

Marie Stopes International**Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006****Contents**

Report of the Board of Trustees	1
Independent auditor's report to the members of Marie Stopes International	9
Consolidated statement of financial activities	10
Group balance sheet	11
Company balance sheet	12
Consolidated cashflow statement	13
Notes to the financial statements	14

Reference and administrative details**Registered name**

Marie Stopes International

Charity number

265543 (registered in England)

Company number

1102208 (registered in England and Wales)

Registered office

1 Conway Street
Fitzroy Square
London W1T 6LP

Board of Trustees*Chairman*

Edgar W Stanford

Trustees

Cyprian Awiti (appointed 12 June 2006)
Dr TRL Black CBE MBBS MRCP DTM&H MPH
(appointed 12 February 2007)
Baroness Flather
Philip D Harvey
Atula Nanayakkara (resigned 12 June 2006)
Timothy M Rutter FRCS
Catherine Stopes

Secretary

Solscan Limited

Chief Executive

Dana Hovig (appointed 1 January 2007)

Dr TRL Black CBE MBBS MRCP DTM&H MPH
(retired 31 December 2006)

Auditor

Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

Principal bankers

Barclays Bank Plc
1 Churchill Place
London E14 5HP

Solicitor

Andrew Lutley
Springfield
Rookery Hill
Ashted Park
Ashted
Surrey KT21 1HY



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Marie Stopes International

Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006

The Board of Trustees presents its report and the audited financial statements for the year ended 31 December 2006

Structure, governance and management

Memorandum and Articles of Association

The objects and powers and other constitutional matters are set out in Marie Stopes International's Memorandum and Articles of Association. The Memorandum and Articles of Association do not contain any onerous restrictions concerning the way in which the company can operate. As a company, Marie Stopes International has general investment power.

Constitution of the charity

Marie Stopes International is a registered charity, constituted as a company and limited by guarantee.

The Board of Trustees

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

The Trustees periodically review the skill set and experience necessary for the Board to exercise its role. If the Trustees identify the need for a new Trustee, or if a Trustee needs to be replaced (due to retirement or otherwise), the Trustees identify suitable potential candidates based on clear criteria, interview the potential Trustee(s) to establish their suitability and commitment, and check references as needed. The potential Trustee is often then invited to be an observer at the next Board meeting, after which the Trustees may formally invite the selected candidate to become a Trustee.

In addition, and following Charity Commission approval, Marie Stopes International now has a Trustee selected from amongst the most senior members of one of its partner organisations. This partner - Country Director - is invited to join the Board for a two year term, after which another leader from the organisation's overseas partners is invited to join the Board.

Trustees are subject to retirement by rotation. New appointments and re-appointments are formally made by members of the Board at Annual General Meetings.

New Trustees are inducted to Marie Stopes International via formal and informal exchanges with other Trustees and senior team members, on areas such as Marie Stopes International's mission, goal, finances, strategy, and health service portfolio. New

Trustees often visit a Marie Stopes International overseas partner programme, or one of the organisation's centres in the UK, in order to fully understand the health service mix, challenges, opportunities, and the difference that Marie Stopes International makes to individual women, couples, communities, and countries around the world.

The Trustees serving at 31 December 2006 and up to the date of signing this report are noted on page 1.

Statement of Trustees' responsibilities

Company and Charity law requires the Board, as Directors and Trustees, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the group's surplus or deficit for that period. In preparing those financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charity and the group will be able to continue to meet their objectives

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and the group and therefore must take reasonable steps for the prevention and detection of fraud and other irregularities.

Each Trustee, who was a Director of the company at the date that this report was approved, has taken all steps that they ought to have taken as Directors in order to

- make themselves aware of any relevant audit information (as defined by the Companies Act 1985) and
- ensure that the auditor is aware of all relevant audit information (as defined)

As far as each Director is aware, there is no relevant information of which the company's auditor is unaware.

Marie Stopes International

Report of the Board of Trustees (Incorporating the Directors' Report) for the year ended 31 December 2006

The Board of Trustees is responsible for the maintenance and integrity of the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Organisational structure and decision making process

Marie Stopes International operates by way of two divisions. The UK centres division is responsible for establishing and managing family planning centres, day units and referral centres in the UK. The overseas programmes division is responsible for establishing, monitoring and providing technical assistance to overseas sexual and reproductive health programmes.

Family planning and sexual and reproductive health projects overseas are implemented by independent non government organisations (see note 22) or by subsidiary organisations in the countries in which Marie Stopes International works. These organisations work together with Marie Stopes International and each other to create an informal global partnership.

Marie Stopes International's success depends, to a large extent, on the optimum contribution of people at all levels. Specific policies are followed to this end. All aspects of the employment of people or the engagement of professional services are undertaken regardless of an individual's colour, ethnic or national origin, religion, sex, marital status, sexual orientation, age or disability. Marie Stopes International's Team Development department leads the recruitment, contracting, and personnel administration function within the organisation. They ensure that Marie Stopes International follows best practice, and maintains transparent, fair, and equitable employment and personnel development policies and practices.

Decision-making authority is devolved as far as possible within Marie Stopes International, so that decisions are made "closest to the client", rather than centralised in London. Marie Stopes International manages by results, rather than process. This management approach guides the organisation's decision making process, and the delegation of authority. At the beginning of each year, a business plan is agreed by the Chief Executive, which outlines important results, or Key Performance Indicators (KPIs) to be achieved, and the resources needed to achieve these KPIs. KPIs are also agreed with each department and division within Marie Stopes International as well as for each Marie Stopes International partner overseas. Once results and responsibility are agreed, Marie Stopes International delegates authority to match responsibility levels. Accountability mechanisms are put in place to ensure that KPIs are monitored and achieved, and resources are used effectively and efficiently.

Subsidiaries

Options Consultancy Services is a wholly owned subsidiary of Marie Stopes International. As well as London, Options now maintains offices and operations in Nepal, Pakistan, South Africa, and India.

During the year, there have been increases in the number of Options' staff employed, adding technical capacity in maternal health, social development, HIV/AIDS, private sector delivery of health services, behavioural and ethnographic research, and monitoring and evaluation both in the UK and overseas.

Marie Stopes International also has a subsidiary which operates a centre in Vienna, pro woman (formerly Ambulatorium am Fleischmarkt).

Wider networks in which the organisation is involved

In 2006, Marie Stopes International and Columbia University, USA began a joint initiative – RAISE (Reproductive Health Access, Information and Services in Emergencies). The initiative comprises several components: technical support to partners, clinical training, an emergency fund, advocacy, research, documentation and dissemination of information.

Risk management

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

Whilst no system of internal control can provide absolute assurance against material mis-statement or loss, the Marie Stopes International risk management system has been developed to provide reasonable assurance to the Trustees that there are proper procedures in place and that they are operating effectively.

The key elements of the system of internal control are:

- **delegation** there is a clear organisational structure with lines of authority and responsibility for control together with procedures for reporting issues, decisions and actions
- **reporting** the Trustees approve and review the annual objectives, activities programme, income and expenditure predictions and monitor actual income and expenditure on a regular basis
- **risk management** there are processes in place for identifying, evaluating and managing significant risks faced by Marie Stopes International

The Trustees believe that all the major risks to which Marie Stopes International is exposed have been identified and reviewed and that

Marie Stopes International

Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006

systems have been established to manage those risks. The Trustees review any critical risks as a formal agenda item in every Board meeting.

Marie Stopes International's management also undertakes risk assessments and develops risk matrices with many of its overseas partner programmes periodically, and agrees follow-up actions with the partner to manage the critical risks.

