unmet need. This allows us to create enduring user demand for universal access to all methods of contraception.

We want to deliver scale and impact and maintain our commitment to quality, not just this year or for the duration of our Scaling-Up Excellence strategy but for generations to come. So to ensure the sustainability of our services we will:

- Continue to develop sustainable models for all service delivery channels, backed by funding sources.
- Evolve a global network of self-sustaining centres, which set the standard for client care and clinical quality for contraception and safe abortion services across our network and the sector.
- Work with national governments, donors, and others to shape markets and increase access to and funding for contraception and safe abortion services, ensuring contraception and safe abortion services are included in universal health care frameworks and funded through domestic financing.
- Innovate and test sustainable contraceptive technologies and service delivery models, including safe obstetrics and post-partum family planning. To be successful, these private sector models will increase access to maternal health services to low and middle income clients, as well as increase the use of core services and generate surplus that can be reinvested to achieve our global mission.

By 2020 we commit to dramatically increase the number of services that we provide, by making effective choices about where we focus our time and resources, and consistently putting the client first.



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 Articles of Association.

OUR OBJECTIVES

The charitable objectives of Marie Stopes International are:

- To provide sexual, reproductive, maternal and general health services, including advice, information, education, training, counselling, advocacy, screening, clinical and medical services and treatment.
- To reduce maternal mortality, relieve sickness and preserve physical, mental and sexual health and prevent poverty and distress resulting from unplanned conception.
- To carry out and/or promote the carrying out of research relating to sexual and reproductive health, maternal and general health.

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, both within the UK and abroad, 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 consider 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, with the assistance of recruitment experts, identify potential candidates, interview the potential Trustee(s) to establish their suitability and commitment, and check references. 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.

New Trustees are inducted to Marie Stopes International via formal and informal exchanges with other Trustees and senior team members. They are given a Trustee induction pack and introduced to Marie Stopes International's mission, goal, finances, strategy, and health service portfolio. New Trustees attend anti-fraud and bribery training, and often visit a Marie Stopes International overseas programme, or one of the organisation's centres in the UK. These visits aid their understanding of the health service mix, challenges, opportunities, and impact that Marie Stopes International makes to women, men, couples, communities, and countries around the world.

The Trustees serving in the year ended 31 December 2017 and up to the date of signing this report are noted on page 4.

PUBLIC BENEFIT

The Trustees confirm that they have given due consideration to the Charity Commission's published guidance on Public Benefit. 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

Marie Stopes International is an international non-governmental organisation delivering contraception and safe abortion services (where legal) through centres, clinical outreach teams, social marketing and social franchisees in 37 countries globally. It is constituted as a charitable company limited by guarantee.

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 the Global Support Office) and Marie Stopes International's 20 international branch offices. The Global Support Office provides support and technical assistance to the network of international branches; subsidiaries and affiliated partners in 37 countries worldwide.

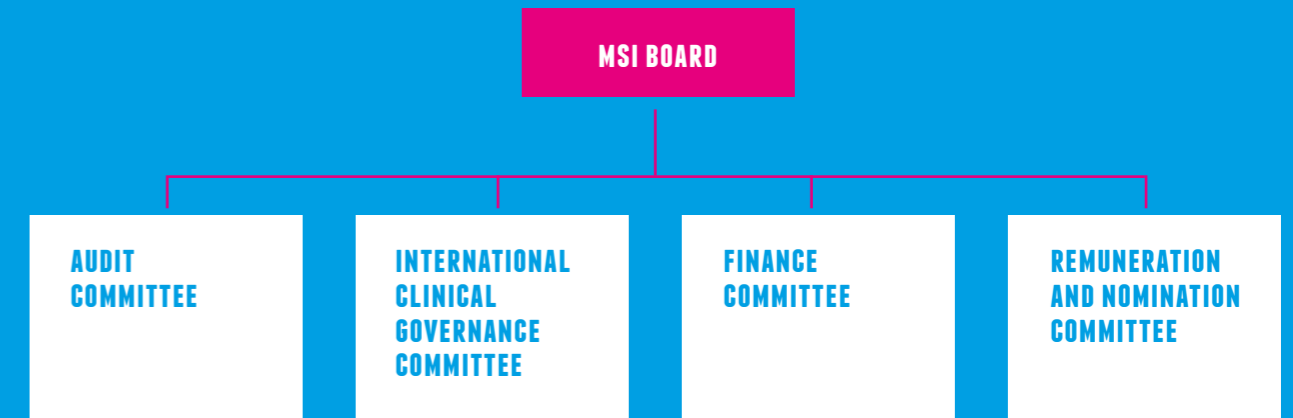
Marie Stopes International (the Group) refers to the Charity as defined above and subsidiary entities. The Group is also referred to as the Marie Stopes International Partnership or the Partnership. Marie Stopes International's subsidiaries are listed in note 20 and Marie Stopes International's investment in subsidiaries is contained in note 10b.

Unless otherwise stated all references to Marie Stopes International refer to Marie Stopes International (the Group).

GOVERNANCE

The Board of Trustees provides Marie Stopes International (the Charity) with sound governance and strategic oversight and direction. The Board of Trustees' remit includes: strategic direction, oversight of clinical practice, approval of major policies, financial management and institutional integrity. The Board of Trustees meets three times a year as a minimum.

The Board of Trustees has four sub-committees that focus on high priority areas. These are the International Clinical Governance Committee, the Finance Committee, the Audit Committee, and the Remuneration and Nominations Committee. Membership of these Committees is appointed by the Board, and the chair of each committee reports back to the Board at each Trustee Meeting. These committees and the two principal management committees report as follows:



THE ROLES AND RESPONSIBILITIES MAY BE SUMMARISED:

COMMITTEE	MEMBERS	REQUIRED ATTENDEES	PURPOSE
Audit Committee	Kristin Anne Rutter (Chair) One other board member, by rotation	CEO CFO COO Director of Internal Audit External auditor	To ensure that an effective group audit function is in place To oversee the group's strategic risk register and sources of assurance To assist in formulating the assurance needs of the board
International Clinical Governance Committee	Claire Morris (Chair) Tim Rutter	CEO COO Global Medical Director	To review the clinical performance of international programmes To oversee client safety To review the results of clinical audits. To ensure MSI responds to clinical issues raised in client surveys, serious untoward incidents and clinical incident reports
Finance Committee	Frank Braeken (Chair) Phil Harvey	CEO CFO COO	To provide oversight of the financial performance and position of the group. This includes, but is not limited to, detailed scrutiny of: <ul style="list-style-type: none"> The annual budget and business plan The full year and interim results Major business cases
Remuneration and Nominations Committee	Phil Harvey (Chair) Tim Rutter Frank Braeken Suzanna Taverne		To approve remuneration arrangements for the Chief Executive Officer To oversee group remuneration policies To identify and to make recommendations to the Board on candidates for appointment as trustees

The Executive Team based in London, led by the Chief Executive Officer, is responsible for the implementation of the strategic direction and for the Group's overall operational management. The Executive Team report via the CEO to the Board of Trustees as required.

Marie Stopes International's subsidiaries have their own Boards of Trustees (or Directors), which fulfil local statutory and regulatory requirements, and provide a further layer of robust governance.

Operationally each branch and subsidiary has a senior management team headed by a Country Director who reports into the Global Support Office. Marie Stopes UK, a division of the parent charity, reports to the MSI Board of Trustees through the CEO who chairs the UK Divisional Board.

In 2017, as part of its ongoing commitment to strong governance, the Board received an independent review of the organisation's governance arrangements from Grant Thornton. The board also reviewed its compliance with the new Charity Governance Code issued by the Charity Commission in July 2017. Following these reviews, the board is reviewing its membership to ensure a broad mix of skills and experience. Other administrative changes are being implemented to improve the effectiveness of the board.

The Charity is committed to "Speaking Up" as a valuable tool in maintaining a safe and ethical workplace.

The Charity uses Safecall, an independent whistleblowing hotline, to provide 24/7 services to the Group. In all 37 countries, staff can report concerns about corruption, safeguarding, breaches of the law or other incidents that make them feel uncomfortable. Team members can report concerns via telephone and online. Staff have been trained in 'speaking up' and are aware that as well as reporting to Safecall, there are internal channels for sharing their concerns. Reported incidents are documented and managed. The Audit Committee is periodically updated on the nature of these incidents.

As an organisation that promotes the rights of women and girls, Marie Stopes International is absolutely opposed to modern slavery and human trafficking in all its forms. Through its Anti Modern Slavery Policy and implementation procedures, the Charity is committed to enhancing and enforcing systems and controls to ensure that no modern slavery and human trafficking is present in our supply chains or anywhere else in the organisation.

Marie Stopes International is committed to upholding good data privacy standards across its operations. In light of the General Data Protection Regulation, coming into force on 25th May 2018, MSI is implementing a Data Privacy Programme, which sets standards of data privacy and puts in place organisational measures and safeguards to ensure that privacy is incorporated by design. Through the Data Privacy Programme, the Charity is accountable, transparent and fair in the way that it processes and protects personal data.

Risk management is key to the delivery of Marie Stopes International's strategic objectives. It is the systematic process employed to methodically identify, analyse, evaluate, reduce, monitor and communicate risks in every aspect of the organisation. Whilst no system of internal control can provide absolute assurance against material misstatement, loss or damage, Marie Stopes International's risk management policy has been developed to provide reasonable assurance to the Trustees that there are adequate procedures in place, that management regularly evaluates that those procedures are operating effectively, and that there is independent assurance over those controls.

Risk assessments are made at appropriate levels within the group: by function (especially around clinical risk) and by geography (for instance, assessing geopolitical risks); and by operating unit or department. At a group level, the Strategic Risk Register is framed around Scaling-Up Excellence and is reviewed bi-monthly by the Executive Team at a dedicated meeting. The Strategic Risk Register is reported to the Audit Committee and from there to the Board. The Trustees hold the Executive Team to account through the committee structure in respect of the risks identified, the assigned risk ratings, the approach being taken (to treat, tolerate, transfer or terminate the risk) and the adequacy of the action plans.

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 plan, activities programme, income and expenditure forecasts 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 the Group.

- Internal audit: Marie Stopes International's internal audit team, reporting directly to the Board, is a key part of Marie Stopes International's internal review and control process for its international operations, visiting 24 country programmes in 2017 to review operational and financial controls within the Group

- Review: The Audit Committee meets three times a year, prior to all Board meetings, to discuss the results from internal and external audits conducted in the UK and overseas. The Audit Committee Chairman then briefs the remaining Trustees at the next Board of matters discussed and agreed at the Audit Committee including the key risks, and the actions undertaken to mitigate those risks.

- Clinical quality: the Board receives a full report at each meeting from the Global Medical Director and the Chair of the International Clinical Governance Committee detailing the organisation's performance against key clinical quality indicators. The clinics in the UK and Australia report separately to the MSI Board on a range of clinical indicators.

STRATEGIC RISKS FACED BY MSI, AND KEY APPROACHES TO MITIGATE THOSE RISKS:

RISK	CONTROLS AND MITIGATIONS
Lack of financial resilience as evidenced by free cash balances and unrestricted balance sheet reserves	<ul style="list-style-type: none"> • Increase liquid free reserves to reserves policy target (£30m - £35m) • Continue to minimise cash holdings in country programmes • Pursue alternative sources of financing
Loss of key donor funding exacerbated by concentrated donor portfolio	<ul style="list-style-type: none"> • Quantify the financial and service delivery impact of losing key donors and develop mitigating strategies. • Proactively review and manage the donor funding pipeline • Develop new donor relationships and other domestic health financing sources
Adverse clinical outcomes, including client death	<ul style="list-style-type: none"> • Global clinical quality assurance programme • Global clinical incident reporting framework • Revised obstetrics guidelines • Revised core competencies for nursing • Continuum of Care strategy for social marketing
Failure to comply with statutory and other regulatory requirements	<ul style="list-style-type: none"> • Monitor statutory regulations in all country programmes • Independent reviews of UK and global corporate governance • Internal review of country programme governance • Data Privacy Project in preparation for GDPR
Fraud, corruption, theft, risk of overstating results and unethical practices	<ul style="list-style-type: none"> • Roll out updated Code of Conduct and new safeguarding training across the group • Comprehensive global Anti-Fraud and Bribery programme • Roll out e-learning modules • Allocate resources for specialist investigations
Lack of sustainable access to quality commodities	<ul style="list-style-type: none"> • Quarterly commodity security review • Work closely with key donors that support granted commodities in developing countries • Register core MSI branded products in key country markets
Faulty products/inadequate product quality	<ul style="list-style-type: none"> • In-house Pharmaceutical Advisor • Mandate product supplier options to country programmes • Quality Management System and assurance tool
Risks posed by complex geo-political situations	<ul style="list-style-type: none"> • Maintain Global Security Framework and Protocols • Closely monitor high risk country programmes
Major breach of donor compliance	<ul style="list-style-type: none"> • Continue to train country programmes on donor requirements • Continue to review internal processes to ensure they are donor compliant • Annual audits of donor compliance processes
Inability to recruit or retain talent for critical roles	<ul style="list-style-type: none"> • Further development of group leadership programme • Conduct compensation and reward review to position MSI competitively within external market
Major cyber-attack or leak of confidential information	<ul style="list-style-type: none"> • Ensure adherence to data security policies and procedures • Regular penetration tests • Training and awareness raising among global team members
Failure to comply with UK clinical governance and other regulatory requirements	<ul style="list-style-type: none"> • Specialised UK Divisional Board and Integrated Governance Committee with independent experts • UK risk management system, and governance structure with clear reporting lines from "ward to Board"



8.2
MILLION UNINTENDED
PREGNANCIES PREVENTED

5.4
MILLION UNSAFE ABORTIONS
AVERTED

23,900
MATERNAL DEATHS AVERTED

£337
MILLION IN DIRECT
HEALTHCARE COSTS SAVED

**PERFORMANCE AGAINST OUR
STRATEGIC OBJECTIVES**

Throughout 2017, we continued to deliver in accordance with our Scaling-Up Excellence strategy, which guides our work and progress towards our mission up to 2020. Despite challenges faced throughout the year, we continue to deliver significant results across the partnership.

STRATEGIC PILLAR 1: SCALE AND IMPACT

Continue strong CYP performance and deliver 32 million CYPs across Marie Stopes International partnership in 2017. In 2017, we saw a slight decrease in CYPs, delivering 31.7 million CYPs across the partnership, a 3% decrease from the previous year. As estimated, we continued to see growth in many of our programmes but the loss of funding following the re-imposition of the Mexico City Policy brought some contraction, with the effect beginning to show towards the end of the year. For more detailed information on individual country performance, please see pages 24 to 29.

