

Butterfly Conservation

Annual Report and Financial Statements

31 March 2010

Company Limited by Guarantee
Registration Number
2206468 (England and Wales)

Charity Registration Number
254937 (England and Wales) and
SC039268 (Scotland)

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Cover Photo

The Pearl-bordered Fritillary is one of our most threatened butterflies and is the focus of several of our landscape scale projects.

Report from Chairman and Chief Executive Year to 31 March 2010

The year 2010 is a pivotal year for the future of butterflies and moths as well as for global biodiversity as a whole. It is the year by which Governments from around the world have pledged to halt the rapid loss of biodiversity and the degradation of natural ecosystems upon which we all ultimately depend. The fate of the human race is inextricably linked with the future of the world's wildlife.

Halting biodiversity loss is a daunting task but Butterfly Conservation is committed to playing its part. We run world leading schemes to assess changes in our butterfly and moth populations, and run a series of pioneering conservation programmes. Butterflies and moths are highly sensitive to change and are valuable indicators of biodiversity. Our work thus contributes significantly to monitoring changes in the environment and understanding how to reverse declines.

Our year culminated in a highly successful Sixth International Symposium at Reading, where 300 scientists from over 25 countries came together to assess progress towards the 2010 target and share information on how to conserve biodiversity in a rapidly changing world.

Despite our successes over the last 40 years, we are painfully aware that butterflies and moths continue to decline at an alarming rate. We have therefore developed a 2020 Vision to expand our efforts significantly over the next 10 years. This vision will be developed further during the coming year. We are extremely grateful for the dedication of thousands of active volunteers who combine effectively with our highly expert staff with a view to turning our vision into reality over coming years.

Maurice Avent
Chairman

Dr Martin Warren
Chief Executive



Butterfly Conservation's Chief Executive Dr Martin Warren with Sir David Attenborough and Dr Helen Philips, Chief Executive of Natural England, at our Sixth International Symposium in Reading.

"Halting biodiversity loss is the coming decade's great challenge. It's on a par with getting a man on the moon in the 1960s. An increase in butterfly numbers around the world could be the first indication that we've achieved this goal. Like that first step on the moon, it would be a giant leap for mankind." Sir David Attenborough, President of Butterfly Conservation, speaking at our Sixth International Symposium.

Report of Council Year to 31 March 2010

Introduction

The Council of Butterfly Conservation ('BC') presents its report together with the financial statements of the charity for the year ended 31 March 2010.

The report set out on pages 2 to 38 equates to a directors' report as required by Part 15 of the Companies Act 2006 but has been prepared in accordance with Part VI of the Charities Act 1993.

The financial statements have been prepared in accordance with the accounting policies set out on pages 48 to 51 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005.

Highlights of the year

- ◆ Strengthened our involvement in many of our 76 target landscapes to ensure the long-term survival of threatened butterflies and moths.
- ◆ Ran a highly successful Match Pot appeal, which raised over £90,000 to match fund Landfill Tax grants for our landscape scale projects.
- ◆ Started a major new landscape project in the South Shropshire Woods, and raised funds to extend our work in the Brecks of Norfolk and around Beckley Woods in Sussex.
- ◆ Collated over 8 million moth records as part of the Moths Count project, probably the biggest dataset on moth distribution anywhere in the world.
- ◆ Purchased Rowland Wood in Sussex to help save the last Small Pearl-bordered Fritillary colony in south-east England from extinction.
- ◆ Published a new Red List of European butterflies which shows that over one-third of species are declining and 9% are threatened.
- ◆ Spent over £2.3million on our conservation programmes, 86% of our total expenditure.
- ◆ Achieved widespread media coverage, including over 900 press articles and 57 TV and radio interviews, and received over one third of a million hits on our website, an increase of 57% from 2008/09.
- ◆ Expanded our membership to almost 15,000, our highest ever, and maintained our excellent retention rate of 92%.
- ◆ BC volunteers contributed work worth over £9 million during the year, equivalent to 650 full-time staff, a big increase on last year, largely due to the inclusion of thousands of moth recorders for the first time.

Report of Council Year to 31 March 2010

Highlights of the year (continued)

- ◆ Ran over 200 events under the Moths Count project in the last three years, introducing and training nearly 3,500 people in moth recording.
- ◆ Developed a 2020 Vision to guide our work for the next 10 years.



Our work was summarised in a Conservation Review which can be downloaded from our website.



Butterfly Conservation organises hundreds of events each year, including work parties, field trips and educational events aimed at encouraging the next generation to care about butterflies and moths.

Reference and administrative details of the charity, its Council members and advisers Year to 31 March 2010

Registered name	Butterfly Conservation
Registered charity	Registered charity number 254937 (England and Wales) and SC039268 (Scotland); governed by Memorandum and Articles of Association updated 2008/09.
Company limited by guarantee	Limited company number 2206468 Registered in England
Registered office	Manor Yard East Lulworth Wareham Dorset BH20 5QP
Website	www.butterfly-conservation.org
President and Vice-Presidents	
President	Sir David Attenborough
Vice-Presidents	Nick Baker Esq Thelma Barlow John F Burton FZS FRES Dame Antonia S Byatt CBE Dudley Cheesman Esq Sue Collins The Earl of Cranbrook PhD DL Cbiol Clive P Farrell Esq Julian Gibbs Esq Robert Goodden Esq Dulcie Gray CBE The Duchess of Hamilton Ian Hardy MVO Anthony Hoare Esq Dr Harold Hughes OBE Dr Stephen Jeffcoate Professor Eric Lees Chris Packham Esq Professor Jeremy Thomas Alan Titchmarsh MBE The Hon Vincent Weir

Reference and administrative details of the charity, its Council members and advisers Year to 31 March 2010

**Council Members
(Directors and Trustees)**

Chair: Maurice Avent
Vice Chair: David Dennis
Honorary Treasurer: David Hanson

Other Trustees: Dr Jim Asher
Peter Bradbury
Hugo Brooke
Martyn Davies
Professor John Dover
Mandy Gluth
Jenny Mallett
Dr Ian Small
Dr Simon Spencer
Marjory Taylor
Neil Thompson
Dr Mark Young