- **internal audit** an internal audit function was established in 2006 to assess the risks and review the controls within the organisation. The internal audit team was recruited during the year and an audit strategy was developed and implemented throughout 2006.
- **review** in 2006, Marie Stopes International also created the Internal Audit Supervisory Group (ASG). The ASG comprises one Trustee, three representatives of the Marie Stopes International partnership, the Chief Executive, Finance Director, Financial Controller and the Regional Directors. The ASG oversees the adequacy of the system of internal control and compliance with finance guidelines.

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

Objectives and activities

Marie Stopes International's mission is to enable people to have **children by choice not chance**. The charity's goal is the **prevention of unwanted births**.

To achieve these objects, the charity has

- a **clear focus on family planning** while undertaking a broad spectrum of sexual and reproductive health activities within the remit of the International Conference on Population and Development.
- a **client led, rather than provider driven, approach** which ensures a choice of high quality affordable family planning and sexual and reproductive health services, through comprehensive information, advice and delivery mechanisms that are tailored to local needs.
- a **unique commitment to sustainable programmes** through the transfer of enduring management and operational skills to partners and the development of a diverse funding base, including cost recovery mechanisms.

- a **range of advocacy and policy inputs** which help to raise awareness of sexual and reproductive health issues amongst governments, national and international agencies, the private sector and other non government organisations to create an enabling environment so that women, men and young people can access their sexual and reproductive health rights.

Significant activities undertaken during 2006 to achieve those objects were

- the large scale expansion of the organisation globally and in the countries in which Marie Stopes International operates.
- a continued focus on expanding access to long term and permanent family planning methods, particularly for those living in rural and hard to reach areas.
- the introduction of medical abortion services in 11 countries, giving many more women the choice of this method of termination of pregnancy.
- a major drive to improve Marie Stopes International's clinical quality, ensuring the highest clinical standards are maintained across the world for all Marie Stopes International health services.
- the launch of an internal audit function as part of Marie Stopes International's commitment to ensuring that any funds held are properly managed and accounted for. The team is led by a qualified accountant and comprises two members. During 2006, the team undertook 14 audits.
- increasing Marie Stopes International's advocacy activities, sharing of organisational best practices, and helping host governments and other family planning organisations to improve and enhance their family planning service delivery.
- a smooth and planned transition of leadership in the organisation, with the incumbent Chief Executive stepping down and a new Chief Executive appointed.

During 2006, the organisation's main aim and objective was to provide the widest possible access to a comprehensive range of sexual and reproductive healthcare services worldwide. Its strategy for achieving this was to

- ensure that Marie Stopes International has outstanding team members by investing in their development and improving their skills, recruiting the best globally from the commercial,

Marie Stopes International

Report of the Board of Trustees (Incorporating the Directors' Report) for the year ended 31 December 2006

health, and non-profit sectors, and increasing the organisation's technical depth and breadth

- increasingly empowering country offices and individual team members to make decisions, be entrepreneurial, and exploit opportunities
- continue to focus on being the best family planning agency in the world rather than diluting Marie Stopes International and moving into other sectors or services
- continue to be innovative, pushing the state-of-the-art of family planning and safe abortion services forward, by, for example, becoming a global leader in introducing medical abortion services in many countries
- retain a strong focus on quality and the customer
- continue to paramedicalise and view family planning as a marketing challenge, rather than a medical issue
- continue to use the latest commercial sector techniques and best practices to ensure Marie Stopes International remains cost-effective, efficient, and results-oriented

In a number of countries worldwide, host governments formally recognised Marie Stopes International as a major contributor to their health systems and poverty reduction strategies. The organisation is now contracted by governments in the UK, Bangladesh, South Africa, Kenya, Australia, Uganda, and many more countries to provide sexual and reproductive health services on their behalf

Marie Stopes International also opened offices and programmes in three new countries – Ghana, Papua New Guinea and Timor Leste, and expanded operations in all of the countries in which it operates. The programmes in Honduras and Nicaragua transitioned to become independent of the Marie Stopes International global partnership

Marie Stopes International's advocacy activities included the launch of the RAISE programme. RAISE aims to change how reproductive health services are addressed in emergency and humanitarian crises. In Bangladesh, Marie Stopes International's partner promotes a large scale rights-based approach to accessing health services

As part of the clinical quality initiative, Marie Stopes International recruited several new full time team members. They are dedicated to training, monitoring, and improving the organisation's clinical quality

After 30 years as Marie Stopes International's Chief Executive, Dr Tim Black, stepped down from this position in December 2006, and Dana Hovig took over this role. Mr Hovig had held the position of

Deputy Chief Executive within the organisation for the previous two years. As of February 2007, Dr Tim Black took up a role on the Marie Stopes International Board of Trustees

Expenditure on charitable activities in support of the objectives of the charity was as follows

- delivery of family planning and other sexual & reproductive health services £42,785,000 (2005 £39,851,000)
- advocacy & awareness raising £2,462,000 (2005 £2,308,000)
- developing capacity for sexual & reproductive health services £4,123,000 (2005 £2,628,000)

Restricted grants are raised for a diverse variety of service delivery and advocacy projects and are regulated by the contractual requirements of the donor. Marie Stopes International acts as a project management office for grants disbursed to partners and is responsible for cash-flow management, capacity development, project activity review and donor reports and relations

Unrestricted funds and some restricted block grants are allocated by Marie Stopes International to partner projects under a Social Investment Fund, which prioritises the provision of sustainable reproductive health service delivery in areas of unmet need. Disbursements to partner programmes from this Fund are subject to grant agreements which define programme objectives and project management and reporting requirements

Marie Stopes International has made programme-related investments to partner programmes since 2002. Marie Stopes International has formed a Global Partnership Loan Committee to evaluate loan requests from partner programmes using strict criteria. Six loans were made to Marie Stopes International partners in 2006, to a value of £638,000

Marie Stopes International increased its grant-making to its partners during the year. The organisation has a formal criteria and process for making these grants. Grants must be used to

- contribute to Marie Stopes International's core mission, reducing the number of unsafe abortions within a country and increasing overall contraceptive usage
- increase choice for underserved women and couples by improving access and availability of family methods
- be catalytic and transformational, both for Marie Stopes International and for the family planning industry

Marie Stopes International

Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006

- move Marie Stopes International programmes and health services towards sustainability
- encourage innovation and move the family planning state-of-the-art forward

Any grants awarded have to comply with rigorous financial, monitoring and evaluation requirements which feed in to the organisation's management information systems

Achievements and performance

During 2006, Marie Stopes International continued to grow in scale, size, and reach. The organisation now works in 38 countries.

During the year, the charity's main achievements were:

- protecting 9.86 million couples from unwanted pregnancy and unsafe abortion – an increase of 11% on 2005
- delivering health services to 4,625,000 clients around the world – a decrease of two percent on 2005
- opening 73 new health centres
- safely delivering 8,625 babies in the organisation's maternity centres
- securing a large-scale grant to kick start the widespread expansion and improvement of Marie Stopes International family planning services across the world
- the successful launch of the RAISE initiative with activities starting up in six countries with refugee, emergency or humanitarian crises
- providing over 400,000 safe surgical and medical abortions globally
- expanding its rural clinical outreach dramatically

The net increase in funds of the Marie Stopes International group for the financial year was £7,475,000 (2005 £5,000). With net reserves sufficient to fund the charity, the Trustees again endorsed the use of surplus service income from our UK and Austria programmes to fund the growth of family planning and sexual and reproductive health services in Marie Stopes International's overseas programmes. This investment of surplus income resulted in a dramatic increase in the delivery of family planning and sexual and reproductive health services in developing countries, which is detailed below.