Ensure a further 1.5 million additional users of contraception are added to the 2016 total of 4 million by increased access to services, particularly for young people. In 2017 we reached an additional 1.8 million users of contraception, keeping us well on the way to our 2020 target of 12 million additional users since 2012. With consolidated efforts to reach youth, and particularly adolescents (aged 15 – 19), the partnership has seen great success with 11% of clients served identifying as this age group, a group generally underserved by contraceptive services and therefore at greater risk of unintended pregnancy and maternal mortality.

Deliver a minimum of three significant policy or law changes in the countries where we work, which will help increase the availability of sexual and reproductive healthcare for the women who need them. 2017 has been a record breaking year for the number of restrictions removed at the country level. MSI country programmes contributed to the removal of 17 restrictions, which will increase access to safe abortion and contraception services in countries where we work. Some of the changes in 2017 include: a resolution on task sharing from the West Africa Health Organisation; the adoption of a check list to increase the number of legal permissions for abortions for rape survivors in Zimbabwe, and; emergency contraception added to the essential medicines list in Afghanistan.

STRATEGIC PILLAR 2: QUALITY

Implement new Quality Technical Assistance (QTA) across the global Marie Stopes International Partnership, ensuring the organisation continues to lead the way in the delivery of high quality contraception and safe abortion services. Quality Technical Assistance (QTA) is one of the organisation's core systems for measuring and maintaining clinical quality standards. In 2017, senior clinical assessors conducted 65 QTA visits, assessing providers and services within 715 clinical service sites across 34 country programmes. The QTA checklists from 2017 showed a marked improvement in scoring and the quality of explanations included for each quality indicator, allowing clinical and operations teams in each country programme to jointly develop quality improvement plans. You can read more about how we assure quality on page 30.

Ensure that our wholly-owned Marie Stopes Centres continue to be beacons of clinical excellence with 100% of centres meeting global quality standards. We are in the process of defining this measure, and are looking at the proportion of all MSI service delivery sites that we consider "model sites". We will report on this metric in 2019.

Embed the Marie Stopes International Accelerated Leadership Programme to develop our leaders of the future from within the global partnership. 2017 saw the launch and first cohort of the Accelerated Leadership Programme, with over 40 talented individuals from across the partnership coming together for the first of two modules. The programme aims to identify and nurture in-house talent with ambition and potential to develop into leadership roles. The programme continues this year with the second module taking place in June 2018.

STRATEGIC PILLAR 3: SUSTAINABILITY

Deliver on the organisation's reserves policy, improving the Group's overall liquidity position. 2017 was a challenging year. Please see a detailed analysis of the reserves policy and overall liquidity position in the Financial Review on page 33.

Deliver a financial surplus across the global partnership. Despite challenges across the partnership in 2017, we witnessed an £8.2 million increase in service income and are progressing towards our sustainability goal of long term service delivery, and on track for our target of £100 million service income by 2020. We saw five country programmes where our core services are being part-funded through domestic financing, such as government contracts and health insurance schemes. Furthermore, we saw a managed reduction in global support office costs, through careful budgeting and improved value for money from suppliers, and hence maximising funds available to be spent on service delivery.

Continue to build effective partnerships with new and existing donors to harness opportunities for new funding and contracting. Despite the loss of USAID funding following the re-imposition of the Mexico City Policy, we continued to nurture our relations and partnerships with new and existing donors, with a spike in donor bid activity towards the end of the year.

GLOBAL PERFORMANCE AND ACHIEVEMENTS

We know that when a woman can choose whether and when to have children, it gives her an opportunity to take control of her future. 2017 was a year in which we continued to deliver high-quality services, reaching millions of women in some of the world's most hard-to-reach communities.

In 2017, more than 26.9 million women and their partners were using a method of contraception provided by us, an increase of more than 6% on the previous year. During the same period, we provided 4.1 million safe abortion and post-abortion care services to women across the partnership.

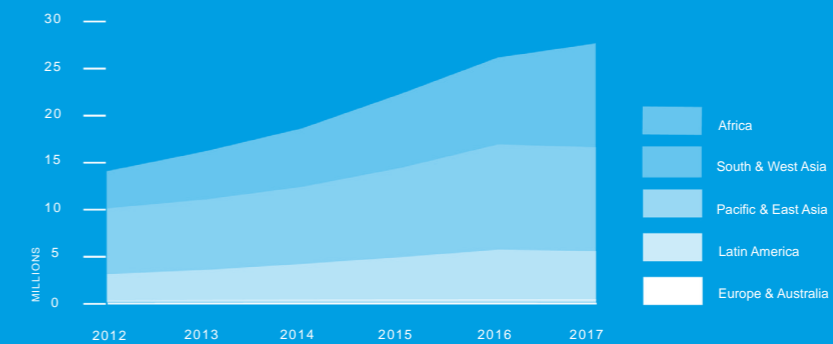
The services we provided in 2017 resulted in:

- 8.2 million unintended pregnancies prevented
- 5.4 million unsafe abortions averted
- 23,900 maternal deaths averted
- £337 million in direct healthcare costs saved

The figures are impressive in themselves, still more so when you consider that behind each of these figures is an individual woman or girl, using our services to build the life she wants.

MSI ESTIMATED USERS - BY REGION

Out of the estimated 26.9 million women and men worldwide using contraception provided by us, 9.1 million people received their contraception from us in 2017. The other 17.8 million users remained protected from unintended pregnancy by a long-acting or permanent method they received from us in preceding years.



HIGH IMPACT CLIENTS

We are committed to reaching women and girls, wherever they are, and we provide services to some of the world's most marginalised and underserved communities. One of the ways we ensure our services are reaching those in greatest need is by measuring the proportion of clients that we define as 'high impact'.

Marie Stopes International ('no availability') and women aged 15-19 ('adolescents'), a group that is underserved by contraceptive services and therefore at greater risk of unintended pregnancy.

In 2017, a total of 78 % of our clients worldwide were 'high impact clients'.

High impact clients are those that fall into at least one of four groups: women not currently using modern contraception ('adopters'), women living on less than \$1.90 per day (extreme poverty), women who would have no other option of receiving their service if it had not been for

51%

of our clients were adopters

50%

of the clients we served had no other option available

26%

of our clients were living in extreme poverty

11%

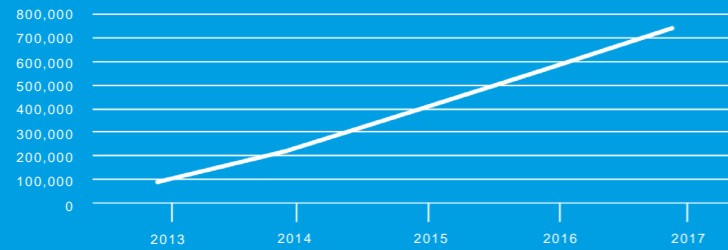
of the clients we served were aged 15-19

ADDITIONAL USERS

In 2012, the international community came together at the London Summit on Family Planning and pledged to reach 120 million additional users of contraception in 69 of the world's poorest communities by 2020. Based on strong performance against our initial pledge of reaching 6 million additional users, Marie Stopes International

doubled our commitment, making our pledge of 12 million additional users a tenth of the international community's total pledge.

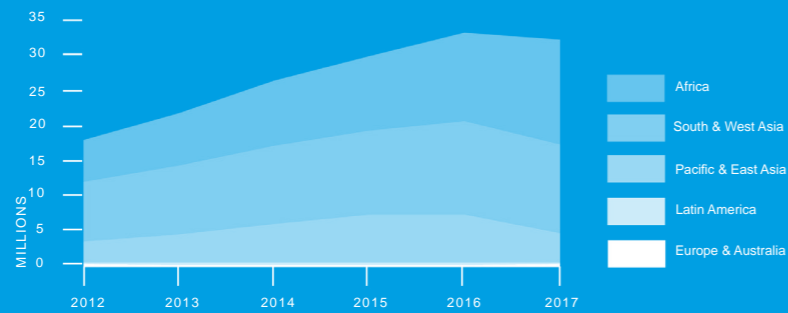
We estimate that, by the end of 2017, we had contributed 7.4 million additional users, over half of our total pledge.



CYPS

Like many in our field, we measure the output of our services using 'couple years of protection' (CYPs) to measure the scale of our services, and to compare progress over time. In 2017, we delivered 31.7 million

CYPs across the partnership, a 3% decrease from the previous year. Much of the decrease can be attributed to the changes in donor funding through the year and consequent restructuring, in particular the impact of the Mexico City Policy.

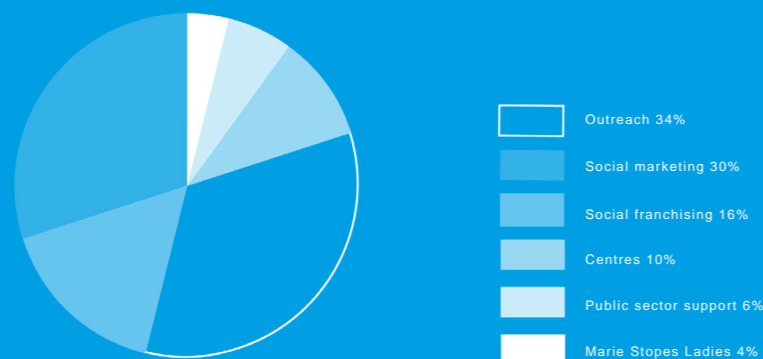


DELIVERY CHANNELS

We keep our clients at the centre of everything we do - striving to understand their unique challenges, and tailoring our services and approach accordingly. Therefore, we use several channels to ensure that our services reach the women who need them most.

In 2017, more than a third of our CYPs came from our outreach services, comprising small teams of doctors, nurses and auxiliary healthcare workers who bring contraception and other services to remote and rural communities, many of which lack access to even basic healthcare services.

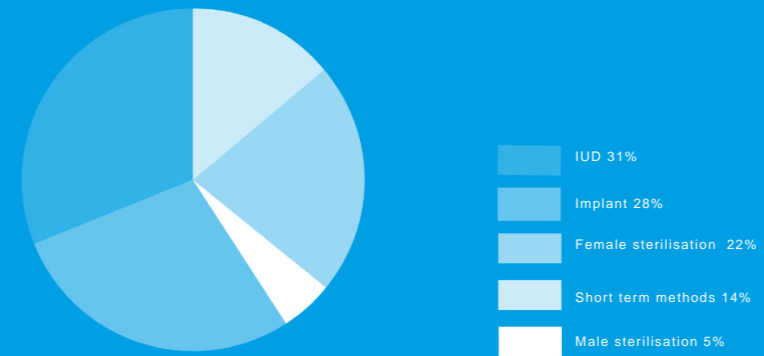
Just over a quarter of our 2017 CYPs were delivered through our social marketing work (mainly in India via our PHS programme) which ensures the provision of quality, affordable contraceptive methods through pharmacies and other community-based distributors. Around 16% came through social franchising, our BlueStar network of private healthcare providers, clinics and midwives, affiliated to MSI. The remaining quarter of CYPs were delivered through our centres, community-based distribution schemes, and our partnerships with public sector organisations.



CONTRACEPTIVE METHODS

Choice is at the heart of everything we do, and we provide a full range of contraceptive methods so that every woman we reach can choose the method that is right for her. By offering the widest range of methods – including short-term, long-acting and permanent methods – we can ensure that a woman can choose the type of contraception that best suits her situation and her plans for the future.

Most of our clients choose long-acting or permanent methods of contraception. In many of the countries where we work, Marie Stopes International is the only provider of these methods. In 2017, around 85% of those using contraception provided by us were using a long-acting or permanent method.

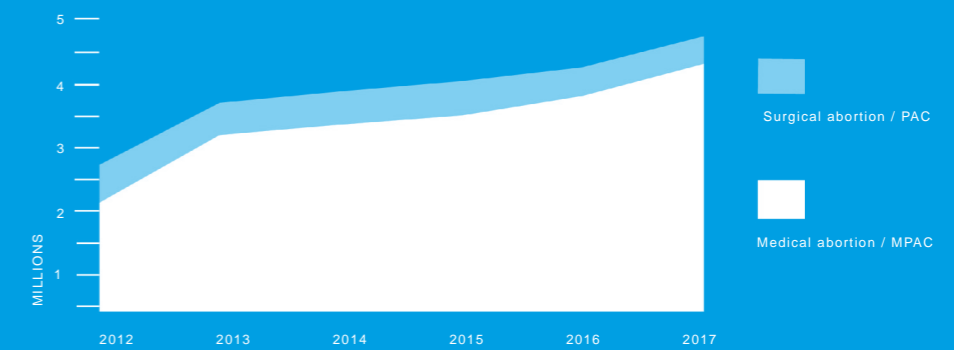


SAFE ABORTION AND POST-ABORTION CARE

Providing access to safe abortion and post-abortion care is at the core of our mission. Marie Stopes International provided or supported more than 4.1 million safe abortion and post-abortion care services in 2017, a 12% increase on the previous year.

Globally, around 85% of all clients who received safe abortion or post-abortion care services in our centres also received a method of family planning from Marie Stopes International.

Most of these services were medical abortion and medical post-abortion care, where a woman uses medication to safely end a pregnancy or as part of her aftercare following an unsafe procedure.