Chief Executive Dr Martin Warren

Senior Management Team
Director of Species Conservation Dr Nigel Bourn

Director, Scotland Paul Kirkland

Director of Finance and Administration
and Company Secretary Julie Williams

Head of Fundraising David Bridges

Auditors Buzzacott LLP
12 New Fetter Lane
London
EC4A 1AG

Investment managers Brewin Dolphin
12 Smithfield Street
London
EC1A 9BD

Reference and administrative details of the charity, its Council members and advisers Year to 31 March 2010

Principal bankers

NatWest plc
2 North Street
Wareham
Dorset
BH20 4AL

Solicitors

Edwin Coe LLP
2 Stone Buildings
Lincoln's Inn
London
WC2A 3TH

Stone King Sewell LLP
16 St John's Lane
London
EC1M 4BS

Structure, governance and management Year to 31 March 2010

Responsibilities of Council

The members of Council (who are also directors of Butterfly Conservation for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the members of Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the members of Council 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) (the Charities' SORP);
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The members of Council are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each member of Council confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Structure, governance and management Year to 31 March 2010

Members of Council

Council members constitute directors of the charity for the purposes of the Companies Act 2006 and Trustees of the charity for the purposes of charity legislation.

Each member of Council has responsibility for monitoring the charity's activities in specific operational areas and constant regard is paid to refreshing the experience mix of members of Council to ensure Council continually develops the skills required to contribute fully to the charity's advancement.

The following Council members were in office during the year to 31 March 2010 and served throughout that year except where shown:

Council members	Appointed / Resigned
Maurice Avent – Chairman	
David Dennis – Vice Chairman	
David Hanson – Honorary Treasurer	
Dr Jim Asher	
Peter Bradbury	
Hugo Brooke	
Dudley Cheesman	Resigned 21 November 2009
Martyn Davies	
Professor John Dover	
David Dunbar MBE	Resigned 29 July 2009
Mandy Gluth	
Neil Jones	Resigned 21 November 2009
Jenny Mallett	
Dr Ian Small	
Dr Simon Spencer	
Marjory Taylor	
Neil Thompson	
Dr Mark Young	

Transactions involving Council members and related parties

All Council members give their time voluntarily and received no benefits from BC during the year.

Details of transactions involving Council members and related parties are given in note 5 to the attached financial statements.

Strategy and policy setting

Council determines the overall strategy and policy of BC. Council meets four times a year. It reviews and sets a rolling three-year Priority Action Plan at an annual Strategic Planning weekend in September, which feeds into staff work programmes.

Structure, governance and management Year to 31 March 2010

Strategy and policy setting (continued)

A three-year Business Plan is in place covering the period 2008/11.

Council delegates some of its powers to four committees, Executive, Conservation, Development and Investment. All committees report back to Council. Three working groups, Reserves, Internal Audit and Governance Group also report back to Council through the committee structure.

During the year Council developed a long-term vision for BC to expand its work over the next ten years. To implement this vision a 2020 Vision Steering Group consisting of Council members and senior managers was set up. The group reports directly to Council.

The Governance Group completed its work on updating all trustee job descriptions and Terms of References for committees. It revised and implemented a new Trustee Skills Audit and Conflicts of Interest Policy. It also proposed to Council a change to the size of the Board and the length of Council member tenure. These recommendations were approved by Council and resolutions will be proposed at the AGM in November 2010.

Council members

All members of BC are eligible to seek election to Council at the Annual General Meeting.

One-third of Council members stand down each year on rotation and new Council members are appointed at BC's Annual General Meeting (AGM) in November. During 2009/10 four Council members were re-appointed for a further three-year term. Dudley Cheesman, David Dunbar and Neil Jones stood down from Council during the year and Council would like to thank them for their valuable contribution.

New Council members receive a comprehensive induction pack. This pack is designed to provide Council members with an understanding of their roles and responsibilities. A detailed induction day is arranged to provide new Council members with a strategic and operational overview of BC, the current financial position and future plans and objectives. An invitation is also issued to all Council members to attend for refresher training. They are invited to attend Executive Group meetings to become familiar with BC's work, as well as other key meetings such as National and Regional Conservation Days and Branch Liaison Meetings. Council members also have the opportunity to meet staff and volunteers at both the AGM and Members' Day, and at the Planning Weekend in September, usually held at Head Office.

Structure, governance and management Year to 31 March 2010

Council members (continued)

All Council members are regularly invited to undertake trustee-training seminars offered by external professionals.

Each year a Council member skills audit is carried out to help identify future requirements to ensure that Council has the necessary skills and is a diverse and effective board.

A variety of methods are used for the recruitment of new Council members, including advertising in *Butterfly*, BC's magazine. Council is responsible for identifying and recruiting possible new Council members who complement the expertise of existing members and who fill the gaps identified in the skills audit.

Council members declare all relevant interests and register them with the Company Secretary and in accordance with BC's Code of Conduct Policy withdraw from decisions where a conflict of interest arises. During the year BC's Conflict of Interest Policy was revised and updated to encompass changes to the Companies Act 2006.

Risk Management

Council reviews and assesses the strategic and operational risks to which BC may be exposed. All key risks identified are recorded in the Strategic Risk Register and specific actions are assigned to mitigate them.

An internal audit group spot checks BC's financial policies, procedures and controls to ensure that they are effective and appropriate.

Council members and Senior Managers held a discussion on the likely impact of the recession, and proposed the diversification of income streams. Funding levels and income sources were reviewed by Council members and financial commitments were made to conservation projects for the next two years in the Designated Fund - *Commitments to Conservation Projects*.

The risk management process is ongoing and is reviewed regularly by Council. During the year the register was updated to include new risks and a reassessment of the likelihood of a risk occurring or the size of its impact. Council has taken all reasonable steps to ensure major risks are identified and that there are systems in place to mitigate them. However, it is aware that such processes are designed only to manage rather than eliminate all major risks.

Health & Safety

The revised Health & Safety Policy was approved and implementation will start in 2010/11. Revised Codes of Practices and generic risk assessments were produced with the help of the Branch Health & Safety Forum. A risk assessment course was attended by two members of staff who then cascaded the training to all staff.

Structure, governance and management Year to 31 March 2010

Health & Safety (continued)

The major Health & Safety review that started in 2008/09 will be completed during 2010/11.