UK developments and results

In England and Wales, Marie Stopes International provided 138,472 client services during the year, and the number of family planning clients increased by nine per cent. Service income in the UK increased in 2006 by 11% to £29,600,000. This increase in income is a result of the commitment of our teams to provide high quality service to women and men throughout the UK. *Marie Stopes One Call*, our telephone helpline and booking service, received 301,675 calls for all issues related to sexual and reproductive health, an increase of four per cent over 2005.

Delivering the highest quality of care for our clients remains a core commitment of Marie Stopes International. The UK Division's Medical Advisory Team met numerous times during the year, both formally and informally, to monitor the organisation's quality of care, any complaints or complications, and evolve Marie Stopes International clinical protocols, policies, and procedures in line with the NHS Health Care Commission. In addition, Marie Stopes International appointed a clinical and customer services manager in 2006 to serve as clinical lead in the UK.

Overseas developments and results

Marie Stopes International successfully fund-raised £16,051,000 in donor funding for its overseas partner programmes in 2006 (2005 £9,427,000).

These funds, and the substantial surplus generated by Marie Stopes International's UK centre operations enabled Marie Stopes International to serve its mission and support overseas activities by disbursements of £14,439,000 (2005 £11,985,000) and expenditure of £3,268,000 (2005 £2,384,000).

Marie Stopes International partners also raised £3,365,000 in local grant income (2005 £1,062,000) and locally earned service income amounted to £15,040,000 (2005 £14,410,000). These amounts are not included in Marie Stopes International's group accounts.

The Marie Stopes International global partnership dramatically increased its health impact in 2006. Its family planning services alone prevented an estimated 5.6 million unwanted pregnancies, saved approximately 12,000 women's lives, and prevented nearly 177,000 infant deaths.

The organisation is increasingly sharing its best practices and tools with other family planning organisations and donors. As a leader in the family planning field, Marie Stopes International believes that it has a responsibility to do so.

By increasingly working in partnership with others from the public and private sector, Marie Stopes International is ensuring that it has maximum impact and as many people as possible have access to its

Marie Stopes International

Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006

quality services

For example, Marie Stopes China was contracted by the Chinese government and UNFPA to work directly with the Jiangsu Family Planning Commission to transform government family planning clinics across the province. With technical assistance from Marie Stopes International, the Provincial Ministry of Health is aiming to make Jiangsu's 1,500 family planning clinics more attractive to clients, improve the quality of care and increase client numbers.

Financial review

The results for the year are shown in the Consolidated Statement of Financial Activities on page 10. It is the aim of the Trustees of Marie Stopes International that the balance of funds retained in the general reserves are sufficient to finance up to six months unfunded expenditure and loan repayments. This policy is reviewed on an annual basis and the adequacy of the policy judged in the light of all relevant information.

At 31 December 2006, Marie Stopes International's total funds amounted to £28,521,000 including funds restricted for overseas projects of £6,589,000.

Unrestricted funds of £1,097,000 have been set aside to cover Marie Stopes International's future contributions to existing co-financed projects.

A further £3,454,000 of the unrestricted funds at the year-end is a revaluation reserve, representing the difference between the written down value of freehold properties and the most recent professional valuations of such properties previously carried out.

The remaining funds of £17,381,000 at year-end are unrestricted general funds. These are available to cover any deficit on the restricted funds for any particular project.

Subsidiary undertakings

Options Consultancy Services' turnover for the year increased from £4,600,000 to £5,565,000, a growth of almost 21%.

This growth in turnover and pre-tax profit was due to the continued success of the DFID-funded Technical Assistance Management Agency programme in Pakistan and Support for Safer Motherhood programme in Nepal. The CARISMA contract in the Caribbean from KfW, the German Development Bank, has also increased turnover and profit. Options was awarded a new DFID contract for Maternal Health Sector Support in Cambodia running until April 2010 for a total of £2.5 million which began in November 2006.

Pro woman in Vienna provided sexual and reproductive healthcare services to 5,275 women

and men during the year. In 2006, the centre saw a decrease in income derived from service fees to £1,542,000 (2005: £1,710,000) and pre-tax profits were £9,700 (2005: £170,000).

A new centre manager was appointed at the end of 2005 and an aggressive marketing campaign launched during 2006. It is hoped that this, plus the re-structuring of the pro woman centre and the addition of medical abortion into the service mix, will reverse the downward trend.

Options Consultancy Services total funds amounted to £408,000 (2005: £232,000) and pro woman's total funds amounted to £61,700 (2005: £178,000).

Partner organisations

The Marie Stopes International Partnership Manual details financial standards to which all partners must subscribe. This is supported by the sharing of best practice and an Overseas Partners Finance Manual. Compliance to partnership finance standards is monitored through internal audit. Partners submit monthly financial and statistical data and narrative reports which are reviewed quarterly by Programme Support Teams. The outcomes of partner's self assessments, quarterly reviews, internal audits and monitoring visits are summarised in a Financial Management Capacity matrix which determines priorities for support and review.

During 2006, all expenditure supported Marie Stopes International's key objectives.

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

- any risks are minimised and no speculative investments are made
- all invested funds are kept liquid to allow them to be called upon as and when necessary
- no investment will be made if the Trustees are aware that the investment may present a compromise to the charity's commitment to sexual and reproductive health rights

In practice, the organisation adheres to this policy by a day-to-day strategy of placing its available funds with bankers on short and medium term deposit; this ensures a reliable income stream and enables ready access to the funds should they be required to support the delivery of sexual and reproductive health services.

Plans for future periods

During 2007, the organisation's focus will remain on providing the widest possible access to family

Marie Stopes International**Report of the Board of Trustees (incorporating the Directors' Report) for the year ended 31 December 2006**

planning, sexual and reproductive health services

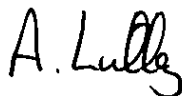
Marie Stopes International aims to

- continue to expand geographically, particularly in countries, and regions within countries, which are underserved, and have high fertility and maternal and infant mortality rates
- expand the access boundaries for medical abortion, ensuring that women in both urban and rural settings have increased access to safe abortion services
- continue to improve choice and the contraceptive method mix within family planning programmes and countries
- increase overall contraceptive use and expand the market for contraceptives in the countries in which Marie Stopes International operates
- provide protection to more than 12 million couples from unwanted pregnancy and unsafe abortion during the year
- continue to integrate family planning with HIV/AIDS services, including the prevention of mother-to-child-transmission of HIV/AIDS, voluntary counselling and testing for all and condoms for HIV/AIDS prevention and family planning purposes
- be a catalyst for host governments, donors, other family planning organisations, and Marie Stopes International stakeholders to improve and increase their delivery of family planning and safe abortion services
- diversify its income streams, and maximise earned income while not forsaking the poor and underserved

Auditor

In accordance with the Companies Act 1985, a resolution to reappoint Chantrey Vellacott DFK LLP as auditor to Marie Stopes International will be put to the Annual General Meeting

By order of the Board



Solscan Limited
Company Secretary

11 June 2007

Marie Stopes International

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

We have audited the financial statements of Marie Stopes International for the year ended 31 December 2006 which comprise the Consolidated Statement of Financial Activities, Group Balance Sheet, Company Balance Sheet, Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The Trustees' (who are also the directors of Marie Stopes International) responsibilities for preparing the Report of the Board of Trustees (incorporating the Directors' Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the information given in the Report of the Board of Trustees (incorporating the Directors' Report) is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company or the group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Report of the Board of Trustees and consider the implications for our report if we become

aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the charitable company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group as at 31 December 2006 and of the group's incoming resources, and application of resources, including its income and expenditure, for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Board of Trustees (incorporating the Directors' Report) is consistent with the financial statements.