REGIONAL PERFORMANCE

	Income 2017 £'000	Income 2016 £'000	CYPs 2017 (000s)	CYPs 2016 (000s)
East and Southern Africa				
Ethiopia	9,329	9,522	988	1,106
Kenya	12,277	10,691	1,344	1,139
Madagascar	7,865	7,517	1,278	1,154
Malawi	8,302	6,712	644	883
MSI Uganda	7,878	7,896	1,027	846
MS Uganda	8,074	5,979	323	291
Tanzania	12,188	9,805	2,473	2,116
Zambia	3,650	2,836	367	281
Zimbabwe	4,074	3,310	450	392
	73,635	64,268	8,894	8,206
West Africa				
Ghana	5,726	7,239	500	786
Nigeria	13,034	9,326	3,245	1,809
Sierra Leone	3,269	6,371	412	447
Burkina Faso	4,039	3,298	359	290
Mali	5,338	4,447	563	494
Niger	2,384	1,180	84	28
Senegal	4,414	2,413	431	286
	38,204	34,274	5,595	4,140
South and East Asia				
Bangladesh	11,554	11,980	2,376	2,972
China	1,150	1,042	44	31
India FRHS	4,244	2,879	1,325	1,107
Mongolia	883	877	138	136
Myanmar	5,644	6,514	477	590
Philippines	2,328	3,539	756	2,558
Vietnam	6,261	6,128	2,432	3,147
	32,063	32,959	7,547	10,541
West Asia				
Afghanistan	3,232	3,281	710	660
Nepal	5,065	4,891	722	544
Pakistan	9,327	14,780	1,630	2,553
Yemen	7,739	4,306	366	413
Sri Lanka	614	704	92	98
	25,978	27,962	3,519	4,267
Pacific Asia				
Cambodia	2,455	2,613	75	151
Papua New Guinea	2,362	2,303	102	115
Timor Leste	1,630	1,548	48	29
Australia Programmes	910	-	-	-
	7,357	6,464	224	295
India Social Marketing				
India PHS	6,904	6,277	5,157	4,566
India ISM	318	232	156	75
	7,222	6,509	5,313	4,641
Total Country Programmes	184,459	172,435	31,094	32,091
Self-Sustaining				
UK & Europe clinics	31,174	31,751	212	211
Options	22,879	22,449	-	-
Australia	19,997	16,285	123	100
Other Self-Sustaining	10,615	8,919	309	310
	84,666	79,404	644	622
Global Support Office	22,291	23,333	-	-
Sub-grants to partners	13,248	13,319	-	-
Group Consolidation Adjustments	(8,540)	1,471	-	-
Total	296,124	289,962	31,738	32,713

EAST AND
SOUTHERN
AFRICA

In 2017, **Marie Stopes Ethiopia** delivered 987,684 CYPs, which is a 11% decline from previous year. The decline in performance was largely attributed to political unrest in large areas of the country, affecting the operation of service delivery, particularly through centres and outreach teams. However, despite the political climate, the programme strongly improved its social marketing operations following the implementation of the 2017-2020 Private Sector Strategy, resulting in a 65% rise in comparison to performance in 2016. The 24 centres in the country continued their path towards sustainability, with an 23% increase in service income.

Marie Stopes Kenya increased their CYP delivery by 18% compared to 2016, and reached a total of 1,344,290 CYPs throughout the year. The increase in performance was supported by growth in long-acting reversible methods and safe abortion and post abortion care services, rising 26% and 13% respectively. The country's social franchising network, AMUA, had a good year with a 28% increase in CYPs. Despite increasing the average proportion of adolescent clients from 11% to 26%, the programme struggled with long-term funding commitments. The management team responded with increased fundraising activities to continue the success seen in reaching underserved young clients.

Marie Stopes Tanzania increased their CYPs by 17% to 2,473,100 in 2017. Long acting reversible methods of contraception ('LARC') accounted for 62% of the programme's overall CYP performance, and 95% of CYPs came from outreach. Continued focus was given to youth-friendly services and by December 2017, 10% of the outreach channel's clients were youth and adolescents. The outreach channel in Tanzania generates more CYPs than any other channel in the ESA region, reaching more women and girls every year.

Our programme in **Malawi, Banja La Mtsogolo (BLM)** delivered 643,611 CYPs, 76% of which were generated from long-acting and permanent methods. 2017 was a challenging year for the programme with a re-structure of the outreach channel and management structures, which had a significant impact on performance early in the year. Throughout 2017 the team focused on training and embedding clinical quality and client-centred counselling, enabling BLM to ensure quality services for their clients. A continued focus for the programme was access for underserved populations with a range of services targeting vulnerable people, including HIV testing and gender based violence counselling and referrals. Youth and adolescents made up 11% and 13% in the centres and outreach teams respectively.

Population Services Zimbabwe (PSZ) increased their performance by 15% against 2016, delivering 449,939 CYPs in 2017. The number of post abortion care services delivered by PSZ increased by 222% as the team trialled new initiatives to reach women who would otherwise seek unsafe procedures, including strengthening referral networks with commercial sex workers and choice champions. The number of permanent methods increased by 39% and long acting reversible methods increased by 17% from 2016. PSZ's 'square strategy' was led by the Country Director and engaged every SMT member in

clinical quality improvement by setting them KPIs related to clinical governance and quality in specific channels.

Marie Stopes Madagascar delivered 1,278,091 CYPs in 2017, an increase of 11%. The team focused on reaching youth and adolescents in the 15 to 19 age bracket, who now make up 13% of centre clients. 20 outreach teams followed the example and targeted their messaging to youth, which led to a rate of 43% of family planning adopters among their clients. The 220 Marie Stopes Ladies across the programme provided reproductive health services in their communities, with seven out of ten of their clients below the age of 25. The country faced a major challenge in the year with the loss of USAID funding, but managed to mitigate the impact by securing some funding from other sources and increasing the teams' productivity.

Marie Stopes Zambia showed rapid growth with a 31% increase of CYPs, rising to 367,118 in 2017. The growth was driven by seven outreach teams, contributing 85% of the programmes' CYPs. The strong performance was built on close collaboration with government providers who joined the outreach teams to reach remote populations and assist the delivery of permanent methods. The programme reopened one centre in 2017, previously closed in 2014 due to high running costs, but has struggled to find sufficient clients to allow the centre to operate without support from external donors. The previously small number of social franchise clinics was reduced to four in total, due to challenges to impose MSI's tight quality standards. Despite the difficulties, Marie Stopes Zambia has seen success in their call centre, which has pioneered telemedicine activities across the country.

In Uganda, Marie Stopes International continued to operate two entities, **Marie Stopes Uganda (MSU)** and **Marie Stopes International Uganda (MSIU)**. In 2017 the two organisations grew their joint CYP delivery by 19% to 1,350,472. The 200 BlueStar clinics supported by MSIU were particularly successful, increasing their CYP performance by 34%, mainly thanks to improved community mobilisation. MSU's 15 centres embody MSI's social business model, and generated a surplus of 6% in 2017 which made them financially independent from donor subsidies. The social marketing activities on the other hand faced challenges by the stock-out of government donated condoms and subsequent change in distribution partners. For 2018 the two organisations are planning to unify to increase efficiency and facilitate synergies across all channels.

Marie Stopes Ghana delivered 500,000 CYPs in 2017, a decrease of 36% from 2016. This was the result of almost no activity in Marie Stopes Ghana's social marketing channel, which only delivered 6% of 2016 service levels, after restrictions in import, distribution and sale of registered drugs were put in place by Ghana's Food and Drug Authority. All other Marie Stopes service delivery channels performed well, with spectacular growth in performance by Ghana's Marie Stopes Ladies who reached the highest percentage of adolescent clients (26%) in the country programme. Both outreach and Marie Stopes Ladies responded particularly well to MSI's challenge to increase accessibility of services for youth, with outreach increasing over the year from 13% of clients being adolescents in January 2017 to 23% by December. The BlueStar social franchise channel also had a strong year, with a 20% growth in CYPs.

Marie Stopes Nigeria continued its fast growth in 2017 and delivered a total of 3,245,000 CYPs, an increase of 79% from 2016. Strong growth was seen across all channels, but particularly in Public Sector Strengthening, where Marie Stopes Nigeria delivered 1,794,000 CYPs from 2,154 sites across the country. The programme strengthened its quality assurance teams as well as its regional structures, out of six regional offices operating in a total of 34 states. The programme is seeing slow increase in the proportion of adolescent clients, and while 2017 witnessed a year on year increase from 3% to 8%, improvements are needed to reflect national and regional profiles.

The programme in Sierra Leone was the only programme in the region that saw a decrease in CYPs. In 2017, **Marie Stopes Sierra Leone** saw an 8% decrease, generating 412,000 CYPs. The programme went through a reduction in personnel in the first quarter of the year and an organisational change programme, reducing staff by 28%, as it adjusted to a significant reduction in donor funding as grants came to an end. New grants were secured in the following months, but the programme is still operating below 2013 pre-Ebola levels, when the programme was delivering 454,000 CYPs, and aims to get back to this level in 2018. Despite the challenges, the programme delivered the highest proportion of adolescents across the partnership, with 38% of its clients being in this age group by December 2017.

As part of MSI's **Sahel** strategy, MSI is now managing Burkina Faso, Mali, Niger and Senegal as a single sub-regional unit, overseen by a Sahel Director and supported by some key regional staff, based in Dakar and Mali. This arrangement allows MSI to leverage shared goals, needs and similar contexts of four country programmes and have greater impact and efficiency. We adapt MSI best practices and materials for the specific needs of the Sahel, share overhead costs and technical assistance where possible and are harmonising systems and approaches.

In 2017, **Marie Stopes Burkina Faso** delivered 359,000 CYPs, a 24% increase from 2016. The programme increased their outreach services and focused on reaching the most vulnerable people, with targeted delivery sites using national demographic data sources. The percentage outreach clients who fell within the 'extreme poor' definition increased by over 10% and adolescents grew by over 3% during the year. For the programme as a whole, adolescents increased from 12% in January 2017 to 15% by December 2017. The programme continued to work with the Ministry of Health and other partners on a major task shifting project, on both long and short term methods. By the end of 2017, Marie Stopes Burkina Faso supported 108 public sector sites to provide services, provide information to callers through a contact centre and operate an active social marketing programme.

Marie Stopes Mali increased service delivery in 2017 by 14% to 563,000 CYPs. The programme continued to deliver services through several consortium partnerships, working with international and local organisations. Marie Stopes Mali put focus on reaching youth and, in particular adolescent girls, with increased partnerships with schools, incorporating comprehensive sexual education and with the creation of youth-focused Marie Stopes Ladies. 26% of clients in the Mali programme are adolescents, the second highest proportion across the partnership.

Marie Stopes Niger delivered 84,000 CYPs in 2017, a 300% increase on the 2016 figure of 28,000. MSI's youngest programme made huge strides during the year and became much more established. Outreach and Marie Stopes Ladies channels started out of Maradi and a second centre opened there in October 2017. The programme started supporting 10 public sector sites out of Niamey with another 10 identified out of Maradi. Data started to come in on adolescent reach (14% across the programme by December 2017) and the team conducted the first client exit interview survey. The external quality assurance evaluation was very positive. By the end of the year, MS Niger was providing services through two centres, six outreach teams, 10 public sector support sites, a contact centre, a social marketing programme and six MS Ladies; cost/CYP reduced by 35% on 2016 as the programme became more efficient.

Marie Stopes Senegal had a strong 2017, delivering 431,000 CYPs, which is a 51% increase from 2016. Much of this growth came from additional donor support for outreach, leading to an increase of four teams (from seven up to eleven) in the year. High rates of growth were also seen in the Marie Stopes Ladies and Public Sector Strengthening delivery channels with a more modest growth across the BlueStar social franchises. 10% of clients seen in 2017 were adolescents.

Marie Stopes Bangladesh saw a 20% reduction in CYPs, delivering 2,376,000 CYPs in 2017. The reduction was due in part to less donor funding as Bangladesh is perceived to have entered middle income status. The programme is scaling back expenditure in line with available income, including reductions at the Dhaka support office. The number of centres reduced from 141 to 102 and the outreach teams realigned to best support gaps in government provision. The programme has started implementing a new centres sustainability strategy focusing on increased access to menstrual regulation by 2020 and increasing client footfall through contact centre promotion and referrals and community based demand generation. This is intended to support the increase in centre service income which in 2017 grew by 6% despite a reduction in the size of the centre network. Overall, despite the reduction in CYPs, the programme continues to deliver significant impact, averting over 1 million unintended pregnancies in 2017.

Marie Stopes China delivered 44,000 CYPs in 2017, a 42% increase on the 2016 performance. The programme continues to focus on youth and in 2017 alone they conducted contraception education trainings, reaching over 200,000 young people. Furthermore, eight research projects were initiated focusing on long acting reversible methods supported by a local medical supply company.

The Foundation for Reproductive Health Services (FRHS) India had a very successful year, delivering 1,325,000 CYPs in 2017, a 20% increase on 2016. Despite one major donor funded project closing earlier than anticipated, this increase was largely achieved through high performance in their outreach channel, which delivers 85% of the programmes impact. Successes have also been made in the collection of government reimbursements at both state and national level for permanent methods, following strong communication and advocacy efforts with government officials. FRHS India have also taken steps to ensure quality at scale, including training doctors on the tubal hook method, reviewing pain management protocols and providing technical assistance and capacity building at public sector facilities. Overall 94% of clients served by the programme in 2017 are regarded as high impact clients, meaning operations are successfully reaching clients living in poverty with limited other family planning access options available to them.

Population Health Services (PHS) India delivered 5,157,268 CYPs, a 13% increase on the 2016 figure and the largest CYP contribution by any programme in the Marie Stopes International partnership, supported by service expansion in poorer areas facilitated by a grant from the Bill & Melinda Gates Foundation. This was despite of the negative impact of the Goods and Services Tax initiated by the Indian Government in July 2017. The delivery included 1,957,892 medical abortions through social marketing, an increase of 44% on 2016, achieved by strengthening the sales force and deploying enhanced social marketing strategies.

Marie Stopes Mongolia has maintained its performance, delivering 138,000 CYPs, a 1% increase on 2016. Implant sales in social marketing have grown by 66% because of improved pre-counselling, information provision and post-insertion side-effect management. Focus has also been given to introducing a second combi-pack brand from Europe into the basket of social marketing products aimed at higher income clients seeking alternatives in the Chinese dominated market.

Marie Stopes Myanmar delivered 477,000 CYPs, a 19% decrease from 2016 (590,000 CYPs) following a scaling back the number of outreach teams due to decreased international donor investment for family planning and development. Social marketing remains a core component of the programme and the team have been able to successfully reintroduce the sale of misoprostol. Condoms and EC have also been brought into the basket of social marketing products and along with high OCP sales have contributed to an impressive 1.166m GBP of service income generated through social marketing, a 42% increase on 2016, making a healthy contribution to Myanmar's overall positive surplus position.

Our programme in the **Philippines (PSPI)** saw a large decrease in delivery, delivering 756,000 CYPs, a reduction of 70%. 2017 was a challenging year of operations with reduced donor investment and required strengthening of controls. With limited investment and sustainability options, outreach was scaled back, and emphasis placed on the viability of the centres and access to health insurance payments for family planning services. Despite these changes the local board took the difficult decision to cease service delivery in April 2018.

Marie Stopes Vietnam achieved 2,432,000 CYPs in 2017, a 23% decrease from 2016 due to the transition of outreach to a public sector delivery model. This had the effect of reducing CYPs. The new model includes training and capacity building of government providers and is a more sustainable approach. This led Marie Stopes Vietnam to launch a Marie Stopes Ladies channel in 2017 to reach high-impact clients previously reached by the outreach teams. The social marketing channel continues to provide long acting reversible contraception at scale in the country and the centres saw a 18% CYP increase compared to 2016.