Environmental Policy

BC's Environmental Policy aims to reduce the negative environmental impacts of aspects of our work. The policy has been developed after discussions with other NGOs and statutory agencies.

We recognise that in delivering positive conservation benefits, our work has some adverse impacts on the environment. Specifically, we have taken action to:

- 1) Minimise the environmental effects caused by our operations and activities, by using energy and natural and non-renewable resources efficiently, and minimising waste and pollution.
- 2) Ensure staff use public transport wherever possible.
- 3) Select the most fuel efficient cars for use on essential fieldwork.
- 4) Purchase, wherever possible, environmentally-preferable goods and services, and ensure that our publications are produced, where possible, using either recycled paper or carry an industry-recognised eco-label.
- 5) Establish recycling and composting facilities for all appropriate waste in each of our offices.
- 6) Demonstrate high standards of environmental care in the management of our reserves.
- 7) Inform and raise awareness among our staff, volunteers and membership, of our environmental performance, and their individual environmental responsibilities including their responsibility for ensuring sustainable lifestyles.
- 8) Set up a Greening Programme Group to promote, help implement, review and revise the environmental policy.

Staff and Branches

The Chief Executive and the Senior Management Team are responsible for the day-to-day management of BC, acting under authority delegated to them by Council.

During the year we employed 60 members of staff (average numbers) (57 in 2008/09) who are grouped into two main work areas: conservation and support. The conservation team is divided into two sections: projects led from Head Office located in Dorset and conservation projects led by staff based throughout the UK. The support team members are all based at Head Office.

Structure, governance and management Year to 31 March 2010

Staff and Branches (continued)



This chart shows the number of staff employed (60) at 31 March 2010 (not Full Time Equivalent).

One of BC's strengths is its large number of active volunteers, over 13,000 of whom contribute towards our national surveys and regional conservation programmes. Our local action is co-ordinated by a UK wide network of 31 Branches, each of which is managed by a volunteer committee and works through a network of volunteers. Branches of BC carry out most of the local conservation and development work with advice and guidance from the staff. Branches contribute to strategy and policy setting primarily through Branch Liaison meetings and National and Regional Conservation Days, or by responding to information circulated in six-weekly Branch email bulletins. We are indebted to our volunteers for the work they carry out throughout the year. Their contribution has been valued at over £9 million per year, equivalent to 650 full time staff (£5.5 million per year in 2008/09). This increase is mainly due to the inclusion of thousands of moth recorders for the first time.

Trading

Butterfly Conservation Trading Limited was incorporated in February 2010 to conduct trading activities in support of BC's charitable activities. The company is registered in England under company number 07166835 and is a wholly-owned trading subsidiary. Taxable profits from the trading company will be donated under Gift Aid to BC.

Objectives and activities (including achievements and performance) Year to 31 March 2010

BC's mission is to save butterflies and moths and to ensure they thrive for future generations to enjoy.

Council members confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing BC's aims and objectives and have considered how planned activities will contribute to public benefit.

Our strategic aims are:

- 1 To take practical action to conserve threatened butterflies and moths in the UK and elsewhere.
- 2 To undertake and promote the scientific study of butterflies, moths, and methods needed to conserve their habitats, and to base our work on the best available information.
- 3 To safeguard important sites and landscapes for butterflies and moths, including the acquisition and management of our own nature reserves.
- 4 To promote the conservation of butterflies and moths as 'quality of life' indicators and indicators of a healthy and biologically diverse environment to government, voluntary bodies, and the public.
- 5 To encourage the public enjoyment of butterflies and moths, and through them raise awareness of the environment and the need to develop sustainable lifestyles.

BC achieves these aims by providing advice to farming organisations, landowners and managers, conducting research and running national recording and monitoring schemes, disseminating information, managing land and acquiring nature reserves, influencing planning and policy decision making, raising public awareness and education.

Our Priority Action Plan has five main elements, each of which is reported on below:

- 1 Conserving butterflies, moths and their habitats.
- 2 Membership growth and volunteer development.
- 3 Raising awareness of BC and its goals.
- 4 Increasing income.
- 5 Core services and management of the charity.

The following sections of the Report of Council outline the wide breadth of work BC carried out in England, Wales, Scotland, Northern Ireland and Europe during the period 2009/10. 11% of our expenditure is attributable to work wholly in Scotland.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Conserving butterflies, moths and their habitats

Our overall priorities are to:

- ◆ Focus on the practical conservation of our most threatened butterflies and moths at the landscape level to achieve sustainable biodiversity conservation involving local stakeholders and businesses.
- ◆ Continue to base our actions on the best available scientific evidence.
- ◆ Underpin our work with a strong research programme.
- ◆ Improve land use policies for butterflies and moths, and wildlife as a whole.
- ◆ Use our datasets to inform the debate on climate change and take account of the implications of climate change in our conservation plans.
- ◆ Work closely with local, regional and European partners to promote the conservation of butterflies and moths and liaise with ecologists throughout the world to share information.

Key progress in 2009/10

Conserving threatened species in key sites and landscapes

- Continued and deepened our involvement in 76 landscape scale projects around the UK, aimed at the long term conservation of threatened species.
- Secured grants for new landscape scale projects to conserve threatened species in South Shropshire Woods, Beckley Woods in Sussex and to continue work on the Brecks of Norfolk.
- Continued our role as Lead Partner for 24 Priority Butterflies and 152 Priority Moths listed in the UK Biodiversity Action Plan.
- Helped develop and target agri-environment schemes with the relevant agencies in England, Scotland, Wales and N. Ireland.
- Lobbied for improvements to the Common Agricultural Policy with colleagues in Butterfly Conservation Europe.
- Produced a new Red List of British butterflies in collaboration with JNCC. 37% of species qualified as Regionally Extinct or Threatened.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

Conserving butterflies, moths and their habitats (continued)

Key progress in 2009/10 (continued)



BC is focusing its effort on conserving butterflies and moths at the landscape scale.