Chantrey Vellacott DFC LLP

Chantrey Vellacott DFK LLP

Chartered Accountants

Registered Auditor

Russell Square House

10-12 Russell Square London WC1B 5LF

11 June 2007

**Consolidated statement of financial activities incorporating the income and expenditure account
for the year ended 31 December 2006**

	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2006 £'000	Total 2005 £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2a	146	-	146	77
Investment income	2c	516	-	516	377
Incoming resources from charitable activities					
	2b	40,232	16,051	56,283	45,199
Total incoming resources		40,894	16,051	56,945	45,653
Resources expended					
Costs of generating funds					
Costs of generating voluntary income	5	17	-	17	31
Charitable activities					
Delivery of Family Planning and other Sexual & Reproductive Health Services		34,783	8,002	42,785	39,851
Advocacy & Awareness Raising		869	1,593	2,462	2,308
Developing capacity to deliver Sexual & Reproductive Health Services		2,905	1,218	4,123	2,628
	3 / 5	38,557	10,813	49,370	44,787
Governance costs	4	82	-	82	80
Total resources expended	5	38,656	10,813	49,469	44,898
Net incoming resources before transfers		2,238	5,238	7,476	755
Transfers - contribution to support costs	14	1,049	(1,049)	-	-
Net incoming resources before other recognised gains or losses, being net income for the year		3,287	4,189	7,476	755
Unrealised losses on revaluation of current asset investments	9d	(1)	-	(1)	(431)
Unrealised losses on revaluation of investment properties	9a	-	-	-	(319)
Net movement in funds		3,286	4,189	7,475	5
Total funds brought forward at 1 January 2006	14	18,472	2,400	20,872	21,016
Exchange movement on consolidation	14	174	-	174	(149)
Total funds carried forward at 31 December 2006	14	21,932	6,589	28,521	20,872

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

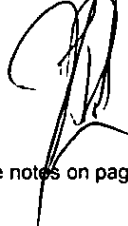
The notes on pages 14 to 32 form part of these financial statements.

Group balance sheet at 31 December 2006

	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2006 £'000	Total 2005 £'000
Fixed assets					
Tangible assets	8	9,937	-	9,937	10,153
Investments tangible assets - investment property	9a	653	-	653	653
Programme related investments	9c	1,801	-	1,801	1,228
		<u>12,391</u>	<u>-</u>	<u>12,391</u>	<u>12,034</u>
Current assets					
Work in progress		-	-	-	42
Debtors	10	5,452	1,225	6,677	5,093
Investments	9d	32	-	32	34
Cash at bank and in hand		10,360	9,290	19,650	11,737
		<u>15,844</u>	<u>10,515</u>	<u>26,359</u>	<u>16,906</u>
Creditors amounts falling due within one year	11a	6,214	-	6,214	4,018
Net current assets		<u>9,630</u>	<u>10,515</u>	<u>20,145</u>	<u>12,888</u>
Total assets less current liabilities		<u>22,021</u>	<u>10,515</u>	<u>32,536</u>	<u>24,922</u>
Creditors amounts falling due after more than one year	11b	89	-	89	120
Loans amounts falling due after more than one year	12	-	3,926	3,926	3,930
Total amounts falling due after more than one year		<u>89</u>	<u>3,926</u>	<u>4,015</u>	<u>4,050</u>
Net assets		<u>21,932</u>	<u>6,589</u>	<u>28,521</u>	<u>20,872</u>
Unrestricted funds					
General reserves	14	17,381	-	17,381	14,303
Designated funds - contingency reserve	14	1,097	-	1,097	633
Capital fund - revaluation reserve	14	3,454	-	3,454	3,536
		<u>21,932</u>	<u>-</u>	<u>21,932</u>	<u>18,472</u>
Restricted funds					
Specific reserves	13 / 14	-	6,589	6,589	2,400
		<u>21,932</u>	<u>6,589</u>	<u>28,521</u>	<u>20,872</u>

Approved by the Board of Trustees and authorised for issue on 11th June 2007
and signed on its behalf by

Mr T Rutter Director



The notes on pages 14 to 32 form part of these financial statements

Company balance sheet at 31 December 2006

	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2006 £'000	Total 2005 £'000
Fixed assets					
Tangible assets	8	9,748	-	9,748	10,120
Investments tangible assets - investment property	9a	653	-	653	653
Investments in subsidiaries	9b	1,162	-	1,162	1,162
Programme related investments	9c	1,801	-	1,801	1,228
		<u>13,364</u>	<u>-</u>	<u>13,364</u>	<u>13,163</u>
Current assets					
Stock		-	-	-	2
Debtors	10	3,984	1,225	5,209	4,096
Cash at bank and in hand		9,700	9,290	18,990	10,782
		<u>13,684</u>	<u>10,515</u>	<u>24,199</u>	<u>14,880</u>
Creditors amounts falling due within one year	11a	4,302	-	4,302	2,487
Net current assets		<u>9,382</u>	<u>10,515</u>	<u>19,897</u>	<u>12,393</u>
Total assets less current liabilities		<u>22,746</u>	<u>10,515</u>	<u>33,261</u>	<u>25,556</u>
Creditors amounts falling due after more than one year	11b	30	-	30	30
Loans amounts falling due after more than one year	12	-	3,926	3,926	3,930
Total amounts falling due after more than one year		<u>30</u>	<u>3,926</u>	<u>3,956</u>	<u>3,960</u>
Net assets		<u>22,716</u>	<u>6,589</u>	<u>29,305</u>	<u>21,596</u>
Unrestricted funds					
General reserves	14	18,165	-	18,165	15,027
Designated funds - contingency reserve	14	1,097	-	1,097	633
Capital fund - revaluation reserve	14	3,454	-	3,454	3,536
		<u>22,716</u>	<u>-</u>	<u>22,716</u>	<u>19,196</u>
Restricted funds					
Specific reserves	13 / 14	-	6,589	6,589	2,400
		<u>22,716</u>	<u>6,589</u>	<u>29,305</u>	<u>21,596</u>

Approved by the Board of Trustees and authorised for issue on 11th June 2007
and signed on its behalf by

Mr T Rutter Director



The notes on pages 14 to 32 form part of these financial statements

Consolidated cashflow statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	15	7,799	1,607
Taxation paid		(2)	(43)
Returns on investments and servicing of finance			
Interest received	384	271	
Interest paid	(164)	(95)	
Rent receivable	47	60	
Sundry income	85	46	
Net cash inflow for returns on investments and servicing of finance		352	282
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(1,374)	(2,079)	
Receipts from sale of tangible fixed assets	368	1	
Investment in programme related investments	(638)	(285)	
Capital repayments from programme related investments	61	76	
Net cash outflow for capital expenditure and financial investment		(1,583)	(2,287)
Net cash inflow before financing		6,566	(441)
Management of liquid resources			
Sale of current asset investments		-	-
Financing			
New unsecured loan	1,681	684	
Repayment of long term loans	(688)	(82)	
Net cash inflow / (outflow) for financing		993	602
Increase in cash	16 / 17	7,559	161

The notes on pages 14 to 32 form part of these financial statements

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and investment properties and investments in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities 2005, the Companies Act 1985 and applicable Accounting Standards. Where applicable, comparative figures have been reanalysed.

The principal accounting policies adopted are as follows:

a) Basis of consolidation

The Group financial statements combine the results of the parent undertaking, Marie Stopes International, and its subsidiary undertakings detailed in Note 9b and after eliminating inter-group transactions.