WEST ASIA

Despite escalating security challenges and stock outs towards the end of the year, **Marie Stopes Afghanistan** delivered 710,000 CYPs in 2017, a 7% increase from 2016. The centres channel in particular saw strong growth by 88% compared with 2016 as more satellite clinics became operational and performance improved due to implementation of performance management strategies. While overall, the number of post-abortion care cases decreased due to limited funding for misoprostol, access through centres increased significantly with a 611% increase on 2016. A supportive relationship with the Ministry of Public Health has been pivotal in advancing access to this service. The programme continues to have a significant impact in one of the worst places in the world to be a mother, averting an estimated 166,000 unintended pregnancies and 65,795 unsafe abortions during 2017.

Marie Stopes Nepal, despite working in the most difficult geographic context of the partnership, showed incredible quality improvement in the MS Ladies channel through focussed training, comprehensive competency assessments and supported supervision. Nepal delivered 722,000 CYPs, a 33% increase on 2016's figure of 544,000. The uplift was delivered despite natural calamities in quarter one and political unrest in the latter half of 2017. 691,000 family planning users accessed services from Marie Stopes Nepal, supported by rigorous demand generation activities, extending clinic service hours and including additional points of service for tubal ligation. Provision of long-acting and permanent methods of contraception continued to be strong in both centres and outreach channels. Access to post-abortion care increased 64% compared to 2016 figures, predominantly through centres and the social marketing channel.

Marie Stopes Society Pakistan generated 1,630,000 CYPs, a decrease of 36% from 2016. This was largely due to a reduction in funding from the large USAID project ceasing and further compounded by unexpected limitations from some Government agencies, policy restrictions and clinic closures. Despite these challenges, the programme delivered the projected CYPs by leveraging their strong relationship with Ministry of Health and provincial-level officials to maximise the number of

tubal ligation camps in underserved and remote areas; revisiting their marketing and pricing strategy coupled with focused supervision and monitoring of daily performance across the channels. The quality standards in the social franchise network are set from the start through a comprehensive induction programme. Overall, 2017 was a year focused on consolidation, productivity and enhancing sustainability.

Marie Stopes Yemen and the Yamaan Foundation delivered 366,000 CYPs, a decrease of 11% from 2016's CYPs of 413,000. The decline was largely due to stock outs at the beginning of the year and the worsening security and humanitarian crisis within the country. In addition, social marketing stock was held back from the market at the end of the year to ensure consistency of supply due to forecasted nation-wide shortages. Despite the immense challenges, the team stood resilient and served 538,000 clients (7% increase on 2016), averted an estimated 144,000 unintended pregnancies; along with providing humanitarian support such as food parcels, water and other essential medicines.

Population Services Lanka generated 92,000 CYPs, a decrease of 6% on 2016's figure. The programme went through a period of significant change, closing their centres channel to maintain long term sustainability. The social marketing channel faced some challenges with delay in registration of new products. With a newly appointed Country Director who has taken the programme through a significant restructure, performance is expected to increase in 2018.

PACIFIC ASIA

Marie Stopes Cambodia delivered 75,000 CYPs in 2017, a 50% decrease on 2016. This was the result of the closure of the social marketing channel – a decision taken in 2016 in response to concerns for long term sustainability. Despite that loss, the clinic and public sector support channels delivered growth over their performance in 2016. The clinic network continued its path towards improved sustainability by increasing its income-to-cost ratio from 100% in 2016 to 106%. A new clinic, opened in late 2016, made steady improvements throughout the year and is expected to contribute to an even more sustainable network in 2018.

Marie Stopes Papua New Guinea delivered 102,000 CYPs, a 12% decrease on the 2016 number. The decline was the result of a significant cut in the key Australian-funded grant which led to demobilising several outreach teams. The program was also impacted by leadership changes and a national election which saw several

months of instability in some regions. Nonetheless, the program served over 40,000 clients, with 78% of those being new users of family planning and 15% under the age of 20. The management team undertook significant fundraising efforts over the course of the year and estimates to see healthy growth resume in 2018.

Marie Stopes Timor-Leste delivered 48,000 CYPs in 2017, a 67% increase on the 2016 figure. The programme expanded its outreach operations to 12 of the country's 13 municipalities. It also worked hard to identify improvements to the operational practices of each team which resulted in a 62% increase in CYPs delivered by each outreach team member over the prior year. MSTL also brought on board a new project in 2017 to reach young women by integrating family planning and menstrual hygiene management information and education.

SELF-SUSTAINING PROGRAMMES

The primary objective of our UK, Australia, Mexico and South Africa organisations is to provide high-quality safe abortion and contraceptive services in the private sector and government health service financing markets, at no cost to the group. There is generally only limited donor funding to support operations in these countries. Where surpluses are generated and can be accessed, these contribute to the unrestricted funds of the group and are used to support the wider mission.

Marie Stopes Australia delivered 122,864 CYPs in 2017, a 22% increase from 2016 and generated £20m of service and product marketing income. The programme had a successful year, with a return to surplus, and achieved full accreditation for its entire clinic network. The year saw a cultural, strategic and values re-alignment in 2017 to deliver results in line with the strategy. The activities include a clinic network and distribution of safe abortion medication across Australia.

Marie Stopes Mexico delivered 82,528 CYPs in 2017, a 16% decrease from 2016, and over £3m of service income. Changes to global Quality Technical Assistance standards caused the programme to re-evaluate competitive options for short acting contraception, leading to the difficult decision to discontinue the delivery of these product and focus only on long acting methods. Despite the loss of CYPs, the programme continued to focus on reaching high-impact clients, with three (donor supported) new early medical units opened focusing on lower income populations. The programme increased youth efforts and throughout the year reached 135,000 teenagers with services. Social marketing of products in Mexico and in various South American countries supports the financial position.

Marie Stopes South Africa delivered 80,049 CYPs in 2017, an increase of 6% on the previous year, with total income of almost £4m. This positive trend was mainly due to a substantial increase in long acting reversible methods of contraception across all centres. In a campaign to reach youth and adolescent clients, Marie Stopes South Africa in partnership with the MTV Stayin' Alive Foundation ran and concluded the MTV series MTV Shuga (series) and MTV Shuga in Real Life (documentary) on national broadcasters where it had a viewership of 3.2 million people with the programme supporting abortion and contraception storylines in the series. The programme receives financial donor support allowing us to offer procedures to those in lower income groups.

Marie Stopes UK continued its operational recovery in 2017 following voluntary suspension of services in 2016 in response to inspections by the Care Quality Commission (CQC). MSUK served over 67,000 men and women in 2017, whilst making significant improvements in clinical governance, standards of care and care pathways. Total income was over £30m but losses were incurred as the business rebuilt from the CQC inspection. Operationally the UK business has been restructured to provide greater clinical input and leadership into the network of clinics and to bring improvements in medical abortion provision for our clients. Client volumes were low in the first half of the year but operational and financial performance improved dramatically in the final quarter as the improvements started to bring results. After the year end, a coroner's inquest into the tragic death of a client in 2012 resulted

in a narrative verdict, and MSUK has ensured that all learnings from the case have been acted upon.

Marie Stopes Bolivia delivered 143,665 CYPs in 2016, an 8% increase on 2016, with a mixture of grant and client income. Provision of long-acting and permanent methods of contraception continued to be strong in both the centres and outreach channels. The team made progress on reaching young people, as it continued to develop youth-friendly services and advice at local government facilities.

We operate a total of two clinics in Austria and Romania. **Marie Stopes Austria** is considered one of the most experienced providers of sexual and reproductive health in the country and delivery remains stable at 4,493 CYPs in 2017. **Marie Stopes Romania** has been providing high quality family planning and safe abortion services since 1991, and delivered 3,582 CYPs, a 7% decrease from 2016.

The Group owns **Options Consultancy Services Ltd** ("Options"), a company working with governments and development partners to transform health services in Africa and Asia, implementing strategies for major aid donors including UK Aid, other governments, and foundations such as the Bill and Melinda Gates Foundation and the Children's Investment Fund Foundation. In 2017 Options worked in 17 countries, had a turnover exceeding £22 million from which the entire surplus of £1.7 million was donated to support the work of the Marie Stopes International partnership. Achievements included growing The Girl Generation, the largest ever collective of organisations working to end FGM across Africa, to over 850 members enabling 30,000 women in Kenya reach health facilities to give birth, and facilitating the introduction of Maternal Death Surveillance and Response across the whole of Ethiopia.

Quality forms the central pillar of MSI's Scaling Up Excellence Strategy. As such, clinical quality remains critical for both operational and clinical teams within the organisation. For the first time in the history of the partnership, performance expectations for clinical quality were formalised as a key personal target for each country director in 2017, a practice that will continue in 2018.

MSI uses Quality Technical Assistance (QTA) as one of the organisation's core systems for measuring and maintaining clinical quality standards. Senior clinical assessors conducted 65 QTA visits in 2017, assessing providers and services in 715 clinical service sites across each of MSI's seven clinical service delivery channels in 34 country programmes. The QTA checklists from 2017 showed a marked improvement in scoring and the quality of explanations included for each quality indicator, allowing clinical and operations teams in each country programme to jointly develop quality improvement plans.

Seven Regional Medical Advisors (RMAs), each a senior clinician with international experience, provide the main expertise supporting MSI country programmes to maintain the clinical quality of their service delivery. They are members of MSI's Medical Development Team (MDT), who also set the clinical standards for all MSI core services and maintain MSI's clinical training cascade and the quality of medical products and pharmaceuticals used across the organisation. MSI also uses trained senior clinicians from country programmes as "peer assessors" to conduct QTA visits in other countries, which gives those clinicians more international exposure, and fosters cross-learning.

MSI continued to improve its clinical incident management system throughout 2017. Its acceptance by providers continued to rise, as evidenced by an overall 11% year-on-year increase in reporting of red-, amber- and green-rated clinical incidents. Clinical incidents are reviewed at both programme and MDT level, with lessons learned being shared, and action plans implemented. Joint implementation of action plans by operational and clinical teams exemplified MSI's approach to client safety and quality throughout 2017.

MSI continued to use clinical risk profiling in 2017. The system provides valuable information on where clinical risks lie and assists the partnership to prioritise its efforts and finite resources. The quarterly RAG-rated clinical quality scorecard based on the risk profiling system that is created quarterly, assists clinical and operational teams to identify areas of strength and those that require improvement.

2017 saw strong and detailed systems put in place to assess and improve the clinical competencies of our providers across MSI service channels. A clinical competency and training database was introduced to assist country programmes, the MDT, and MSI's clinical governance bodies to objectively monitor the process. Through data entered by country programmes from 2017 onwards, the database allows MSI to monitor the number and competency levels of clinical service providers for each channel and service. This highlights training areas that need prioritising in each country and channel, to continue safe service provision to MSI clients.

2017 also saw the strengthening of MSI's systems for assuring pharmaceutical and medical product quality, and the implementation of those systems on the ground across the partnership. In 2017, MSI identified new sources of high-quality pharmaceutical products, and assessed the quality of sources already in use. The product-related incident management system was reinvigorated, and the Q-Trak, system monitoring the quality of key reproductive health products, was expanded to include more drug types that are used at scale across the partnership.

The Medical Development Team, together with the MSI leadership, will continue to improve our clinical quality assurance systems through 2018 and beyond in a pragmatic manner that keeps all MSI our clients safe at scale.

The successful delivery of our mission is driven by the commitment and hard work of our 11,000 team members across the world. As part of our Scaling-Up Excellence strategy we have committed continued investment in our own people and to nurture the talent that will help us to deliver on the goals set out in the strategy.

We continue to make good progress towards our aim of growing and nurturing more talent from within the organisation and around 60% of business-critical posts were filled internally. In 2017 we began several internal programmes to recognise the talent within the organisation, and established a formalised approach for reviewing business critical posts and the talent pipeline.

The launch of the Accelerated Leadership Programme in April 2017 saw over 40 talented individuals from across the programmes gather in London to develop their leadership capability. The focus of the first module was on clinical standards, understanding financial management and project cycle management, while bringing in broader topics like self-awareness, situational management and effective decision making. The planning for the second module is underway and will be a live challenge for delegates to undertake during a week in a country programme.

The Marie Stopes Stars recognition programme that celebrates extraordinary people across the Marie Stopes International Partnership was launched in early 2017. The programme rewards team members that live our values in their work in accordance with our mission. Throughout the year, nominations focused around our values of 'client-centered' and 'courageous'. In total, 27 country programmes participated with local, regional and global winners awarded. The awards brought together the global community in celebration of the work that amazing individual team members do for our clients. The award scheme has been a great success and it continues in 2018 with the values of 'accountability' and 'mission-driven'.

We continue to develop global policies focusing on the MSI Code of Conduct, and Equality & Diversity. This work continued into 2018 with a revision to our Speaking Up Policy, Dignity at Work and Safeguarding Policies. The Speaking Up Policy enables and encourages all team members to report any concerns they might have in relation to their employment via a confidential third party email and telephone service.

In the wake of the extensive media coverage of safeguarding issues at a number of large NGOs, we took the time to assure ourselves and our donors that we have the necessary checks, systems and processes in place to ensure the safety of our clients and our team members. We have a comprehensive Code of Conduct that frames the way that we do our work and how we deliver our services, and we expect all team members to abide by our Code of Conduct, wherever they are in the world. Our Safe Call system gives every team member in the world the means to easily report any behaviour that doesn't meet the standards that are set out in our Code of Conduct. Any reports are thoroughly investigated and appropriate action is always taken.

In 2017, we welcomed the UK government's ambition to close the gender pay gap across the economy (currently at 18.1%) within a generation. Our mean gender pay gap is 7.7% in the Global Support Office and 58.9% in our UK clinics division, the result of the pattern of distribution of men and women across the organisation. In our UK clinics there are 473 women and 73 men, with a higher proportion of men in senior and clinical roles. We are committed to equality of opportunity and to the elimination of gender pay gaps across all levels of the organisation.

Marie Stopes International believes that it is important to be transparent regarding remuneration for senior team members balanced with realism about attracting talent to our organisation. Our approach to remuneration centres on two key factors:

- internal job evaluation, which weights the distinct elements of roles and allows for internal comparison of roles within different functions; e.g. in operational management and in business support teams; and
- external pay benchmarking using market data taken from sector specific and general pay surveys.