Recording and monitoring

- Collated over 8 million records on the distribution of moths under our flagship Moths Count project funded by the Heritage Lottery Fund and others. The aim is to document the distribution of larger moths and introduce moths to the wider public.
- Published online distribution maps for over 900 species of larger moths, the first time that such maps have been available for most species.
- Collated 2.4 million records for the Butterflies for the New Millennium project covering the last five years (2005-9), bringing the total number of records to over 7.8 million.
- The combined total of butterfly and moth records in our database is now over 16 million, the largest dataset of its kind anywhere in the world.
- Began building an online system for recording butterflies and larger moths.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

Conserving butterflies, moths and their habitats (continued)

Key progress in 2009/10 (continued)

Recording and monitoring (continued)

- Continued to run the UK Butterfly Monitoring Scheme and produced annual species status updates and government indicators at the UK level and for England and Scotland, based on data gathered at over 1,000 sites in 2009.
- Following a successful pilot, rolled out a Wider Countryside Butterfly Survey during 2009 in collaboration with volunteers from the British Trust for Ornithology. The aim is to monitor changes in the abundance of widespread species across the UK in response to land use and other large scale variables such as climate change.
- Continued to run online surveys of two common migrants, Painted Lady and Humming-bird Hawk-moth. Nearly 15,000 records in total were submitted during a spectacular year for the Painted Lady.



Painted Lady had a record migration in 2009, tracked by our online recording system.

Research collaborations

- Published a summary of the *Climatic Risk Atlas of European Butterflies* in association with the Helmholtz Research Centre in Germany and Butterfly Conservation Europe. The full text can be read online at www.pensoftonline.net/biorisk

Objectives and activities (including achievements and performance) Year to 31 March 2010

Conserving butterflies, moths and their habitats (continued)

Key progress in 2009/10 (continued)

Research collaborations (continued)

- Continued research into the impacts of climate change on butterflies in collaboration with CEH, Natural England, University of York, University of Durham, University of East Anglia, University of North Carolina and University of Exeter.
- Continued to assist the research project run by the Oxford University Wildlife and Conservation Research Unit into the decline of widespread moths on farmland.
- Carried out a number of collaborative species conservation research projects including on the Black-veined White (Oxford Brookes University), Dark Green Fritillary (Natural England), High Brown Fritillary (University of Lancaster), Marsh Fritillary (University of Exeter), Silver-spotted Skipper (University of Exeter) and Small Tortoiseshell (University of Oxford).

Disseminating scientific information

- Held a highly successful Sixth International Symposium in Reading 26-28 March 2010 opened by our President Sir David Attenborough, on the theme: "The 2010 target and beyond for Lepidoptera". This was attended by 300 delegates from at least 25 countries from 6 continents. The proceedings will be published as a book and special issue of the *Journal of Insect Conservation*.
- Held a major conference on woodland management for wildlife as part of our South East Woodlands project attended by 400 delegates.
- Produced a series of farm advice leaflets and ran a 'Farming for Wildlife' award in collaboration with the Royal Society for the Protection of Birds and Plantlife.
- Maintained and updated our website with latest sightings, news and events.
- Published a wide range of technical reports and scientific papers, including the peer-reviewed journals *Biological Conservation*, *Conservation Letters*, *Ecography*, *Ecology Letters* and *Global Change Biology*.



Sir David Attenborough and delegates at the Sixth International Symposium at Reading.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

Conserving butterflies, moths and their habitats (continued)

Key progress in 2009/10 (continued)

Securing and expanding our nature reserves

- Our reserve portfolio now stands at 34 sites, covering over 700 hectares of key butterfly and moth habitat.
- Our Branches also helped manage many 'Partnership Reserves' which also support important populations of butterflies or moths.
- During the year we purchased a major new 31 hectare reserve at Rowland Wood in East Sussex, which supports the last surviving colony of the Small Pearl-bordered Fritillary in south-east England. This acquisition is vital to expand our adjacent small reserve at Park Corner Heath and will give the best possible chance of ensuring the long-term survival of this and other species.
- The Reserves Working Group held a seminar for reserve managers at Prees Heath in Shropshire, to share best practice in habitat management and health and safety.
- We developed a new proactive strategy for future reserve acquisitions combining our action for the most endangered species with our landscape scale approach.



Our new reserve at Rowland Wood is vital to secure a future for the Small Pearl-bordered Fritillary and other species in south-east England. We were able to make the purchase thanks to a generous legacy left to us by Ms Pamela Lewis in memory of her parents.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Conserving butterflies, moths and their habitats (continued)

Key progress in 2009/10 (continued)

International activities

- The European Interest Group helped to survey important butterfly habitats in several countries.
- With colleagues in Butterfly Conservation Europe, produced a new Red List of European butterflies and ran a project to train volunteers in Turkey. The Red List provided further evidence of the rapid decline of butterflies in Europe, with over one-third of species declining and 9% threatened.
- Planned a third meeting of Butterfly Conservation Europe partners in Laufen, Germany during 2011. The network comprises 37 organisations from 34 countries (details see www.bc-europe.org).
- Submitted a funding proposal to the EU to run BC Europe.
- Published an update of the European Grassland Butterfly Indicator which has now been adopted by the EU to measure biodiversity at a European level.
- Developed and tested a European Butterfly Indicator to assess climate change impacts on biodiversity.
- Joined a major new EU-funded project, CLIMIT, which brings together research institutions and Universities to study the impact of climate change on European biodiversity.
- Collaborated with Birdlife International and the European Habitats Forum to improve European policies on biodiversity and agriculture.

European Red List of Butterflies

Compiled by Chris van Swaay, Anabelle Cottalot, Sue Collins, Dirk Maes, Miguel López Munguía, Martina Eder, Josef Settele, Rudi Verbeke, Theo Verhaegh, Martin Warren, Martin Warren and Inna Weyhoff



*The new Red List of European butterflies was
published online by the IUCN:*

0Hwww.iucnredlist.org/initiatives/europe

Objectives and activities (including achievements and performance) Year to 31 March 2010

Conserving butterflies, moths and their habitats (continued)

Key targets not met

All key targets were met during the year.