The entities stated in note 22 are not consolidated for the reasons stated in note 22. This is a departure, in order to give a true and fair view, from the requirements of FRS2 to consolidate the results of all subsidiary undertakings. The effect of this departure cannot reasonably be quantified by the trustees as they do not receive the requisite accounting information.

No separate statement of financial activities or income and expenditure account has been presented for the charity alone as permitted by section 230 of the Companies Act 1985 and paragraph 397 of the 2005 Charities SORP. The charity had total incoming resources in the year of £46,322,983 (2005 £37,882,408) and total resources expended of £38,242,692 (2005 £36,055,651) giving net income for the year of £8,080,371 (2005 net income of £2,259,263). The net movement in funds, after investment gains / losses was £7,709,371 (2005 £1,826,757).

b) Incoming resources

Grants and donations are recognised in the period to which they are receivable. Investment income and income from charitable activities are included in the period in which the group is entitled to receipt.

Voluntary income comprises donations and legacies receivable.

Investment income comprises interest and rents receivable.

Incoming resources from charitable activities comprises the amounts receivable from clients for sexual and reproductive healthcare and consultancy services and the receipt of grants for the delivery of reproductive health services and information.

c) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date and exchange differences are included in the income and expenditure account.

Exchange differences arising from the re-translation at year end exchange rates of branch assets and liabilities are recognised as unrealised in the statement of financial activities.

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies (continued)

d) **Pension costs**

The charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund managed by Standard Life Assurance Company. Contributions are charged to the statement of financial activities as they fall due.

e) **Operating leases**

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

f) **Allocation of costs**

Direct costs incurred by the Group are allocated across the various types of expenditure as follows:

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

Costs of charitable activities comprise costs relating directly to the following activities:

- Delivery of Family Planning and other Sexual & Reproductive Health Services costs relating to the 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.
- Advocacy & Awareness Raising - costs of promoting the objectives of the charity, such as the costs of development and distribution of information and educational materials on sexual and reproductive health matters and the costs of donor relations.
- Developing capacity to deliver Sexual & Reproductive Health Services costs relating to the development, monitoring and support of overseas programmes, e.g. training and infrastructure development funds for overseas partners, technical and programme team employment costs, travel and communication costs.

Disbursements reflect the transfer of funds for the activities described above, to partner organisations as defined in note 22.

Indirect costs are allocated on the basis of floor space occupied by team members supporting the activities described above.

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) **Tangible fixed assets and depreciation**

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

Freehold properties	Over estimated useful life but none in the year of revaluation
Leasehold properties	Over period of the lease
Furniture, fixtures, fittings & office equipment	20% to 50% per annum
Medical equipment	20% to 50% per annum
Computer equipment	25% to 50% per annum
Motor vehicles	25% per annum

Fixed assets costing less than £1,200 are not capitalised.

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies (continued)

h) Programme related investments

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

i) Investment properties

Investment properties are included in the balance sheet at open market value in accordance with SSAP 19 "Accounting for investment properties". Valuations are made annually by the Trustees and by external valuers every five years and any material increase or decrease in value is reflected in the statement of financial activities. Investment properties are not depreciated.

j) Work in progress

Work in progress represents amounts incurred on behalf of clients in advance of being invoiced at

k) Investments

Current asset investments are shown in the financial statements at market value. Any material increase or decrease in the value is reflected in the statement of financial activities.

l) Reserves

Unrestricted Funds:

Unrestricted funds are those funds available to the trustees for the furtherance of the objects of the charity. They comprise

General reserves - it is the aim of the Trustees that the balance of funds retained in the general reserve will be sufficient to finance up to six months unfunded expenditure and loan repayments. This policy is reviewed on an annual basis and the adequacy of the policy judged in the light of all relevant information.

Contingency reserves - the contingency reserves represent designations made by the charity equal to the charity's outstanding commitment to co-financed projects.

Revaluation reserves - the revaluation reserves represent the difference between the written down value of freehold properties held for the group's own use and professional valuations of such properties calculated at the time of the professional valuation.

Restricted Funds:

Specific reserves - the specific reserves represent funds made available to the charity to be expended in accordance with the wishes of the donor. Transfers are made from restricted funds to unrestricted funds equal to amounts specified by donors as available from project funds to contribute towards the running costs of the charity.

Notes to the financial statements for the year ended 31 December 2006

2 Incoming resources	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
a) Voluntary income				
Discretionary income raised by campaigns from				
Trusts & Foundations	28	-	28	8
Direct Mail	66	-	66	37
Covenants	22	-	22	14
Legacies and other donations	30	-	30	18
	146	-	146	77
b) Incoming resources from charitable activities				
Grants receivable				
Department for International Development	-	905	905	1,640
European Union	-	1,365	1,365	1,822
United Nations	-	758	758	1,057
Packard Foundation	-	494	494	507
Kreditanstalt für Wiederaufbau	-	1,225	1,225	1,288
Netherlands Ministry of Foreign Affairs	-	351	351	318
Finland Ministry of Foreign Affairs	-	278	278	35
UK Trusts & Foundations	-	1,193	1,193	774
Offshore Trusts & Foundations	-	9,413	9,413	1,887
Other	-	69	69	99
	-	16,051	16,051	9,427
Amounts receivable for the provision of services				
Sexual and Reproductive Healthcare Services	40,092	-	40,092	35,918
Fees waived	(161)	-	(161)	(146)
	39,931	16,051	55,982	45,199
Other income	301	-	301	-
	40,232	16,051	56,283	45,199
c) Investment income				
Bank interest receivable	379	-	379	271
Loan interest receivable	5	-	5	-
Rent receivable	47	-	47	60
Capital gain on investments	1	-	1	1
Sundry income	84	-	84	45
	516	-	516	377

Notes to the financial statements for the year ended 31 December 2006

3 Charitable activities	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
a) Analysis of charitable activities by geographic region				
Africa & Arab World				
Angola	29	-	29	29
Ethiopia	62	454	516	283
Ghana	-	211	211	-
Kenya	150	1,318	1,468	1,163
Madagascar	152	14	166	954
Malawi	53	46	99	115
Sierra Leone	(17)	157	140	4
South Africa	41	314	355	166
Tanzania	384	747	1,131	922
Uganda	278	1,209	1,487	899
Yemen	298	403	701	88
Zimbabwe	119	454	573	138
Africa training, research & development	351	89	440	369
Pacific Asia				
Cambodia	87	306	393	165
China	-	654	654	1,052
East Timor	21	-	21	-
Fiji	-	-	-	5
Papua New Guinea	-	194	194	-
Mongolia	-	174	174	61
Myanmar	36	67	103	259
Philippines	298	384	682	585
Viet Nam	46	171	217	83
Pacific Asia training, research & development	82	119	201	4
South Asia				
Afghanistan	10	415	425	424
Bangladesh	231	501	732	1,121
India	228	403	631	679
Nepal	156	559	715	465
Pakistan	314	228	542	726
Sri Lanka	38	5	43	36
South Asia training, research & development	271	24	295	235
Europe				
Albania	-	-	-	3
Austria	1,458	-	1,458	1,425
Romania	3	3	6	19
United Kingdom	26,023	-	26,023	25,221
Latin America				
Bolivia	66	186	252	326
Honduras	92	20	112	155
Mexico	1	92	93	61
Nicaragua	-	-	-	11
Latin America training, research & development	77	-	77	99
Australia				
Australia	4,474	-	4,474	3,663
Cross-regional				
Advocacy	828	76	904	973
Contraceptive & medical supplies	91	20	111	36
Refugees & Internally Displaced People	69	45	114	31
Social Marketing	204	422	626	514
General training, research & development	1,453	329	1,782	1,220
	38,557	10,813	49,370	44,787