We refer to the market median as the benchmark for determining salaries for fully competent individuals, along with a consideration of specific requirements for each post. The Global Remuneration Policy Statement was developed in 2017 and published this year (2018) and this provides country programmes with guidance on a range of aspects of remuneration management. The remuneration arrangements for the CEO and Executive Team are approved by the Remuneration & Nomination Committee.

In the UK division, our HR team initiated and delivered on projects within our cultural transformation programme. These included Recruitment and Onboarding Strategy and Sickness Absence Management Project working with centre managers to improve reporting and management. A performance management policy was developed and our Training Needs Analysis Matrix reviewed to better reflect mandatory requirement of our staff. A staff survey was also undertaken in July.

The updated MSI corporate induction, which introduces the organisation's service delivery model, corporate values and structure to new starters has been well received and is now complemented by a similar approach for new Country Directors who visit London during their early employment.

Finally, we work in some challenging political and security environments, and we place particular emphasis on how we can support our team members in times of crisis. We have a Crisis Management Team, comprising experts from across support functions in our global support offices and in-country management. The Crisis Management Team provides key support to enable team members to work through crises, ensuring safety and security, and business continuity.



The financial performance of the group during 2017 is described in the consolidated statement of financial activities. Despite funding pressures following the reinstatement of the Mexico City Policy and the resulting uncertainty for individual country programmes across the group, 2017 was a year of remarkable financial resilience; small growth in total income (an increase of £6.2m, 2.1%) was driven by increasing self-generated income. Total granted and donated income for activities decreased by £2.6m (1.5%) whereas expenditure grew by £21.1m (7.5%) leading to an operating deficit of £3.7m. However, this deficit is in main due to the accelerated timing of income recognition under the UK Statement Of Recommended Practice (SORP); the result of this is that 2017 expenditure includes £7.2m expenditure on restricted projects where the income was recognised in the prior year, and depreciation on fixed assets purchased with capital grants.

Prior year unrealised gains of £12.3m have partly reversed, leading to foreign exchange losses of £6.5m. The operating deficit and the exchange losses result in a net decrease in total reserves for the year of £10.2m. It is important to note that the underlying earnings on the more prudent grant accounting policies followed in the internal management accounts show a small surplus across the two years. Global cash holdings including ring-fenced

donor funds increased by £0.3m to £76.6m. At the end of the year, unrestricted cash held in the parent Charity in London was £10.9m, approximately two weeks' cash.

The Charity conducts its operations through its branches and subsidiaries across the world. Several international programmes operate at a deficit requiring support from the parent charity. At 31 December 2017 nine subsidiaries reported net liabilities with a total of £6.9m. The Charity has reviewed the branches and subsidiaries that it supports and plans to continue to provide such support to these entities as is necessary for them to continue in operation for the benefit of the Charity's beneficiaries and in accordance with its charitable mission.

SURPLUS

Total reserves decreased by £10.2m due to:

- net expenditure of £3.7m; and
- unrealised foreign exchange losses of £6.5m

FOREIGN EXCHANGE IMPACT OF STERLING FLUCTUATIONS

During 2017, sterling appreciated by 6% (2016: devalued by 20%) a continued volatility in exchange rates following the vote by the UK to leave the European Union. As a result, the 2016 foreign exchange gains of £12.3m partially unwound in 2017 to give a loss of £6.5m.

We monitor foreign exchange exposures through the group treasury function. The main risk is the mismatch of grant income in donor currencies against local operational expenditure. There are only limited hedging options available which are economic and so we are prudent in setting currency expectations in our contract pricing.

Unrealised foreign exchange (losses) / gains

	2017	2016
	£m	£m
Revaluation of country programme net assets	(5.4)	5.0
Revaluation of net foreign currency assets held in the UK	(2.0)	6.2
Other unrealised (losses) / gains	0.9	1.1
	(6.5)	12.3

INCOME

In 2017 total income was £296.1m (2016: £290.0m) an increase of £6.2m (2%) on the prior year. In 2016, the devaluation of Sterling contributed to an increase in expenditure and matching grant income. Conversely, the 2017 results are reduced by the appreciation in Sterling against the US dollar and many of the currencies in our service delivery countries.

The main area of growth during 2017 was the £8.2m increase in service income, similar growth to that achieved from 2015 to 2016, and demonstrating significant progress against the sustainability pillar of the 2020 Scaling-Up Excellence strategy.

Grant income decreased by £4.3m. This decrease is in main due to the timing of income recognition under the

Income	2017 £m	2016 £m	2015 £m
Grant income	170.0	174.3	158.2
Service income	93.9	85.7	76.7
Consultancy income	22.9	22.7	24.9
Donations	3.7	2.1	2.8
Other income	5.6	5.2	3.7
	296.1	290.0	266.3

UK SORP; the 2016 income included funds recognised on receipt although not spent until 2017, and similarly 2016 included funds for capital projects. However, the reinstatement of the Mexico City Policy on 23rd January 2017 will result in the loss of the group's significant

USAID funding, which represented 12.7% of grant income in the year. During 2017, the group managed to secure replacement funding to keep most services running in the short term, although Madagascar, Uganda and Zimbabwe were particularly affected. However, the loss of USAID grants means that there is still a significant funding gap of approximately £20.0m annually that needs to be closed for the partnership to deliver against global family planning commitments.

EXPENDITURE

In 2017 total expenditure was £300.9 million, an increase of £21.1 million compared with 2016.

The charity receives a limited portfolio of grants and donations that are unrestricted or only lightly restricted, and these are programmed through an internal Investment Fund allocation process. During 2017 these funds were used to provide some bridge funding to allow

in-country services to continue following the Mexico City Policy and pending new grant funding being secured. The Investment Fund mechanism also reviews and approves applications to spend in-country accumulated reserves to support the local strategic plan. During 2017 £8.3m was spent through the Investment Fund including approved reserves spend, with £2.6m spent to bridge the loss of USAID funds.

CASH BALANCES

Cash increased in 2017 by £0.3m to £76.6m, of which most are funds received in advance for donor projects. Of the total cash balance, £44.1m is restricted, and the unrestricted cash held in the UK parent charity at the end of the year was £10.9m.

An analysis of cash balances by region is shown in the table below. The large increase in funds held in Pacific Asia is due to ring-fenced donor funds held in Papua New Guinea. All other regions have seen a decrease in cash holdings during 2017.

Cash balances by Region	2017 £m	2016 £m
Region		
East & Southern Africa	2.9	3.3
West & Central Africa	2.4	3.2
South & East Asia	4.4	4.6
West Asia	2.7	3.4
Pacific Asia	7.5	4.5
Rest of the World	1.6	4.0
UK, including restricted funds	55.1	53.3
	76.6	76.3

RESERVES POLICY

The term 'reserves' is used in a number of different ways in the group's annual report and accounts. There is a technical definition of restricted and unrestricted reserves, driven by accounting standards. Then there is the necessary level of liquid reserves that a business, but especially a Charity, must prudently retain. In this section we are primarily describing our liquid reserves.

In assessing the adequacy of the Group's reserves, Trustees take a prudent view, based on the likely timescale to realise assets, or secure borrowings against those assets, and thereby generate liquid funds. The Trustees monitor other liquid assets and the potential to secure medium term secured funding against the group's tangible fixed assets.

The Trustees review the reserves policy annually through the Finance Committee, to ensure it remains consistent with Group strategy. The purpose of the Group reserve is to provide an unencumbered resource for the pursuit of Marie Stopes International's charitable mission of children by choice, not chance. Reserves can 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. At the same time, the policy is designed to ensure that income is not retained for longer than is required. The Trustees consider the Group's reserves requirements from both a long and short term perspective.

Based on this review, the trustees established a target range for free liquid reserves of between £30.0m and £35.0m, with a target of £20m to be held in accessible assets in an investment fund. The target was set taking account of the scale of the group's operations and the likely impact of the strategic risks facing the group. To put this in context, the group's operating costs are approximately £25m per month. The strategic risks facing the group are summarised on page 17 of this report.

At 31 December 2017, MSI had liquid free reserves of £15.2m (2016: £18.9m). This KPI is monitored and managed monthly. These reserves are primarily held in the sustainability fund. MSI will continue to build up the sustainability reserve fund until the free reserves target of £30-35m is met. The decrease in the year is partly due to the use of reserves to bridge the loss of USAID funds but also to more challenging payment terms with some major donors. We continue to work with donors to ensure that the sustainability of the partnership is not jeopardised by inappropriate payment profiles.

At 31 December 2017, the Group accounts show the following unrestricted reserves:

- A designated sustainability reserve of £12.2m (2016: £11.1m), which is invested in a UK managed investment fund. These funds are available on demand, and form a core part of the Group's free and liquid reserves.
- General unrestricted reserves of £35.1m (2016: £35.8m). This is made up primarily of global working capital and is therefore not highly liquid.

- A designated tangible fixed assets reserve of £16.4m (2016: £18.8m) which represents the net book value of MSI's unrestricted tangible fixed assets – primarily clinic buildings. Of its nature, these assets are illiquid and are therefore excluded from the determination of our liquid reserves position.

This gives total unrestricted reserves of £63.7m (2016: £65.7m) in the financial statements. However as explained above this is not indicative of the level of liquid reserves available to sustain operations in the event of the crystallisation of a strategic or operational risk. Marie Stopes International's unrestricted funds represent the cumulative surpluses from the group's worldwide operations, particularly the commercial operations in the UK and Australia. The Trustees endorse the use of surpluses from these operations to support family planning and sexual and reproductive health services around the world.

MSI's total reserves decreased in 2017 partly due to unrealised foreign exchange losses of £6.5m (2016: gains of £12.3m); this book decrease was primarily caused by translation losses which arose when revaluing overseas assets into sterling following the 6% appreciation of sterling in 2017, a reversal of the prior year gains.

Marie Stopes International had restricted funds at 31 December 2017 of £43.6m (2016: £51.8m). These restricted funds are from two sources:

- Income received from donors to directly support charitable activities.
- Net assets held in overseas programmes which are restricted for use within the country where the surplus accumulated Marie Stopes International has observed strengthening of civil society regulation and of the frameworks within which our local entities operate. In response, a full review was undertaken during 2017 of the registrations and relevant NGO regulations of each branch and subsidiary. This has increased the number of our programmes where accumulated surpluses are now considered to be restricted to use within the geography of the local entity ('restricted by constitution') and not available to meet the obligations of the parent charity.

The review concluded that 12 branches and 28 subsidiaries are restricted by constitution, with a total restricted net asset position at the end of 2017 of £39.4m. Accordingly we have enhanced the presentation of the group balance sheet to make clear to the reader the extent to which access to local reserves and assets is in practice likely to be restricted. Following this review, the prior year closing restricted reserves have been restated to £40.9m (from £7.9m) for the sake of clarity.

INVESTMENTS

The investment policy was set in 2015 with reference to the reserves policy target of increasing the Sustainability Fund to £20.0m to be held in accessible assets. So far, the Charity has accumulated £12.2m in this fund through both capital additions and portfolio growth.

- Marie Stopes International's investment fund manager is GAM, appointed in 2016 after a competitive tendering process
- Marie Stopes International's investment policy is:
 - To maintain a liquid medium risk diversified portfolio which acts as the core reserve of the organisation
 - To manage the fund at arm's length through half-yearly review meetings with the investment manager. Performance is assessed against two benchmarked funds.
- On a total return basis, the portfolio grew £1.1m in the year (2016: £1.4m). The 2017 result reflects the strong global equity growth
- The portfolio outperformed both assigned benchmarks during the year. GAM's performance is reviewed half-yearly, and the Finance Committee scrutinises the portfolio mix and performance annually.

FUTURE PLANS



Our plans for 2018 continue to be guided by our Scaling-Up Excellence strategy. In particular the building blocks for growth that will enable MSI to reach our revised scale and impact target of 40 million CYPs by 2020. Further details of the strategy can be found on page 11 of this report.

SCALE AND IMPACT

- Continue strong CYP performance and deliver a minimum of 32.2million CYPs across the Marie Stopes International partnership.
- Continue our focus on reaching additional users and high-impact clients with a specific focus on youth and adolescents.
- Provide 4.6 million safe abortion and post abortion care services across the partnership

QUALITY

- Review of our global safe abortion and medical abortion strategy, especially the establishment of our 'continuum of care' model via social marketing with clinical oversight.
- Continue to improve our recruitment, selection, on-boarding and retention processes to drive better culture fit and engagement across the organisation.

SUSTAINABILITY

- Deliver a financial surplus across the global organisation.
- Improve financial resilience, through increased liquid free reserves by minimising cash held in country programmes, improving payment terms with donors, and pursuing alternative sources of working capital.
- Implement the sustainability impact framework for centres to ensure they are independently financially viable while ensuring the impact we have on the community.
- Further develop the funding pipeline through strategic donor partnerships and private philanthropy while successfully closing out USAID programmes.
- In May 2018, we held a Global Strategy Meeting with representatives from across the partnership to start thinking about the organisation's next strategic plan, beyond 2020 and up to 2030.

INDEPENDENT AUDITORS

A resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the Charity will be put to the Board at the Annual General Meeting.

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 (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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 and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and

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

The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom 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 company's auditors are unaware; and they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report of the Trustees, under the Charities Act 2011 and the Companies Act 2006, was approved by the Board of Trustees on 25 May 2018, including approving in their capacity as company Directors the Strategic Report contained therein, and is signed as authorised on its behalf by:

SUZANNA TAVERNE
CHAIR
25 MAY 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARIE STOPES INTERNATIONAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Marie Stopes International's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements and Annual Report (the "Annual Report"), which comprise: the group and company balance sheets as at 31 December 2017; the consolidated statement of financial activities, the consolidated cash flow statements for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report of the Board of Trustees. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. *Use of this report*

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 May 2018

FINANCIAL STATEMENTS



	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
INCOME FROM					
Donations	3a	1,482	2,239	3,721	2,138
Charitable activities	3b	138,725	148,054	286,779	282,672
Investments	3c	742	35	777	706
Other income		4,689	158	4,847	4,446
Total income		145,638	150,486	296,124	289,962
EXPENDITURE ON					
Raising funds	4	(1,495)	-	(1,495)	(1,087)
Charitable activities	4	(141,763)	(157,630)	(299,393)	(278,751)
Total expenditure		(143,258)	(157,630)	(300,888)	(279,838)
Net gains on investments	10c	1,106	-	1,106	1,378
Net income/(expenditure)		3,486	(7,144)	(3,658)	11,502
Transfers between funds	15/22	1,530	(1,530)	-	-
Other recognised (losses) / gains					
Unrealised exchange (losses) / gains		(6,947)	416	(6,531)	12,317
Net movement in funds	7	(1,931)	(8,258)	(10,189)	23,819
Fund balances brought forward (restated)	15/16	65,658	51,839	117,497	93,678
Fund balances carried forward	15/16	63,727	43,581	107,308	117,497

All amounts relate to continuing activities. All gains and losses recognised in the year are included in the Statement of Financial Activities. There is no material difference between the net income/(expenditure) for the year and net movement in funds stated above and their historical cost equivalents.