Targets for 2010/11

- ⇒ Continue to take action for threatened species and deepen our involvement in landscape scale projects.
- ⇒ Complete Moths Count database for the whole of the UK and publish up-to-date distribution maps online.
- ⇒ Obtain funds for a popular butterfly recording scheme.
- ⇒ Publish summary of Red Data Book of European butterflies with partners in Butterfly Conservation Europe.
- ⇒ Secure funds to expand Butterfly Conservation Europe and further develop a pan-European Butterfly Indicator and other collaborative projects.
- ⇒ Continue to lobby for improvements in the Common Agricultural Policy and agri-environment schemes.
- ⇒ Publish proceedings from our Sixth International Symposium held in Reading 26-28 March 2010.

Membership growth and volunteer development

Our overall priorities for the next three years are to:

- ◆ Achieve a steady increase in the number of long-term members of BC.
- ◆ Develop a comprehensive volunteering policy to focus effort.
- ◆ Build on existing volunteer development programmes across the UK.

Key progress in 2009/10

Membership recruitment and retention

- Increased membership by 7% to reach almost 15,000, our highest ever.
- Successfully maintained a high retention rate of 92% for the sixth year running.
- Over 75% of members now signed up to pay by Direct Debit.
- Saw a 142% increase in new members joining via the website due to increased publicity and improved membership pages.
- Increased income from paying members by 11%.
- Researched possible new ways to engage corporate members.
- Revised the Branches' Membership Toolkit for use at shows and events to increase membership recruitment.
- Implemented year one of the new Membership Plan.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Membership growth and volunteer development (continued)

Key progress in 2009/10 (continued)

Volunteer Development and communication

- Volunteer audit showed that BC volunteers contributed the equivalent of 144,000 volunteer days per year in 2009, equivalent to over £9 million per year or 650 staff.
- Successfully ran again over 700 field trips and educational/training courses with our Branches, volunteers and key partners, involving over 10,000 people.
- Held two UK Branch Liaison meetings and separate volunteer days for Branches in Scotland and Wales.
- Continued to communicate with Branches through regular email newsletters.
- Continued to review the effectiveness of the Branch Handbook and took steps to encourage greater use by Branch Volunteers.
- Media training was undertaken by a number of Branch volunteers.
- Began a programme of visits by Council members to all Branches to seek the views of Branches on improving BC's operations.

Key targets not met

- ✘ A Volunteer Policy was not developed during the year but has been rescheduled to be completed in 2010/11.

Targets for 2010/11

- ⇒ Implement year two of the Membership Plan.
- ⇒ Continue to increase membership and maintain high retention rate.
- ⇒ Research new ways of communicating with members and possible new supporters via email and e-marketing.
- ⇒ Continue to run training courses and provide support for our volunteers.
- ⇒ Develop a Volunteering Policy.
- ⇒ Complete Branch visits and report back to Branches.
- ⇒ Hold a meeting for Branch Chairmen to discuss the 2020 Vision.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

Membership growth and volunteer development (continued)



Members and volunteers are vital to our work. Over the last three years of the Moths Count project, we have run 95 public events, attended by over 2,000 people, and organised over 110 training events, attended by 1,480 people.

Raising awareness of BC and its goals

Raising awareness of BC's aims is an important building block to enable us to achieve lasting conservation of butterflies and moths. Similarly, an Education Programme for all ages is vital to ensure that the public shares our concerns and that future generations continue our work.

Our overall priorities for the next three years are to:

- ◆ Significantly increase BC's profile amongst new audiences.
- ◆ Implement an education programme that embraces the concept of lifelong learning and helps develop the interest of children in butterflies and moths.
- ◆ Ensure a consistent 'branding' of Butterfly Conservation across the full range of BC's activities.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Raising awareness of BC and its goals (continued)

Key progress in 2009/10

- Received widespread media coverage, including 295 articles in the national press, 642 in the local press and conducted 57 TV and radio interviews.
- Ran Save Our Butterflies Week at the end of July with the help of author Fiona Mountain who had just published a new novel on the life of Eleanor Glanville, who first recognised the Glanville Fritillary as a UK species. Branches also arranged a series of promotional events around the UK.
- Regularly updated our website, which saw nearly 336,000 visits, a 57% increase in the number of hits during the year.
- Added significant new material to the Learn section of the website with links to the National Curriculum.
- Continued to run our online recording scheme to track the migration of Painted Ladies. This received records from over 9,000 recorders.
- Ran the third year of Garden Moths Count scheme aimed at encouraging the public to record 20 common species in their gardens. Nearly 2,400 people took part and submitted over 4,500 records, see www.mothscount.org
- Ran a moths and bats event at the House of Commons with help from Madeleine Moon MP to raise awareness of moths and their crucial role in the food chain.
- Ran National Moth Night in conjunction with Atropos on 18-19 September 2009, and held over 76 public events throughout the UK. Details can be found at www.nationalmothnight.info
- Created new Moths Count website with huge amount of information about moths for both the general public and existing moth recorders.
- Maximised publicity opportunities from the launch of Butterfly World and from our new landscape projects.



The Painted Lady had a record migration year during 2009 and we received nearly 13,000 records on our new online recording system from over 9,000 recorders. These enabled us to track the migration in detail for the first time and identify unique evidence of a return migration.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Raising awareness of BC and its goals (continued)

Key progress in 2009/10 (continued)



Nearly 2,400 people contributed to the Garden Moths Count in 2009, with a good spread around the UK.

Key targets not met

All key targets were met during the year.

Targets for 2010/11

- ⇒ Seek funds for a popular butterfly count to engage the public in a simple recording scheme.
- ⇒ Maximise publicity during Save Our Butterflies Week from 24 July – 1 August.
- ⇒ Further increase the number of press releases and mentions of Butterfly Conservation in the media.
- ⇒ Continue to refresh the BC website and use publicity to increase the number of hits.
- ⇒ Run National Moth Night on 15 May.
- ⇒ Add new sections to Learn website and promote to schools.
- ⇒ Develop an education project to teach children about the fascinating life cycles of butterflies and moths.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Increasing income

Securing the funding we need to undertake BC's existing conservation projects and to develop our ambitious new plans for the future will present the organisation with a significant challenge in an increasingly competitive funding and economic environment.