Notes to the financial statements for the year ended 31 December 2006

3 Charitable activities (continued)	2006 £'000	2005 £'000
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Disbursements for overseas programmes include the following payments disclosed separately in accordance with the requirements of the donor
These figures include contributions to support costs

Funded by Department for International Development

Malawi Management Support	136	88
Tanzania Youth Information & Education	59	-
Uganda Youth Advocacy	148	67
Uganda Ministry of Health	-	376
Bangladesh Reproductive Healthcare	-	674
Bangladesh CSCF	109	27
Papua New Guinea SRH Gender Equity	92	-
Pakistan Sindh Reproductive Health	82	308
Bolivia Advocacy in Cochabamba	105	104
Bolivia CSCF	51	160
Philippines Capacity HIV/AIDs Advocacy	16	129
Philippines Capacity Youth Councils	45	-
	843	1,933

Funded by The Community Fund

Viet Nam	-	9
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Funded by the Finland Foreign Affairs Ministry

Afghanistan Clinics Phase 2	6	361
Afghanistan Clinics Phase 3	270	-
	276	361

Notes to the financial statements for the year ended 31 December 2006

3 Charitable activities (continued)	2006 £'000	2005 £'000
Funded by United Nations		
Advocacy 2006 Phase A	16	-
Advocacy - European Policy Makers 2005	2	29
State of the World Population Report 2005	2	5
China Technical Assistance 2003	3	916
China Technical Assistance 2006	591	-
Honduras La Ceiba	(1)	1
Honduras Social Licensing	28	48
Nicaragua Adolescent Mobile	19	1
Myanmar Improving Adolescent Rural Health	65	31
	725	1,031
Funded by The Netherlands Government		
Netherlands Ministry of Foreign Affairs 2004	-	10
Netherlands Ministry of Foreign Affairs 2005	18	322
Netherlands Ministry of Foreign Affairs 2006	327	-
	345	332
4 Governance Costs		
Costs of Trustees' meetings and support	4	5
Audit fee	78	75
	82	80

Notes to the financial statements for the year ended 31 December 2006

5 Total resources expended	Disbursements to overseas programmes £'000	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2006 £'000	Total 2005 £'000
Delivery of Family Planning and other Sexual & Reproductive Health Services	11,122	17,270	1,435	12,958	42,785	39,851
Advocacy & Awareness Raising	1,744	552	21	145	2,462	2,308
Developing capacity to deliver Sexual & Reproductive Health Services	1,573	1,636	36	878	4,123	2,628
Total charitable activities	14,439	19,458	1,492	13,981	49,370	44,787
Costs of generating voluntary income	-	9	-	8	17	31
Governance Costs	-	-	-	82	82	80
	<u>14,439</u>	<u>19,467</u>	<u>1,492</u>	<u>14,071</u>	<u>49,469</u>	<u>44,898</u>
Staff costs						
Wages and salaries					12,354	11,408
Social security costs					1,196	1,213
Employer's pension contributions					315	293
					<u>13,865</u>	<u>12,914</u>
Sessional fees and agency costs					5,602	5,830
					<u>19,467</u>	<u>18,744</u>
The average number of staff analysed by function was						
Generating Voluntary income					1	1
Charitable activities						
- Delivery of Family Planning and other Sexual & Reproductive Health					421	405
- Advocacy & Awareness Raising					12	9
- Developing capacity to deliver Sexual & Reproductive Health Services					29	36
Governance					7	6
					<u>470</u>	<u>457</u>
The numbers of employees whose emoluments were more than £60,000 were						
£60,001 - £70,000					3	2
£70,001 - £80,000					5	4
£80,001 - £90,000					1	-
£90,001 - £100,000					1	2
£100,001 - £110,000					1	-
£160,001 - £170,000					1	1

Notes to the financial statements for the year ended 31 December 2006

6 Directors' emoluments

None of the directors, who are also Trustees of the charity, received any emoluments during the year (2005 none)

7 Interest payable and similar charges

2006	2005
£'000	£'000

Other loans & overdrafts

164	95
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Interest payable on The David and Lucile Packard Foundation loan is charged against a restricted reserve into which interest earned from bank deposits and onward loans are allocated and against which administration costs are also charged. The balance of the restricted reserve must be offset against any exchange losses suffered by The David and Lucile Packard Foundation at the date of repayment by Marie Stopes International.

8 Tangible fixed assets

Freehold properties are re-valued periodically on the basis of the open market value for existing use. The latest revaluation of freehold properties in the UK was at 1 December 1994 by Nelson Bakewell, Chartered Surveyors. Properties purchased since the date of the latest valuation are included at cost. Properties owned in Australia were revalued at 31 December 2004 by Robert Lister, Chartered Surveyors. The trustees have not updated the valuation as they are not aware of any material changes since the date of the last valuation.

Group assets

	Freehold properties £'000	Short leasehold properties £'000	Furniture, fixtures, fittings & office equipment £'000	Medical equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation							
At 1 January 2006	15,011	1,619	1,400	1,747	3,933	48	23,758
Additions	808	144	98	95	229	-	1,374
Disposals	(370)	-	(17)	(16)	(1)	(35)	(439)
Exchange movements on consolidation	(96)	(1)	(6)	(26)	(8)	-	(137)
At 31 December 2006	15,353	1,762	1,475	1,800	4,153	13	24,556
Depreciation							
At 1 January 2006	6,342	1,073	1,161	1,311	3,673	45	13,605
Charge for the year	773	172	109	219	216	3	1,492
Disposals	(370)	-	(15)	(18)	(1)	(35)	(439)
Exchange movements on consolidation	(14)	-	(3)	(17)	(5)	-	(39)
At 31 December 2006	6,731	1,245	1,252	1,495	3,883	13	14,619
Net book value							
At 31 December 2006	8,622	517	223	305	270	-	9,937
At 31 December 2005	8,669	546	239	436	260	3	10,153

Notes to the financial statements for the year ended 31 December 2006

8 Tangible fixed assets (continued)

Charity assets

	Freehold properties £'000	Short leasehold properties £'000	office equipment £'000	Furniture, fixtures, fittings & Medical equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation							
At 1 January 2006	15,013	1,607	1,332	1,686	3,871	48	23,557
Additions	806	4	65	87	220	-	1,182
Disposals	(370)	-	-	(4)	(1)	(35)	(410)
Exchange movements	(96)	(1)	(5)	(25)	(8)	-	(135)
At 31 December 2006	15,353	1,610	1,392	1,744	4,082	13	24,194
Depreciation							
At 1 January 2006	6,342	1,073	1,100	1,260	3,617	45	13,437
Charge for the year	773	157	107	207	209	3	1,456
Disposals	(370)	-	-	(3)	(1)	(35)	(409)
Exchange movements	(14)	-	(3)	(16)	(5)	-	(38)
At 31 December 2006	6,731	1,230	1,204	1,448	3,820	13	14,446
Net book value							
At 31 December 2006	8,622	380	188	296	262	-	9,748
At 31 December 2005	8,671	534	232	426	254	3	10,120

The historic cost of the freehold properties included at valuation is as follows

	Group and charity	
	2006 £'000	2005 £'000
Cost	12,702	11,921
Accumulated depreciation	(7,189)	(6,681)
Net book value	5,513	5,240

Notes to the financial statements for the year ended 31 December 2006

9 Investments

a) Investment property

The investment property was revalued in at 31 December 2005 by Finnegan Menton, Chartered Surveyors, on the basis of the open market value for rental use, resulting in a net decrease of £318,878 (euro 464,095) in the year to 31 December 2005. The trustees have not updated the valuation as they are not aware of any material changes since the date of the last valuation.