The notes on pages 49 to 67 form part of these financial statements.

	Note	Total 2017 £'000	Group Total 2016 £'000 Restated*	Total 2017 £'000	Company Total 2016 £'000 Restated*
Fixed assets					
Intangible assets	8	631	688	631	682
Tangible assets	9	37,565	42,535	19,293	22,829
Investments	10	12,586	11,539	13,292	12,162
Total fixed assets		50,782	54,762	33,216	35,673
Current assets					
Stock		14,050	17,168	4,458	6,123
Receivables	11	51,125	53,576	43,952	44,533
Short-term deposits		5,863	5,870	1,526	2,446
Cash at bank and in hand		76,602	76,264	55,816	52,855
Total current assets		147,640	152,878	105,752	105,957
Payables: amounts falling due within one year	12a	(84,130)	(83,377)	(53,158)	(48,369)
Net current assets		63,510	69,501	52,594	57,588
Total assets less current liabilities		114,292	124,263	85,810	93,261
Payables: amounts falling due after more than one year	12b	(2,803)	(2,121)	(2,296)	(1,724)
Loans: amounts falling due after more than one year	13	(4,181)	(4,645)	(4,168)	(4,645)
Net assets		107,308	117,497	79,346	86,892
The funds of the charity:					
Unrestricted income funds					
General funds	16	35,144	35,794	34,085	35,856
Designated funds - tangible fixed asset reserve	16	16,383	18,770	14,870	17,291
Designated funds - sustainability reserve	16	12,200	11,094	12,200	11,094
Total unrestricted income funds	16	63,727	65,658	61,155	64,241
Restricted income funds	15	43,581	51,839	18,191	22,651
Total charity funds		107,308	117,497	79,346	86,892

The notes on pages 49 to 67 form part of these financial statements. *See note 15 for restatement of the opening reserves.

The financial statements on pages 46 to 67 were approved by the Board of Trustees on 25 May 2018 and signed on its behalf by

SUZANNA TAVERNE
CHAIR

	2017		2016	
	£'000	£'000	£'000	£'000
Net cash provided by operating activities a		5,250		16,765
Cash flows from investing activities				
Dividends, interest and rents from investments	777		706	
Proceeds from sale of tangible fixed assets	1,630		749	
Proceeds from sale of fixed asset investments	3		57	
Purchase of tangible fixed assets	(7,084)		(8,760)	
Purchase of fixed asset investments	-		(21)	
On receipt of gifted assets	373		-	
Net cash used in investing activities		(4,301)		(7,269)
Cash flows from financing activities				
Increase/(decrease) in bank and unsecured loans	(154)		163	
(Decrease) in long term loans	(464)		(113)	
Net cash generated from / (used in) financing activities		(618)		50
Net increase in cash and cash equivalents		331		9,546
Cash and cash equivalents at 1 January		82,134		72,588
Cash and cash equivalents at 31 December		82,465		82,134
Cash and cash equivalents consists of:				
Cash at bank and in hand		76,602		76,264
Short-term deposits		5,863		5,870
Total cash and cash equivalents		82,465		82,134

Notes

a) Reconciliation of net income to net cash inflow from operating activities

	2017	2016
	£'000	£'000
Net income/(expenditure) for the year	(3,658)	11,502
Gifted assets	(373)	-
Investment income	(777)	(706)
Depreciation of tangible fixed assets	8,017	9,254
Amortisation & impairment of intangible fixed assets	51	57
(Gain)/loss on disposal of tangible fixed assets	(528)	254
(Gain) on revaluation of investments	(1,106)	(1,378)
(Increase)/decrease in stocks	3,118	(4,298)
(Increase)/decrease in receivables	2,451	(5,830)
(Decrease)/increase in payables & provisions	1,589	(18)
Exchange rate movements	(3,534)	7,928
Net cash inflow from operating activities	5,250	16,765

b) Reconciliation of movement in net funds

	2017	2016
	£'000	£'000
Total cash and cash equivalents	82,465	82,134
Bank loans falling due within one year	(428)	(582)
Other loans falling due after more than one year	(4,181)	(4,645)
Cash and cash equivalents less borrowings	77,856	76,907
Increase in cash	331	9,546
Cash (inflow)/outflow from financing	618	(50)
Net funds at 1 January	76,907	67,411
Net funds at 31 December	77,856	76,907

The notes on pages 49 to 67 form part of these financial statements.

1. ACCOUNTING POLICIES

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The principal accounting policies, which have been applied consistently in the year across the group, are set out below.

a) Basis of preparation and assessment of going concern

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investments to market values. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the charity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in note (p) to these policies.

No separate Statement of Financial Activities or income and expenditure account has been presented for the company alone as permitted by section 408 of the Companies Act 2006. The company had total income in the year of £141.1million (2016: £146.0 million) and total expenditure of £148.7 million (2016: £141.6 million) giving a net loss for the year of £7.6 million (2016: gain of £4.4 million) The net movement in funds, after foreign exchange and investment gains/losses was a loss of £7.5 million (2016: gain of £14.1 million).

Having considered the risks, reserves and financial position the financial statements have been prepared on a going concern basis.

b) Company status

Marie Stopes International is a company limited by guarantee. The members of the Company are the Trustees named on page 1. In the event of the Company being wound up, the liability in respect of the guarantee is limited to £1 per Trustee.

c) Basis of consolidation

The Group financial statements combine the results of the parent undertaking, Marie Stopes International, and its subsidiary undertakings after eliminating inter-group transactions. Marie Stopes International refers to Marie Stopes International's UK operations and international branch offices. The material subsidiary undertakings are detailed in note 20.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made on consolidation to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control .

Where control of a subsidiary ceases, the gain or loss is recognised in the consolidated Statement of Financial Activities. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings.

All intra group transactions, balances, income and expenses are eliminated on consolidation.

d) Foreign currency

(i) Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's principal functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the opening exchange rates for the month of transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at month of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and related to borrowings and cash and cash equivalents are presented in the Statement of Financial Activities (SOFA).

1. ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses resulting from the translation at period-end exchange rates of monetary assets and liabilities and all other foreign exchange gains and losses are presented in SOFA within unrealised exchange gains/(losses).

(iii) Translation

The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end.

e) Income**Donations**

Donations are included in the Statement of Financial Activities when there is entitlement to the income, receipt is probable and the amount can be measured reliably.

Charitable activities

Income 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.

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 payables until conditions of entitlement are met, at which point it is released. Where entitlement occurs before the income is received the income is accrued and included in receivables.

Granted supplies and equipment

Where the charity receives grants of goods and services in kind and where there is a measurable value to the charity, which can be ascertained with reliability, the grant is included as both income and expenditure. Both the income and expenditure elements are recognised in the Statement of Financial Activities when the granted stock has been used by the charity.

Service income

Service income comprises income received and receivable from clients for sexual and reproductive health services and products provided during the period.

Investments

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

Other income

All other items of income are recognised within the other income category. Income is recognised when there is entitlement to the income, receipt is probable and the amount can be measured reliably.

f) Expenditure

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:

Raising funds comprises costs relating to the raising of grant income.

Charitable activities comprise costs relating directly to the delivery of family planning and other sexual and reproductive health services and related advocacy and 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) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1. ACCOUNTING POLICIES (CONTINUED)**(iii) Annual bonus plan**

The Group operates an annual bonus plan for employees. An expense is recognised in the SOFA account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

h) 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 Statement of Financial Activities as incurred.

i) Grants paid

Grants payable to 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.

j) Intangible fixed 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 are amortised over the period to which the rights relate (estimated to be seven years).

k) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation has been provided on completed assets 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:

Marie Stopes International capitalises fixed assets in the UK above a value of £5,000. For Marie Stopes International's branches and subsidiaries overseas the capitalisation level is lower and varies by entity.

Assets under development are not depreciated until they have been brought into use.

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable.

Freehold properties	Over estimated useful life
Short leasehold properties	Over period of the lease
Office equipment	20% to 50% per annum
Medical equipment	20% to 50% per annum
Computer equipment and software	25% to 50% per annum
Motor vehicles	25% per annum

l) Fixed asset investments

Listed investments 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.

m) Programme related investments

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

n) Stock

Stock represents medical equipment and supplies purchased or donated to fulfil Marie Stopes International charitable objectives and is reported at the lower of cost and 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.

o) Reserves and 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.

1. ACCOUNTING POLICIES (CONTINUED)

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 16.

Restricted funds are funds which have to be used in accordance with specific restrictions imposed by a donor and funds restricted by constitution which represent the accumulated surpluses from those group entities where the funds have been generated locally and the future use is restricted to that location.

Overhead/support costs relating to restricted donor funds are classed as unrestricted expenditure and are not directly attributed to restricted funds at source. The fees earned on restricted donor funds in relation to these overhead/support costs are directly attributed to restricted income and at the year end a reallocation is made between restricted and unrestricted funds in relation to these fees.

p) Key accounting estimates and assumptions

The charity makes estimates and assumptions concerning the future. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include provisions, accruals, depreciation and revenue recognition. The accounting in these areas of the financial statements requires management to use judgement. In relation to provisions and accruals this is with regard to a best estimate of the costs that will be incurred based on legislative and contractual requirements. For depreciation these estimates are driven by the useful economic life of the associated assets. For revenue recognition management apply judgement in concluding on the point at which revenue should be recognised.

q) Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2. COMPARATIVE INFORMATION FOR THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2017

	2017			2016 Restated*		
	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000
INCOME FROM						
Donations	1,482	2,239	3,721	1,099	1,039	2,138
Charitable activities	138,725	148,054	286,779	128,579	154,093	282,672
Investments	742	35	777	668	38	706
Other income	4,689	158	4,847	4,166	280	4,446
Total income	145,638	150,486	296,124	134,512	155,450	289,962
EXPENDITURE ON						
Raising funds	(1,495)	-	(1,495)	(1,087)	-	(1,087)
Charitable activities	(141,763)	(157,630)	(299,393)	(124,839)	(153,912)	(278,751)
Total expenditure	(143,258)	(157,630)	(300,888)	(125,926)	(153,912)	(279,838)
Net gains on investments	1,106	-	1,106	1,378	-	1,378
Net income/(expenditure)	3,486	(7,144)	(3,658)	9,964	1,538	11,502
Transfers between funds	1,530	(1,530)	-	(9,321)	9,321	-
Other recognised gains / (losses)						
Unrealised exchange gains / (losses)	(6,947)	416	(6,531)	10,495	1,822	12,317
Net movement in funds	(1,931)	(8,258)	(10,189)	11,138	12,681	23,819
Fund balances brought forward at 1 January	65,658	51,839	117,497	54,520	39,158	93,678
Fund balances carried forward at 31 December	63,727	43,581	107,308	65,658	51,839	117,497

*See note 15 for restatement of the opening reserves.

3. INCOME FROM

	Unrestricted funds	Restricted funds	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
a) Donations				
Monetary Donations	1,123	2,239	3,362	2,138
Gifted Assets	359	-	359	-
Total Donations	1,482	2,239	3,721	2,138
b) Charitable activities				
Grant income				
	Unrestricted funds	Restricted funds	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
Department for International Development	3,624	40,443	44,067	46,543
United States Agency for International Development	-	19,725	19,725	23,786
Netherlands Ministry of Foreign Affairs	-	8,618	8,618	5,229
The Bill and Melinda Gates Foundation	119	8,310	8,429	9,022
Children's Investment Fund Foundation	2,580	3,372	5,952	2,037
JTA International	-	3,365	3,365	1,831
United Nations	-	3,306	3,306	4,665
Ministry of Foreign Affairs of Denmark	-	2,892	2,892	6,391
Swedish International Development Agency	-	1,603	1,603	875
Australian Dept for Foreign Affairs & Trade / AusAid	-	1,572	1,572	3,937
Ministry of Foreign Affairs of Finland	-	1,403	1,403	740
Pact	-	1,155	1,155	1,078
Kreditanstalt für Wiederaufbau	-	891	891	1,895
William and Flora Hewlett Foundation	-	773	773	1,868
Norwegian Agency for Development Cooperation	-	249	249	161
The David and Lucile Packard Foundation	-	190	190	229
Anonymous donor	-	36,002	36,002	34,385
Other	1,801	15,699	17,500	19,863
	8,124	149,568	157,692	164,535
Reallocation of fees earned on restricted grants	13,836	(13,836)	-	-
	21,960	135,732	157,692	164,535
Granted supplies and equipment	-	12,322	12,322	9,715
Service income				
Sexual and reproductive healthcare services	122,584	-	122,584	110,264
Fee waived	(5,819)	-	(5,819)	(1,842)
	116,765	-	116,765	108,422
Total income from charitable activities	138,725	148,054	286,779	282,672

Grant income is recognised in accordance with the Charities SORP and as a result may differ from cash received; see note 1e for further information. Where the purpose of the grant is narrower than the charitable objects of Marie Stopes International, is restricted to a specific location, or deemed to be restricted by time constraints, the grant income is classified as restricted. The fees earned on restricted donor funds in relation to overhead, support costs or technical assistance are directly attributed to restricted income and at the year end a reallocation is made between restricted and unrestricted funds in relation to these fees.

A geographical split of this income is shown on page 22 of the Trustees' Report

	Unrestricted funds	Restricted funds	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
c) Investments				
Bank interest receivable	507	35	542	430
Distributions receivable	128	-	128	111
Rent receivable	107	-	107	165
	742	35	777	706

4. EXPENDITURE

a) Total expenditure	Direct costs	Staff costs (4d)	Other costs	Support costs (4c)	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Raising funds	163	1,210	1	121	1,495	1,087
Charitable activities	146,825	131,641	7,731	13,196	299,393	278,751
Subtotal	146,988	132,851	7,732	13,317	300,888	279,838
Support costs reallocation	3,271	8,704	1,342	(13,317)	-	-
Total	150,259	141,555	9,074	-	300,888	279,838

b) Direct costs of charitable activities

Direct expenditure on charitable activities includes subcontracts awarded to external partners of £14,203,000 (2016: £16,567,000). Details are available from Marie Stopes International, 1 Conway Street, London W1T 6LP.

c) Support costs

	2017	2016
	£'000	£'000
Management and office services	2,147	2,352
Finance and information technology	5,437	5,924
Programme support	1,826	1,892
People and development	772	980
External relations	1,690	1,268
Governance costs	1,445	1,259
Total support costs 2017	13,317	13,675

Support costs represent the cost of Marie Stopes International's London and regional support offices and are allocated by function. Costs relate to technical assistance to programmes and to the corporate functions of Information Technology, People and Development, External Relations and other centralised functions.