Our overall priorities for the next three years are to:

- ◆ Secure the long term funding of existing staff and conservation programmes.
- ◆ Build financial reserves to cover at least six months of expenditure as a contingency and to enable us to take opportunities that may arise.
- ◆ Develop fresh sources of unrestricted core income.
- ◆ Expand the activities of the Development Board to raise unrestricted income to support our growing conservation programmes.

Key progress in 2009/10

- Successful fundraising allowed us to spend over £2.3million on our conservation programmes, 86% of our total expenditure.
- Ran a highly successful Match Pot appeal which raised over £90,000 that can be used across a broad range of the charity's activities and be applied as match funding to leverage over £900,000 from the Landfill Communities Fund and other funders.
- Smaller appeals to support our future work on moth recording and the development of the recently purchased Rowland Wood reserve were successful, raising £17,000 and £29,000 respectively.
- Ongoing contact with existing individual high-value donors and potential funders through the Development Board resulted in a marked growth in the number of larger donations to the appeals we ran during the year.
- Grants were obtained from the Landfill Communities Fund and many other funders for our landscape projects, and a major funding application was developed and submitted for a project to conserve the Duke of Burgundy on the North York Moors. A decision on our application is expected in July 2010.
- Funding was secured towards practical conservation projects in key landscape areas including the Big Brecks Project (Norfolk), South Shropshire Woods, Princethorpe Woods (Warwickshire), Beckley Woods (Sussex) and Denge Wood (Kent). A project to conserve the White-spotted Pinion moth in its Huntingdon and Cambridgeshire stronghold also received a major grant.
- Contributions were obtained from Government agencies in all four UK countries towards our ongoing butterfly and moth recording schemes.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Increasing income (continued)

Key progress in 2009/10 (continued)

- Continued to promote the importance of legacy income through articles in *Butterfly* magazine and Branch newsletters and via publicity around the publication of an historical novel written by Fiona Mountain based on the life of Lady Glanville.
- 12 legacies, worth £439,000 were notified to us during the year.
- Developed a funding application to increase our education work, which will be submitted in 2010/11.
- Successful affinity marketing partnerships with NFU Mutual and Naturetrek holidays continued to provide valuable core funding for our work and several new potential partnerships were investigated.
- Began negotiations with a major high street retailer to raise awareness of the plight of butterflies and moths, and to raise funds to implement conservation.

Key targets not met

All key targets were met during the year.



The Duke of Burgundy will be a major focus for fundraising during 2010/11.

Targets for 2010/11

- ⇒ Run an appeal for funds to support our ongoing recording schemes on moths and butterflies, when Heritage Lottery funding ceases for Moths Count in August.
- ⇒ Raise core funds to continue to employ our network of Regional Staff in England and Species Advisory staff in Northern Ireland, Scotland and Wales.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Increasing income (continued)

Targets for 2010/11 (continued)

- ⇒ Submit a grant application to the Heritage Lottery Fund for a major new education project.
- ⇒ Obtain funds for additional landscape scale projects, including projects to conserve the Duke of Burgundy in West Sussex and Hampshire, the Cotswolds and the North York Moors; the Marsh Fritillary in the South Wales Coalfields; rare Fritillaries in East Sussex; the Pearl-bordered Fritillary in Devon; and several species on the Isle of Portland.
- ⇒ Hold a Development Board event for key supporters and donors at Salisbury Plain training area, courtesy of the Imber Conservation Group, and later at BC's new reserve at Rowland Wood.
- ⇒ Maintain our programme of promoting the importance of legacy income among our members, supporters and the general public.
- ⇒ Actively promote the opportunities for tax-efficient giving for basic and higher rate taxpayers through Gift Aid to our members and donors.
- ⇒ Develop fresh sources of unrestricted funding to help meet the essential operational costs of BC, including the development of information sheets for supporters wanting to raise money by organising or participating in sponsored events, activities and challenges.
- ⇒ Develop new affinity partnerships with the corporate sector.

Will there always be butterflies....

.... please remember Butterfly Conservation with a gift in your Will

Each year BC receives valuable income from legacies, which is used to help achieve our conservation objectives throughout the UK. If you would like to learn how to make a difference for butterflies and moths by remembering Butterfly Conservation in your will, please contact David Bridges: Telephone 01403 256175 or write to him at our Head Office in Dorset.



Thanks to a legacy from Ms Pamela Lewis, we were able to move swiftly and purchase Rowland Wood, the last Small Pearl-bordered Fritillary site in south-east England.

Objectives and activities (including achievements and performance) Year to 31 March 2010

Core services and managements of the charity

The rapid growth of BC's work has placed considerable pressure on its core administrative services and management systems. Our priorities are to:

- ◆ Maintain good governance of BC by Council Members and Branch Committee Members.
- ◆ Maintain a Business Plan to reflect the complexity of BC's business.
- ◆ Review existing financial and administrative systems to ensure that BC continues to make rapid progress in its mission.
- ◆ Maintain an effective and motivated workforce capable of delivering BC's ambitious plans.

Key progress in 2009/10

- Council members and senior staff developed a long-term vision for the charity to expand its work over the next 10 years. The 2020 Vision will be enhanced further during the coming year, in liaison with Branch Chairmen.
- Revised and conducted a new Trustee Skills Audit and Conflict of Interest Policy.
- The newly formed Governance Group updated the Terms of Reference for all Committees and revised Council member job descriptions.
- Council reviewed the structure, size and composition of Council to ensure effective governance. Changes to Council member tenure and size of the board will be proposed by resolution at the AGM in November 2010.
- Kept a watching brief on developments with the Charities Act (Northern Ireland) 2008.
- A wholly-owned trading subsidiary company, Butterfly Conservation Trading Limited, was set up to conduct trading activities in support of BC's charitable activities. Taxable profits from the trading company will be donated under Gift Aid to BC.
- The Health & Safety Policy was approved and is currently being implemented.
- Updated the Staff Handbook and set up a secure, staff-only area on the BC website for staff to access this and other relevant information.
- Revised the Disciplinary & Grievance Policy in line with the new Acas Code.
- Produced a new Line Manager pack to strengthen Line Managers' management skills.
- Held an annual meeting with Line Managers to improve communication systems and ensure consistency and held an in-house Acas training course.
- Financial systems and controls were reviewed to ensure efficient working including new paperless accounts and BACS payment systems to reduce paper and postage costs and improve efficiency.
- Sought advice from the Royal Society for the Protection of Birds to improve our environmental policy and discussed ways of reducing our carbon impact.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

Core services and managements of the charity (continued)

Key targets not met

- ✘** Due to the imminent new Equality Bill, the review of the Equal Opportunities Policy was delayed until it comes into force.