	Group and Charity £'000
Investment property at valuation	
At 1 January 2006 and 31 December 2006	<u>653</u>

b) Fixed asset investments

	Charity £'000
Investment in subsidiary undertakings at cost	
At 1 January 2006 and 31 December 2006	<u>1,162</u>

The charity holds 100% of the nominal value of the ordinary share capital of the following principal trading subsidiaries, the results of which have been consolidated

Name of company	Country of incorporation	Nature of business
Options Consultancy Services Limited*	England	Provision of consultancy services in the field of sexual and reproductive health
Pro woman** (formerly Ambulatorium am Fleischmarkt Betriebs GmbH)	Austria	Operation of centre based sexual and reproductive healthcare services

* Shares directly held by Marie Stopes International

** Shares indirectly held by Marie Stopes International through the dormant holding company Shawline Developments Limited

Further information on the activities of the subsidiary undertakings is given in the Trustees' Report

Notes to the financial statements for the year ended 31 December 2006

9 Investments

c) Programme related investments: Social Investment Fund loans to partner organisations

Group and Charity	2006 £'000	2005 £'000
Balance brought forward as at 1 January 2006	1,228	1,021
Loans Out	638	285
Capital Repayment	(61)	(76)
Exchange losses	(4)	(2)
Balance carried forward as at 31 December 2006	<u>1,801</u>	<u>1,228</u>

On 1 November 2002 Marie Stopes International created a Social Investment Fund with a £4 435 million loan from The David and Lucile Packard Foundation (see note 12). The purpose of the Social Investment Fund is to provide onward loans to partner organisations and subsidiaries for the delivery of sexual and reproductive health services, provided the goals and objectives of projects are in line with those of Marie Stopes International and The David and Lucile Packard Foundation. Loans are made in the recipient country currency and at interest rates of between 3% and 6% and are repayable by September 2015. Exchange gains and losses on capital repayments are offset against the amounts due to the David and Lucile Packard Foundation, as

Loans outstanding at 31 December 2006 are as follows	2006 £'000	2005 £'000
Australia	206	211
China	85	89
Kenya	209	72
Mongolia	46	49
Philippines	135	94
Romania	348	348
South Africa	477	238
Tanzania	178	127
Sierra Leone	85	-
Zimbabwe	32	-
	<u>1,801</u>	<u>1,228</u>

Notes to the financial statements for the year ended 31 December 2006

9 d) Current Asset Investments

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005
Listed investments				
Market value at 1 January 2006	34	466	-	433
Revaluation at year end	(1)	(431)	-	(433)
Exchange movements on consolidation	(1)	(1)	-	-
Market value at 31 December 2006	<u>32</u>	<u>34</u>	<u>-</u>	<u>-</u>
Historical cost at 31 December 2006	<u>566</u>	<u>566</u>	<u>534</u>	<u>534</u>

Charity investments arose from gifts of shares in two companies listed on the Alternative Investment Market in the UK. All such shares were subject to a lock-in deed which prevented the disposal of the shares for a period of two years from the date of gift. The lock-in period ended in March 2005, however, the donated shares had no market value and were revalued during that year as a result.

10 Debtors	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
Group debtors				
Trade debtors	4,757	1,225	5,982	4,195
Other debtors	94	-	94	-
Prepayments & accrued income	601	-	601	898
	<u>5,452</u>	<u>1,225</u>	<u>6,677</u>	<u>5,093</u>
Charity debtors				
Trade debtors	3,343	1,225	4,568	3,703
Amounts owed by subsidiary undertakings	185	-	185	45
Other debtors	81	-	81	8
Prepayments & accrued income	375	-	375	340
	<u>3,984</u>	<u>1,225</u>	<u>5,209</u>	<u>4,096</u>

Notes to the financial statements for the year ended 31 December 2006

11 Creditors	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
a) Amounts falling due within one year				
Group creditors				
Bank loans	1,681	-	1,681	684
Bank overdrafts	579	-	579	225
Trade creditors	1,214	-	1,214	1,213
Corporation tax	69	-	69	2
Other taxes & social security	343	-	343	364
Accruals	2,328	-	2,328	1,530
	6,214	-	6,214	4,018

Charity creditors

Bank loans	1,681	-	1,681	684
Trade creditors	953	-	953	830
Corporation tax	-	-	-	2
Other taxes & social security	282	-	282	268
Accruals	1,382	-	1,382	703
Amounts owed to subsidiary undertakings	4	-	4	-
	4,302	-	4,302	2,487

b) Amounts falling due after more than one year

	Group 2006 £'000	2005 £'000	Charity 2006 £'000	2005 £'000
Deferred liabilities	89	120	20	20
Amounts owed to subsidiary undertakings	-	-	10	10
	89	120	30	30

The deferred liabilities include rent deposits and Employee Funds

12 Loans

Group and Charity

	2006 £'000	2005 £'000
Amounts repayable In five years or more	3,926	3,930
	3,926	3,930

Marie Stopes International agreed terms on 1 November 2002 with The David and Lucile Packard Foundation for a £4 435 million loan to be repaid in 2010. The purpose of the loan is to create a Social Investment Fund which will provide onward loans to partner organisations and subsidiaries, provided the goals and objectives of projects are in line with those of Marie Stopes International and The David and Lucile Packard Foundation (see note 9c)

In 2004, the loan agreement was extended to 2015. The amount repayable of £3 93 million includes offset of exchange differences on inward loan repayments as allowed by the loan agreement.

The long term loan, group and charity, is unsecured, repayable in GB Sterling after more than five years and bears interest at 1% per annum.

Notes to the financial statements for the year ended 31 December 2006

13 Restricted funds	At 1 Jan 2006 £'000	Net movement £'000	At 31 Dec 2006 £'000
Africa and Arab World			
Ethiopia	351	(392)	(41)
Ghana	-	601	601
Kenya	104	462	566
Madagascar	50	(60)	(10)
Malawi	304	(25)	279
Mozambique	8	-	8
Sierra Leone	4	147	151
South Africa	146	(5)	141
Tanzania	2	(53)	(51)
Uganda	4	173	177
Yemen	252	(147)	105
Zimbabwe	23	138	161
Training, research & development	31	53	84
Pacific Asia			
Cambodia	(28)	216	188
China	(9)	111	102
Fiji	-	54	54
Papua New Guinea	-	20	20
Mongolia	-	(26)	(26)
Myanmar	18	15	33
Philippines	3	51	54
Viet Nam	-	159	159
Training, research & development	-	80	80
South Asia			
Afghanistan	-	(1)	(1)
Bangladesh	1	784	785
India	77	160	237
Nepal	457	177	634
Pakistan	3	280	283
Sri Lanka	157	(3)	154
Training, research & development	4	55	59
Latin America			
Bolivia	3	(17)	(14)
Honduras	10	(7)	3
Mexico	15	96	111
Nicaragua	2	4	6
Cross-regional			
Advocacy	74	197	271
Contraceptive & medical supplies	-	(20)	(20)
Refugees & Internally Displaced People	5	190	195
Social Marketing	203	(483)	(280)
Training, research & development	126	1,205	1,331
	2,400	4,189	6,589