Support costs are apportioned to specific activities based on the weighting of each function as a percentage of total costs.

Governance costs include expenditure on internal and external audit, Trustee meetings and expenses, and non-audit services. In 2017 the cost of the group audit was £182,928 (2016: £182,928), inclusive of VAT. In addition, fees for the audit of subsidiary country programmes totalled £304,000 (2016: £336,000).

Non-audit fees paid to the current auditors in the year was £3,000 (2016: £13,000)

d) Staff

	2017	2016
	£'000	£'000
Staff costs:		
- Wages and salaries	103,120	98,515
- Social security costs	4,966	4,890
- Other pension costs	3,506	3,320
	111,592	106,725
Sessional fees and contractors, staff benefits and training	29,963	23,589
Total staff costs	141,555	130,314

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund managed by the Standard Life Assurance Company.

In line with UK government legislation, Marie Stopes International automatically enrolls its UK staff into its defined contribution pension scheme where certain criteria are met.

Redundancy and termination payments totalled £320,000 in 2017 (2016: £402,000).

4. EXPENDITURE (CONTINUED)

d) Staff (continued)

The average monthly number of staff analysed by function was:

	2017	2016
	Number	Number
- Raising funds	16	8
- Charitable activities	11,596	12,349
	11,612	12,357

The numbers of employees whose emoluments were more than £60,000 were:

	2017	2016
	Number	Number
£60,001 - £70,000	39	40
£70,001 - £80,000	22	21
£80,001 - £90,000	5	17
£90,001 - £100,000	7	9
£100,001 - £110,000	6	6
£110,001 - £120,000	5	4
£120,001 - £130,000	4	2
£130,001 - £140,000	4	3
£140,001 - £150,000	2	-
£150,001 - £160,000	1	2
£160,001 - £170,000	3	2
£170,001 - £180,000	2	2
£180,001 - £190,000	4	1
£190,001 - £200,000	1	3
£200,001 - £210,000	-	2
£230,001 - £240,000	2	-
£250,001 - £260,000	1	-
£260,001 - £270,000	-	1
£300,001 - £310,000	1	-
£400,000 - £410,000	-	1

Employee numbers disclosed above include staff from all entities in the group.

The remuneration of the highest paid employee was split between base salary of £173,067 (2016: £170,091) and performance-based bonus of £127,465 (2016: £233,303). The total paid to 6 key management personnel in 2017 was £1,133,761 (2016: £1,219,000: 6 people).

Retirement benefits were accrued under a defined contribution scheme for 88 higher paid employees (2016: 91).

Total employer contributions for these employees were £288,156 (2016: £300,000).

5. DIRECTORS' EMOLUMENTS

No Directors of the parent charity received emoluments during the year for their services as trustees (2016: none).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£'000	£'000
Loans and overdrafts	158	180

7. NET MOVEMENT IN FUNDS

	2017	2016
	£'000	£'000
Net movement in funds is stated after charging:		
Amortisation of intangible fixed assets	51	57
Depreciation of tangible fixed assets	8,017	9,254
Operating lease rentals	6,657	6,371

8. INTANGIBLE ASSETS

Goodwill

Cost or valuation	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 January 2017	1,007	1,002	997	995
Disposals	(20)	-	-	-
Exchange movements on consolidation	-	5	-	2
At 31 December 2017	987	1,007	997	997
Accumulated amortisation				
At 1 January 2017	319	264	315	264
Charge for the year	51	55	51	51
Disposals	(14)	-	-	-
At 31 December 2017	356	319	366	315
Net book value				
At 31 December 2017	631	688	631	682
At 31 December 2016	688	738	682	731

9. TANGIBLE ASSETS

Group	Assets							Total £'000
	Freehold properties £'000	Short leasehold properties £'000	Office equipment £'000	Medical equipment £'000	Computer equipment & software £'000	Motor vehicles £'000	Assets under devel- opment £'000	
Cost or valuation								
At 1 January 2017	41,104	4,535	7,998	10,840	18,365	16,287	1,182	100,311
Additions	684	166	744	1,263	932	2,567	728	7,084
Transfers between asset classes	311	8	79	46	72	30	(546)	-
Disposals	(42)	(267)	(679)	(582)	(426)	(889)	(574)	(3,459)
Exchange movements on consolidation	(1,938)	(177)	(588)	(699)	(673)	(1,834)	(89)	(5,998)
At 31 December 2017	40,119	4,265	7,554	10,868	18,270	16,161	701	97,938
Accumulated depreciation								
At 1 January 2017	17,841	2,298	5,698	7,520	13,061	11,358	-	57,776
Charge for the year	1,248	317	880	1,207	2,271	2,094	-	8,017
Disposals	(1)	(240)	(534)	(539)	(317)	(726)	-	(2,357)
Exchange movements on consolidation	(418)	(37)	(377)	(471)	(451)	(1,309)	-	(3,063)
At 31 December 2017	18,670	2,338	5,667	7,717	14,564	11,417	-	60,373
Net book value								
At 31 December 2017	21,449	1,927	1,887	3,151	3,706	4,744	701	37,565
At 31 December 2016	23,263	2,237	2,300	3,320	5,304	4,929	1,182	42,535
Company								
Company	Assets							Total £'000
	Freehold properties £'000	Short leasehold properties £'000	Office equipment £'000	Medical equipment £'000	Computer equipment & software £'000	Motor vehicles £'000	Assets under devel- opment £'000	
Cost or valuation								
At 1 January 2017	29,798	2,268	3,559	5,209	13,226	4,587	504	59,151
Additions	80	119	214	693	513	854	(30)	2,443
Disposals	-	-	(79)	(39)	(126)	(157)	(327)	(728)
Exchange movements on consolidation	(881)	(9)	(139)	(240)	(164)	(412)	(26)	(1,871)
At 31 December 2017	28,997	2,378	3,555	5,623	13,449	4,872	121	58,995
Accumulated depreciation								
At 1 January 2017	15,736	1,691	2,781	3,292	9,578	3,244	-	36,322
Charge for the year	936	192	307	706	1,696	688	-	4,525
Disposals	-	-	(58)	(36)	(86)	(109)	-	(289)
Exchange movements on consolidation	(221)	(7)	(80)	(124)	(108)	(316)	-	(856)
At 31 December 2017	16,451	1,876	2,950	3,838	11,080	3,507	-	39,702
Net book value								
At 31 December 2017	12,546	502	605	1,785	2,369	1,365	121	19,293
At 31 December 2016	14,062	577	778	1,917	3,648	1,343	504	22,829

10. INVESTMENTS

Note	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Investment property	278	278	278	278
Investment in subsidiaries	-	-	812	787
Listed investments	12,308	11,261	12,202	11,097
	12,586	11,539	13,292	12,162
a) Investment property				
	Group and Company			
	2017 £'000	2016 £'000		
Market value at beginning of the year	278	240		
Exchange movement on consolidation	-	38		
Market value at end of the year	278	278		
b) Investment in subsidiaries				
	Company			
	2017 £'000	2016 £'000		
Investment in subsidiary undertakings at cost:				
At beginning of the year	787	3,459		
Additions in the year	230	-		
Disposals	(203)	-		
Impairment *	-	(2,667)		
Exchange movement on consolidation	(2)	(5)		
At end of the year	812	787		
* In 2016, the charity reviewed the book value of its investments in subsidiaries and consequently made an impairment adjustment, so that the value of the total investment was aligned with the underlying net assets of the subsidiaries included in the investment.				
c) Listed investments				
Note	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Market value at beginning of the year	11,261	9,932	11,097	9,716
Additions	-	21	-	3
Disposals	(3)	(57)	-	-
Revaluation gain	1,106	1,378	1,106	1,378
Exchange movement on consolidation	(56)	(13)	(1)	-
Market value at end of the year	12,308	11,261	12,202	11,097
Investment portfolio allocation:				
Equities	6,609	5,378	6,607	5,371
Bonds	2,544	2,441	2,544	2,441
Multi-asset funds and Alternatives	1,689	1,668	1,689	1,668
Private equity	1,047	1,117	1,047	1,117
Cash	419	657	315	500
	12,308	11,261	12,202	11,097

10. INVESTMENTS (CONTINUED)

Material holdings within the investment portfolio:	Group and Company	
	2017 £'000	2016 £'000
Equities		
GAM Star Global Quality GBP fund	1,246	1,164
GAM Star Capital Appreciation US Equity fund	403	606
Loomis Sayles US Equity Leaders fund	1,048	871
Vanguard S&P 500 ETF	1,017	934
SIG Lyrical Fund Class	348	-
JB Multistock Emerging Equity	719	552
Bonds		
GAM Star Absolute Return Bond Plus fund	778	761
Multi-asset funds and Alternatives		
CF Ruffer Total Return Fund	653	656
Trojan Fund	718	692
Schroder Private Equity Funds IV	719	1,117

In the opinion of the trustees, the carrying value of the investments is supported by the underlying net assets.

11. RECEIVABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	16,175	14,114	7,034	4,664
Amounts owed by group undertakings	-	-	13,987	13,086
Corporation tax	185	206	-	-
Other receivables	7,942	5,201	2,887	2,026
Grants receivable	3,219	3,139	3,465	4,896
Prepayments and accrued income	23,604	30,916	16,579	19,861
	51,125	53,576	43,952	44,533

12. PAYABLES

a) Amounts falling due within one year	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loans	428	582	133	243
Trade payables	8,026	11,699	2,088	3,293
Other taxation and social security	6,286	5,286	2,980	2,085
Accruals and provisions	19,512	17,385	12,578	12,277
Deferred income	49,878	48,425	35,379	30,471
	84,130	83,377	53,158	48,369

Analysis of deferred income	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 January 2017	48,425		30,471	
Amounts credited to deferred income during the year	171,467		89,370	
Amounts released to income in the year	(170,014)		(84,462)	
At 31 December 2017	49,878		35,379	

The closing balance of deferred income represents new grant income received during 2017 where the contractual obligations of the grant are to be fulfilled in future years.

b) Amounts falling due after more than one year	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Provisions	2,803	2,121	2,296	1,724

13. LOANS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts repayable after one year	4,181	4,645	4,168	4,645

In 2013 MSI entered into a long-term financing facility with Unity Trust for £4.0 million for a maximum term of 10 years with a fixed interest rate of 3.95% for five years. The loan is secured against the freehold property at 1 Conway Street, London at a ratio of approximately 40% as at 31 December 2017 with monthly repayments due under the loan totalling £0.4 million each year. Other loans consist of commercial and other loan facilities arranged by Marie Stopes International's branches and subsidiaries.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 December 2017 are represented by:

	Group			Company		
	Unrestricted funds £'000	Restricted funds £'000	Total £'000	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Intangible fixed assets	626	5	631	626	5	631
Tangible fixed assets	16,383	21,182	37,565	14,870	4,423	19,293
Fixed asset investments	12,057	529	12,586	13,289	3	13,292
Bank and cash	23,086	59,379	82,465	14,312	43,030	57,342
Other net current assets	18,528	(37,483)	(18,955)	24,522	(29,270)	(4,748)
Long-term liabilities	(6,953)	(31)	(6,984)	(6,464)	-	(6,464)
	63,727	43,581	107,308	61,155	18,191	79,346

Unrestricted cash held in the UK parent charity at the year-end was £10.9m in 2017 (2016: £12.5m)

15. RESTRICTED INCOME FUNDS

	Group					At 31 Dec 2017 £'000
	At 1 Jan 2017 £'000	Income £'000	Expenditure £'000	Other gains £'000	Transfers (note 22) £'000	
	Restated*					
Donor funds	10,935	150,486	(157,630)	416	-	4,207
Restricted by constitution						
Africa	15,214	-	-	-	342	15,556
Asia	21,445	-	-	-	(1,826)	19,619
Pacific Asia	1,791	-	-	-	390	2,181
Commercial	2,454	-	-	-	(436)	2,018
	51,839	150,486	(157,630)	416	(1,530)	43,581

	Company					At 31 Dec 2017 £'000
	At 1 Jan 2017 £'000	Income £'000	Expenditure £'000	Other gains £'000	Transfers £'000	
	Restated*					
Donor funds	5,134	84,539	(87,378)	(344)	-	1,951
Restricted by constitution						
Africa	10,745	-	-	-	(1,371)	9,374
Asia	5,209	-	-	-	189	5,398
Pacific Asia	161	-	-	-	40	201
Commercial	1,402	-	-	-	(135)	1,267
	22,651	84,539	(87,378)	(344)	(1,277)	18,191

Restricted funds comprise:

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) Accumulated surpluses from those group branches and subsidiaries where the funds have been generated locally and the future use is restricted to that location ("restricted by constitution"). At the end of each financial year, the movement in net assets is transferred into the restricted fund.

MSI has observed a strengthening of the frameworks within which the local entities operate. In response, a full review was undertaken during 2017 of the registrations and relevant NGO regulations. This increased the number of entities considered to be restricted by constitution: the review concluded 12 branches and 28 subsidiaries are restricted by constitution, with a total year-end net asset position of £39.4m.

*For comparable prior year figures, the opening restricted reserves positions have been restated. The restricted by constitution funds in the Company have been restated from a prior year balance of £nil. The restricted by constitution funds in the Group have been restated by region from the prior year balances of Africa - £nil, Asia - £6.3m, Pacific Asia - £1.6m, and Commercial - £nil. Consequently, the opening unrestricted reserves in the Company have been restated from £81.8m and the Group from £98.7m.