Targets for 2010/11

- ⇒ Finalise our 2020 long-term vision to develop ambitious aims for the charity over the next 10 years.
- ⇒ Register with the Charity Commission Northern Ireland if required.
- ⇒ In conjunction with Butterfly Conservation Trading Limited prepare a business plan for the new subsidiary trading company to increase commercial activities.
- ⇒ Update the Equal Opportunities Policy if and when the Equality Bill comes into force.
- ⇒ Complete a Health & Safety Review.
- ⇒ Review and update the Staff Handbook.
- ⇒ Carry out an environmental audit and introduce new measures to monitor and reduce our impact on the environment.

**Objectives and activities
(including achievements and performance) Year to 31 March 2010**

How you can support butterflies and moths

Your support will make a valuable contribution to the survival of our fragile and beautiful butterflies and moths. Together we can improve our environment and make a brighter future.

You can help by:

- ◆ Gardening for butterflies and moths.
- ◆ Buying produce from farmers who manage their land to support wildlife.
- ◆ Volunteering for Butterfly Conservation and taking part in practical conservation tasks.
- ◆ Recording and monitoring butterflies and moths.

You can support Butterfly Conservation by:

- ◆ Joining us and becoming a member.
- ◆ Making a donation*.
- ◆ Remembering Butterfly Conservation in your Will.

** if you are a taxpayer Butterfly Conservation can benefit even more from your donation if you sign a Gift Aid declaration.*

You can make a donation by:

- ◆ Visiting our website at www.butterfly-conservation.org.
- ◆ Sending a cheque, made payable to Butterfly Conservation, to:
Butterfly Conservation
Manor Yard
East Lulworth
Wareham
Dorset
BH20 5QP
- ◆ Calling Head Office on 01929 400209.

For further information on any of the above please telephone

01929 400209



Financial Overview

The Statement of Financial Activities (SOFA) on pages 42 and 43 and the Balance Sheet on page 45 have been prepared in accordance with the Statement of Recommended Practice (SORP) 2005.

When our budget for 2009/10 was set during the winter of 2008/09 the UK economy was in recession and the world's banking system close to breaking point after the collapse of Lehman Brothers in the US and the government's rescue of Royal Bank of Scotland and Lloyds/HBOS in the UK. These rescues, together with dramatic cuts in official interest rates and the flooding of economies with cash via the operation known as Quantative Easing, prevented financial Armageddon and as our financial year opened on 1 April 2009 it was possible to begin to assess the damage that had been caused.

Companies had acted quickly to ensure survival by moves to short time working or redundancy, by the postponement of capital investment, by reductions in inventories, by reducing dividend payments etc to the point that the corporate sector had a healthy surplus in 2009. Individuals reacted to lower incomes, adding to the fall in tax receipts from the business sector, or had to move onto benefits, which added to government spending.

A government that was already borrowing too heavily for comfort now had falling tax receipts, rising benefit payments and the cost of bailing out the banking system, so the year ended with headlines about the huge borrowing requirement. However, once David Cameron saw his poll ratings fall early in the election campaign after he referred to the coming 'age of austerity', all politicians held back from spelling out what was likely to happen over the next 5-10 years for fear of not being elected, although a few spending cuts such as in the Higher Education field were announced.

In the light of this background, we entered our 2009/10 financial year with some nervousness about every line of income and a determination to keep our costs under tight control. We retained this stance throughout the year.

Turning to the outcome and dealing first with expenditure, where the total rose by 9% to £2.7m. It is very pleasing to report that the key figure, spending on Conservation, rose by 12% to over £2.3m, at which level it constituted 86% of total spending. Elsewhere tight cost control restricted the increase in spending on Membership Services to 7%, caused mainly by the rise in postal charges.

Spending on Governance fell by £15k to £76k with no repeat of the VAT review and additional accountancy costs that had occurred in the previous year.

Financial review Year to 31 March 2010

Financial Overview (continued)

Finally the Cost of Generating Funds was also down on the previous year's figure, which had included the cost of activities relating to our 40th Anniversary, of which the most notable had been the Butterfly Ball.

Overall on expenditure we maintained tight control and focused on the essential conservation work of the Charity.

Total income was virtually unchanged at just under £3.3m but there were several significant changes in the mix. Voluntary income showed a sharp increase of 59% driven by a rise in legacies from £76k to £439k. There was, however, a 9% decrease in donations, perhaps the first indication of the impact of the recession on our supporters.

A year ago we wrote that the fall in the capital value of our Endowment Fund foretold a fall in income from that source and, although as reported elsewhere we believe our investment managers performed well during this difficult period, investment income did indeed fall, by £16k to £74k. We also recorded a year ago that the outlook for interest receipts on our cash balances was "soberingly bleak". 'Base Rate' remained at 0.5% throughout the year and the challenge for our Treasury Management activity has been to locate more rewarding, though still secure, deposit opportunities. In this very low interest rate environment it was still inevitable that receipts would fall and they did from £110k to £41k.

As highlighted last year income by way of Grants for Conservation Activities was expected to fall in 2009/10 as the previous year's figures had included £300k received in advance from Natural England.

Income from Activities for Generating Funds was down from the level achieved in 2008/09, which had seen the Butterfly Ball and other Anniversary related activities. The increase in income from 'Other primary purpose trading' reflected the financial success of our International Symposium about which more information is given in the Report of the Council.

Last, but absolutely not least, we experienced a very satisfactory increase of 11% in Membership Subscriptions, resulting from an increase in the number of members, but no rise in subscription rates, a reduction in the use of free introductory offers and a maintained 92% renewal rate. We also managed to achieve a further rise in our Gift Aid income, but acknowledge that it now seems certain this will reduce by 11% from April 2011 when the present transitional regime comes to an end. Importantly our members also supported a number of appeals during the year, details of which are given in the Report of the Council.