Notes to the financial statements for the year ended 31 December 2006

14 Accumulated funds

	General reserves £'000	Contingency reserves £'000	Revaluation reserves £'000	Restricted reserves £'000
Group funds				
At 1 January 2006	14,303	633	3,536	2,400
Net incoming resources before transfers	2,238	-	-	-
Transfers				
Movement in contingency provision	(464)	464	-	-
Contributions to support costs	1,049	-	-	(1,049)
Exchange movements	189	-	(15)	-
Unrealised losses on revaluation of current asset and property investments	(1)	-	-	-
Revaluations	67	-	(67)	-
Specific donations				
Received	-	-	-	16,051
Disbursements for overseas programmes	-	-	-	(10,813)
At 31 December 2006	17,381	1,097	3,454	6,589
Charity funds				
At 1 January 2006	15,027	633	3,536	2,400
Net incoming resources before transfers	2,291	-	-	-
Transfers				
Movement in contingency provision	(464)	464	-	-
Contributions to support costs	1,049	-	-	(1,049)
Exchange movements	195	-	(15)	-
Revaluations	67	-	(67)	-
Specific donations				
Received	-	-	-	16,051
Disbursements for overseas programmes	-	-	-	(10,813)
At 31 December 2006	18,165	1,097	3,454	6,589

Notes to the financial statements for the year ended 31 December 2006

15 Reconciliation of net incoming resources to net cash inflow from operating activities	2006 £'000	2005 £'000
Net incoming resources for the year	7,476	755
Investment income	(516)	(377)
Interest payable	164	95
Depreciation	1,492	1,538
Tax charge	69	45
(Profit) / loss on disposal of tangible fixed assets	(368)	2
Decrease in stock and work in progress	42	104
(Increase) in debtors	(1,584)	(771)
Increase in creditors	747	458
Exchange movements	277	(242)
Net cash inflow from operating activities	<u>7,799</u>	<u>1,607</u>

16 Reconciliation of net cash flow to movement in net funds	2006 £'000	2005 £'000
Increase in cash in the period	7,559	161
New unsecured loan	(997)	(684)
Repayment of loans	4	82
	<u>6,566</u>	<u>(441)</u>
Net funds at 1 January 2006	6,898	7,339
Net funds at 31 December 2006	<u>13,464</u>	<u>6,898</u>

17 Analysis of changes in net funds as shown in balance sheet	At 1 Jan 2006 £'000	Cash flows £'000	At 31 Dec 2006 £'000
Cash at bank & in hand	11,737	7,913	19,650
Bank overdrafts	(225)	(354)	(579)
	<u>11,512</u>	<u>7,559</u>	<u>19,071</u>
Other loans falling due after more than one year	(3,930)	4	(3,926)
Bank loans	(684)	(997)	(1,681)
	<u>6,898</u>	<u>6,566</u>	<u>13,464</u>

18 Taxation

Marie Stopes International has no liability to UK corporation tax as the company is a charity registered in England 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 subsidiary undertakings in the United Kingdom and Austria.

Notes to the financial statements for the year ended 31 December 2006

19 Financial commitments

a) Capital commitments

Capital commitments as at 31 December 2006 amounted to £6,499,689 (2005 £Nil)

b) Operating lease commitments

As at 31 December 2006 commitments for the following year under operating leases for land and buildings were as follows

	Group 2006 £'000	2005 £'000	Charity 2006 £'000	2005 £'000
Leases expiring				
Within one year	23	-	23	-
In five years or more	173	262	173	262
	<u>196</u>	<u>262</u>	<u>196</u>	<u>262</u>

20 Contingent liabilities

At 31 December 2006 the liability of the charity to co-financed projects was £1,097,000 (2005 £633,000). The charity has also given advance payment guarantees of £28,101 (2005 £27,910) to the Indian Government for projects in India and of £337,407 / euro 500,780 (2005 £344,085 / euro 500,780) to the Kenyan Ministry of Health for projects in Kenya. An additional advance payment guarantee of £873,892 / euro 1,297,030 (2005 £891,185 / euro 1,297,030) was also given to the European Commission delegation in Madagascar for projects in Madagascar.

The charity has also provided an advance payment guarantee to KfW of £480,967 / euro 700,000 (2005 £480,967 / euro 700,000) in respect of a project in the Caribbean being managed by Options Consultancy Services Limited. Options Consultancy Services Limited had provided Bank International Guarantees in respect of projects to the value of £56,096 / euro 83,257 (2005 £52,342 / euro 83,257) which expired in May 2007.

The charity has agreed an irrevocable letter of credit facility of up to £2,635,924 / AUD\$ 6,545,000 (2005 £1,388,711 / AUD\$3,250,000) of which £1,681,431 / AUD\$4,175,000 (2005 £683,673 / AUD\$1,600,000) has been drawn during the year and is included in note 11a.

21 Transactions involving Trustees

The charity received a donation of £193,221 / US\$350,000 (2005 £337,838 / US\$580,000) from DKT International, a company incorporated in the USA in which Mr PD Harvey (Trustee) and Dr TRL Black (Chief Executive Officer during 2006) are directors.

During the year the charity reimbursed trustees with out-of-pocket expenses of £3,010 (2005 £3,869) for travel to partner programmes and £1,037 (2005 £635) for travel to UK offices for trustee meetings.

Notes to the financial statements for the year ended 31 December 2006

22 Partner organisations

As referred to in the Trustees' report, Marie Stopes International works in partnership with other independent non-government organisations throughout the world. The organisations are based in the following countries and share the common objective of providing family planning and sexual and reproductive healthcare services. A full list is provided below.

- 1 Albania
- 2 Australia
- 3 Bangladesh
- 4 Bolivia
- 5 Cambodia
- 6 China
- 7 Ethiopia
- 8 Fiji
- 9 India
- 10 Ireland
- 11 Malawi
- 12 Mongolia
- 13 Myanmar
- 14 Namibia
- 15 Nepal
- 16 Nigeria
- 17 Pakistan
- 18 Papua New Guinea
- 19 Philippines
- 20 Romania
- 21 South Africa
- 22 Sri Lanka
- 23 Timor Leste
- 24 Uganda
- 25 Viet Nam
- 26 Yemen
- 27 Zimbabwe

The Trustees regularly review the relationship between Marie Stopes International and the above partner organisations to ensure that no obligation exists between Marie Stopes International and its global partners. No relationship other than pursuance of common goals and objectives is implied.

Marie Stopes International provides assistance to the organisations on technical matters, co-ordinates between them and acts as a conduit for forwarding grants and funds to them. The organisations listed above are not controlled by Marie Stopes International and are correctly excluded from consolidation.

Transactions with partner organisations comprise disbursement of funds for charitable activities as shown in Note 3 or loans from the Social Investment Fund as reflected in 9c. Details of movement on restricted grants and balances held for each of these partners can be found in Note 13.

The organisations listed below, all providers of services in the field of sexual and reproductive health, are branches or subsidiaries of the charity. These organisations have been excluded from consolidation as the charity does not exercise operational or management control over the activities of these organisations other than in the manner detailed above. As such, the charity does not have the ability to direct the financial or operational policies of these organisations with a view to gaining economic benefit from their activities and therefore they are treated as partner organisations.

Name of organisation	Country of incorporation
1 Hondurena Mujer Y Familia (1986)	Honduras
2 Marie Stopes Albania	Albania
3 Marie Stopes Madagascar	Madagascar
4 Marie Stopes International Contraceptive Social Marketing Limited	Mongolia
5 Marie Stopes Mexico A C	Mexico
6 Marie Stopes Nicaragua S A	Nicaragua
7 Marie Stopes Society	Sierra Leone
8 Marie Stopes Afghanistan	Afghanistan
9 Marie Stopes Ghana	Ghana
10 Marie Stopes Kenya	Kenya
11 Marie Stopes Tanzania Limited	Tanzania