16. UNRESTRICTED INCOME FUNDS

	Group			Total unrestricted funds £'000
	General reserves £'000	Tangible fixed asset reserve £'000	Sustainability reserve £'000	
At 1 January 2017 (restated)*	35,794	18,770	11,094	65,658
Net income (including investment gains)	3,486	-	-	3,486
Transfers:			00	
- Transfer (to)/from restricted funds	1,530	-	-	1,530
- Movement in tangible fixed asset reserve	2,387	(2,387)	-	-
- Movement in sustainability reserve	(1,106)	-	1,106	-
- Net gains/(losses) on revaluations and exchange on consolidation	(6,947)	-	-	(6,947)
At 31 December 2017	35,144	16,383	12,200	63,727

	Company			Total unre- stricted funds £'000
	General reserves £'000	Tangible fixed asset reserve £'000	Sustainability reserve £'000	
At 1 January 2017 (restated)*	35,856	17,291	11,094	64,241
Net income (including investment gains)	(490)	-	-	(490)
Transfers:				
- Transfer (to)/from restricted funds	1,277	-	-	1,277
- Movement in tangible fixed asset reserve	2,421	(2,421)	-	-
- Movement in sustainability reserve	(1,106)	-	1,106	-
- Net gains/(losses) on revaluations and exchange on consolidation	(3,873)	-	-	(3,873)
At 31 December 2017	34,085	14,870	12,200	61,155

Unrestricted and restricted funds represent reserves available to Marie Stopes International for a range of purposes dependent on their designation. *Refer to note 15 for details of the opening reserve restatement.

Unrestricted Funds:

General Reserve - this represents MSI's global working capital. General reserves aim to provide medium and long-term security for the Group.

Tangible Fixed Asset Reserve - represents the net book value of MSI's unrestricted tangible fixed assets. These are primarily clinic buildings.

Sustainability Reserve - this reserve is invested in a UK-managed investment fund. These funds are available on demand and form a core part of the group's free reserves.

17. 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.

18. FINANCIAL COMMITMENTS

a) Capital commitments

At 31 December 2017 there were capital commitments of £nil (2016: £nil).

b) Operating lease commitments

As at 31 December total future commitments under operating leases for land and buildings were as follows:

	Group	
	2017 £'000	2016 £'000
Within one year	2,559	3,743
Between two and five years	3,788	2,688
Leases expiring in five years or more	241	146
	6,588	6,577

19. TRANSACTIONS INVOLVING TRUSTEES AND COMPANY SECRETARY

During the year the charity reimbursed expenses of £2,932 (2016: £3,285) to three trustees (2016: two) for out-of-pocket expenses in respect of travel to partner programmes and to UK offices for Trustees meetings.

Marie Stopes International purchased and maintained throughout the year indemnity insurance in respect of its Trustees.

20. MARIE STOPES INTERNATIONAL SUBSIDIARIES

Marie Stopes International is an international non-government organisation delivering family planning, sexual and reproductive health services in 37 countries worldwide. It delivers these services through its branches and subsidiaries and in partnership with affiliated partners.

The charity controls the following material subsidiaries, the results of which have been consolidated within the financial statements.

Name of company	City and country of incorporation, company reg number	Share capital	Share-holding %	Member voting rights %	Income £'000	Expend-iture £'000	Net income 2017 £'000	Net assets as at 31 Dec 2017 £'000
Options Consultancy Services	London, UK (2695347)	Ordinary	100	N/A	22,879	22,869	10	448
Options for International Health	London, UK (9137405, charity no 1160066)	N/A	N/A	100	1,441	1,441	-	-
Options Consultancy Services Kenya Limited	Nairobi, Kenya (CPR/2014/147082)	Ordinary	100	N/A	3,225	3,222	3	6
Options Tanzania Limited	Dar es Salaam, Tanzania (101779)	N/A	N/A	100	334	336	(2)	2
MS Health Pty Ltd	Melbourne, Australia (ABN 33155 182586)	Ordinary	100	N/A	4,276	3,856	420	(2,000)
MSI Australia (including MSI Timor-Leste) *	Melbourne, Australia (ABN 79082 496697)	N/A	N/A	50	1,381	1,132	249	1,436
MS Clinic Society (Bangladesh) *	Dhaka, Bangladesh (Co no 6009384)	N/A	N/A	38	656	825	(169)	1,081
Marie Stopes Bangladesh	Dhaka, Bangladesh (C-584936, NGO 2033)	N/A	N/A	52	10,467	10,915	(448)	1,547
Marie Stopes India	New Delhi, India (NGO reg: F04338)	Ordinary	99	N/A	4,244	3,757	487	484
Population Health Services	New Delhi, India (55-99080)	Ordinary	100	N/A	6,815	7,414	(599)	2,331
Marie Stopes Kenya	Nairobi, Kenya (OP 218/051/93191/15)	N/A	N/A	100	12,498	12,231	267	(815)
Marie Stopes Madagascar	Antananarivo, Madagascar (Ord 60-133)	N/A	N/A	60	7,764	7,677	87	1,382
Banja La Mtsogolo (Malawi)	Lilongwe, Malawi (Co no 6025)	N/A	N/A	100	7,872	8,364	(492)	3,992
MS Mexico (Mexico City)	Mexico City, Mexico (09020865)	N/A	N/A	100	2,788	3,203	(415)	(526)
Fundacion Marie Stopes Mexico	Mexico City, Mexico (902086)	N/A	N/A	100	772	753	19	611

20. MARIE STOPES INTERNATIONAL SUBSIDIARIES (CONTINUED)

Name of company	City and country of incorporation, company reg number	Share capital	Share-holding %	Member voting rights %	Income £'000	Expend-iture £'000	Net income 2017 £'000	Net assets as at 31 Dec 2017 £'000
Sunaulo Parivar Nepal*	Kupondol, Nepal (NGO 420/051/52)	N/A	N/A	N/A	4,057	4,117	(60)	889
MSI Organisation Nigeria	Abuja, Nigeria (RC: 27391)	N/A	N/A	100	12,700	11,813	887	1,466
Marie Stopes Society Pakistan	Lahore, Pakistan (RP374)	N/A	N/A	60	8,909	10,368	(1,459)	3,764
Pakistan CSM (Guarantee) Ltd	Karachi, Pakistan (K09269)	N/A	N/A	100	130	80	50	(1,043)
Marie Stopes PNG	Port Moresby, Papua New Guinea (5-2456)	N/A	N/A	100	2,337	2,248	89	368
Population Services Pilipinas, Inc.	Pasay City, Philippines (178967)	N/A	N/A	80	2,224	2,491	(267)	875
Marie Stopes Sierra Leone	Freetown, Sierra Leone (C.F. 83/1986)	N/A	N/A	100	2,841	2,973	(132)	1,013
Population Services Lanka	Colombo, Sri Lanka (N(A)27)	N/A	N/A	100	502	801	(299)	684
Marie Stopes Tanzania Ltd	Dar es Salaam, Tanzania (27539)	N/A	N/A	67	12,138	12,038	100	770
Marie Stopes Uganda Ltd	Kampala, Uganda (S.5914/480)	N/A	N/A	50	8,233	7,479	754	(1,005)
MSI-US	Washington DC, USA (NFP 05-27-55)	N/A	N/A	57	47,839	47,900	(61)	638
Vietnam Centre for Community Reproductive Health *	Hanoi, Vietnam (Estab reg no 335/QD-TWH)	N/A	N/A	N/A	2,322	2,511	(189)	1,706
Bach Khang Vietnam Co Ltd *	Hanoi, Vietnam (Cert no 0105931817)	N/A	N/A	N/A	2,563	2,341	222	519
Yamaan Foundation for Health & Social Development *	Sana'a, Yemen (295/80)	N/A	N/A	20	2,744	2,406	338	2,824
MSI Zambia Ltd	Lusaka, Zambia (66871)	N/A	N/A	100	3,568	3,616	(48)	689
Population Services Zimbabwe	Harare, Zimbabwe (W013/87)	N/A	N/A	51	4,166	4,107	59	(941)
Marie Stopes Services Pvt Ltd	Kathmandu, Nepal (PL 18437/058/59)	Ordinary Preference	100	N/A	819	750	69	544

*Consolidated on the basis of dominant influence

For entities which have no share capital, e.g. companies limited by guarantee, holdings are shown on the basis of member voting rights. Further information on the activities of the subsidiary undertakings is given in the Trustees' Report. A full list of subsidiaries is available from Marie Stopes International, 1 Conway Street, London W1T 6LP.

21. RELATED PARTIES TRANSACTIONS

The Group has taken advantage of the exemption available under FRS 102 that permits non-disclosure of transactions with group undertakings that are eliminated on consolidation.

Philip D Harvey, a trustee of Marie Stopes International, is Chairman of DKT International (DKT). Marie Stopes International is party to several agreements with the DKT group of companies. The charity has sub-contracted service delivery to DKT with a value of £536,000 in 2017 (2016: £533,000). DKT has subcontracted service delivery to Marie Stopes International, in connection with an agreement between DKT and the Netherlands Ministry of Foreign Affairs, for a value of £nil in the year (2016: £318,000). DKT also granted supplies to Marie Stopes International, of which £472,000 were utilised in 2017 (2016: £292,000).

Marjorie Newman Williams, an Executive Team member of MSI, is a Board member of the Safe Abortion Action Fund (SAAF). SAAF granted funds to MSI to the value of £4,000 in 2017 (2016: £63,000), via International Planned Parenthood Federation (IPPF).

The total amount of donations received from related parties made without conditions was £78,000 (2016: £nil)

Up to two members of Marie Stopes International staff are co-opted to the Board of Trustees on a rotational basis. These staff are not part of the group's Executive Team.

22. TRANSFERS BETWEEN FUNDS

At the end of the year, a transfer out of £1.5m (2016: transfer in of £9.3m) from restricted funds into unrestricted funds was made to match the movement in net assets of the group entities considered to be restricted by constitution. The 2016 transfer largely related to consolidation gains on overseas currency assets which has partially unwound in 2017.

23. FINANCIAL INSTRUMENTS

At 31 December the company held the following financial instruments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Listed investments measured at fair value				
Equities	6,609	5,378	6,607	5,371
Bonds	2,544	2,441	2,544	2,441
Multi-asset funds and Alternatives	1,689	1,668	1,689	1,668
Private equity	1,047	1,117	1,047	1,117
Cash	419	657	315	500
	12,308	11,261	12,202	11,097
Investments measured at amortised cost				
Investment in subsidiaries	-	-	812	787
Debt instruments measured at amortised cost				
Trade and other receivables (analysed in note 11)	51,125	53,576	43,952	44,533
Cash and cash equivalents, valued at balance sheet date				
Short-term deposits	5,863	5,870	1,526	2,446
Cash at bank and in hand	76,602	76,264	55,816	52,855
Loans and creditors measured at amortised cost				
Trade and other short-term creditors	14,312	16,985	5,068	5,378
Bank loans and overdrafts	428	582	133	243
Loans falling due after more than one year	4,181	4,645	4,168	4,645
	18,921	22,212	9,369	10,266

24. CONTINGENT LIABILITIES

In the course of the charity's ordinary activities, the risk can arise of potential legal action against Marie Stopes International. Where deemed necessary, the charity will seek counsel of its lawyers and other relevant professionals, and make financial provisions as appropriate.

At 31 December 2017, nine subsidiaries reported net liabilities totalling £6.9m (2016: twelve subsidiaries totalling £8.3m). The group plans to continue providing support to these entities as necessary for their continued operations in pursuit of the Charity's mission.

25. DONOR FUNDING

The following grants information is disclosed separately in accordance with the specific reporting requirements of the donor. The annual financial statements are prepared in accordance with UK GAAP and Charities SORP and as a result are likely to differ from financial reports submitted to donors. Income recognised in the financial statements is likely to differ from the cash received from donors during the year. For statutory reporting purposes, donor funds used to purchase assets, e.g. fixed assets or stocks, will initially be recorded on the balance sheet rather than being recognised as expenditure in the Statement of Financial Activities.

	Income recognised 2017 £'000	Cash receipts 2017 £'000
Agency for Danish International Development Assistance		
Development Engagement Support for MST	2,356	1,171
Results-based advocacy for sexual and reproductive health and rights	892	-
	3,248	1,171
Bill and Melinda Gates Foundation (funded by Department for International Development)		
African Health Markets for Equity	4,862	5,598
Department for International Development		
Call Down Contract for Tanzania Family Planning Outreach Phase II - Lot 1 (DFID Framework Agreement)	4,019	2,367
Delivering Accelerated Family Planning in Pakistan (DAFPAK)	136	1,243
Improving Reproductive, Maternal and New-born Health Programme in Sierra Leone in the private and non-governmental sectors	551	914
Prevention of Maternal Death from Unwanted Pregnancy (PMDUP)	4,957	7,313
Preventing Maternal Deaths (14 countries)	25,209	16,704
Provision of Family Planning Services in Malawi (PFPS)	4,280	4,323
Provision of Reproductive Health Services through Social Franchising in Pakistan	2,482	3,294
Reducing Maternal and Neonatal Death in Kenya	3,519	7,075
Urban health: Strengthening care for poor mothers and new-borns in Bangladesh	3,570	3,109
	48,723	46,342
International HIV/AIDS Alliance		
Link Up Programme	393	-
Ministry for Foreign Affairs of Finland		
Government Grant to Integrated Reproductive and Maternal Health Programme Phase VI	938	877
Increasing Access to Quality Family Planning and Sexual and Reproductive Health for women and marginalized groups in Yemen	426	359
Meeting Urban Women's unmet need for quality family planning and reproductive health services	39	-
	1,403	1,236
Netherlands Ministry of Foreign Affairs		
Bangé Kolossi Nyèta ("Promotion of Family Planning")	1,027	1,062
Combating Unintended Pregnancy and Improving SRH Services and Rights in Bangladesh	240	652
EmNOC Diploma Training	653	121
Fit-for-work programme	-	284
Increasing Access to Quality Family Planning and Reproductive Health for women and youth in Yemen	3,830	3,329
Respecting, Protecting and Fulfilling Sexual and Reproductive Health and Rights in Conflict	69	-
Support to Scaling Up Excellence	2,496	1,256
	8,315	6,704
Consortium FCI-CA-Mali (funded by the Netherlands Ministry of Foreign Affairs)		
Improvement of Reproductive Health and Promotion of the Sexual Rights of Women and Girls (SRDS) - Mopti Region	22	57
Bangladesh Legal Aid and Services Trust (funded by the Netherlands Ministry of Foreign Affairs)		
Project on Womens health rights and choices	131	137
Norwegian Agency for Development Cooperation		
Breaking down barriers to Safe Abortion and Post-Abortion Care (SA/PAC) for all women and girls (expansion)	285	1,946
The Children's Investment Fund Foundation		
In Their Hands – A teen-centered movement to normalize adolescent sexual health, reduce pregnancy and end unsafe abortion among Kenyan Adolescents	444	1,066
Potential for Long-Acting Methods	2,928	1,932
	3,372	2,998
Crown Agents (funded by The Children's Investment Fund Foundation)		
Sayana Press Scale-up- Madagascar	319	111

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