Financial Overview (continued)

Looking ahead, it appears inevitable that the funding streams of all government agencies that support our work will be cut and examples of this have already occurred. There is no immediate prospect of any increase in interest rates and although income from investments is not expected to fall further there is little sign of an increase, so total financial income is likely to remain flat.

The short term challenge, therefore, is to increase membership, voluntary income and fundraising outside the statutory sector in order to continue to meet our conservation priorities and to develop more landscape scale projects. We have increased our fundraising capability in 2010 and also recently launched a partnership with Marks and Spencer, one element of which will raise funds to implement conservation and recording activities. To facilitate this activity we have established Butterfly Conservation Trading Limited as a wholly owned subsidiary, the taxable profits from which will be transferred to the Charity under Gift Aid.

In all of the Charity's work Council is appreciative of the huge input of volunteers, which is recorded elsewhere in this Report to have had an estimated value in excess of £9 million in 2009/10.

The uncertainties on the income side in particular have for some while persuaded us of the need to increase our financial reserves. As reported below under 'Reserves policy', we judge that the desirable level of our reserves at 31 March 2010 would have been £1 million and it is reassuring to note that we have come very close to achieving that figure with an actual reserve holding of £964k.

These reserves, our tight control of costs, the increased fundraising capability and the new partnership with Marks and Spencer provide a good measure of comfort that we shall be able to come through what may be several tight years without a reduction in our key activity – saving butterflies and moths and our environment.

Tangible fixed assets

Acquisitions and disposals of tangible fixed assets during the year are recorded in the notes to the financial statements.

Investment policy

At 31 March 2010 BC had a portfolio of investments, classified partly as fixed asset investments and partly as current asset investments, with a market value of £1,787,649 (2009 - £1,354,244), the majority of which were managed by Brewin Dolphin.

Financial review Year to 31 March 2010

Investment policy (continued)

The investment strategy is set by the members of Council. For the fixed asset investment portfolio this strategy takes into account the need to balance the interests of BC, which is entitled to the income generated, and those of the original donor who remains entitled to the capital value of the portfolio. The overall investment objective is to seek from a diversified portfolio of fixed interest and ordinary share investments, an income that can be expected to grow in line with inflation as measured by the Retail Prices Index, while maintaining the real value of the capital.

Representatives of Council monitor the level of investment income and review the overall performance of the portfolio, discussing these with the investment managers as necessary.

After two years in which the achieved performance disappointed both in absolute terms, because of the weakness of investment markets, and in relative terms, because the manager had delivered results below BC's expectations, the results for 2009/10 showed a very substantial improvement on both counts. The achieved total return on the fund was around +40%, which was some 7% above an expectation based on the mandate to which the manager was working. A very satisfactory outcome.

Reserves policy

At 31 March 2010 BC had total funds of £6,525,363 (2009 - £5,525,689).

These funds included our permanent endowment of £1,643,159 (2009 - £1,225,635), which was given to provide future income for BC.

Restricted funds totalled £1,907,998 (2009 - £1,753,205) and represented assets, including freehold nature reserves, purchased in accordance with the terms of specific gifts amounting to £604,309 (2009 - £281,982).

BC's unrestricted funds at 31 March 2010 amounted to £2,974,206 (2009 - £2,546,849).

However, these funds include £392,645 (2009 - £388,553) representing freehold nature reserves and other tangible fixed assets. These are central to BC's charitable activities and the funds would not be available to meet future contingencies should they arise.

Financial review Year to 31 March 2010

Reserves policy (continued)

Council has designated a total of £1,617,589 (2009 - £1,675,859) in the following funds:

Fund	£
40 th Appeal	82,850
Branch Fund	238,629
Commitments to Conservation Projects	519,204
Development Board Fund	38,900
European Interest Group	4,304
Legacy Fund	597,365
Life Fund	49,633
Match Pot Appeal Fund	52,882
Nature Reserves	33,822
Total	1,617,589

All Funds (excluding the Branch Fund, the Commitments to Conservation Projects and the Nature Reserves Fund) are Head Office designations of past donations, subscriptions and legacies used to finance general expenditure. The Branch Fund comprises monies that Council has committed for work undertaken by BC's branches. The Commitments to Conservation Projects comprises of monies that Council has committed to funding key conservation projects over the next two years. The Nature Reserves Fund comprises of monies from a percentage of BC's agricultural support income and other relevant sources including monies committed by Council for work on BC's nature reserves.

The funds available for meeting ongoing future expenditure therefore total £963,972 (2009 - £482,437).

These free financial reserves are held to ensure that BC:

- maintains sufficient levels of working capital to allow for seasonal fluctuations;
- protects its essential conservation activities in the event of shortfalls in grant and general income within the next financial year;
- maintains funds to respond to conservation opportunities.

These funds equate to four months' operating costs.

During the year Council has evaluated BC's financial risk and calculated the financial contribution expected to be made by Butterfly Conservation over the next two years to key conservation projects (£519,204). This sum is held in a designated fund.

Reserves policy (continued)

Council has reviewed the charity's Financial Reserves Policy with the designation of this money and has also taken into consideration the likely reduction in statutory agency funding over the coming years. With this possible decrease in funding, Council has calculated that the amount of financial reserves it needs to hold has increased from the previous year to £1million (2009 - £750,000).

Organisations making donations, grants and providing sponsorship or gifts-in-kind

A & N Daniell Charitable Trust	David Hares Landscape Architect
Abingdon Naturalists' Society	Dumfries and Galloway Council
Aggregate Industries	East Yorkshire Birdwatchers
Alys & Graham Ferguson Trust	Edgeborough Educational Trust Ltd
Anglian Lepidopterist Supplies	Elm Horticulture Ltd
Apollo Books	Environment Agency
Arnside and Silverdale AONB	Esmée Fairbairn Foundation
AstraZeneca	Essex Coalition of Disabled People
B and S Entomological Services	Everyclick Ltd
Basingstoke and Deane Borough Council	Exmoor National Park Authority
Basingstoke Field Society	Fareham Local History Group
Bernard Sunley Charitable Foundation	Farm & Countryside Liaison Services
BHP Billiton	Forest Enterprise
Biffaward	Forestry Commission
BioRegional Charcoal Company Ltd	Fulwood Probus Club
Bird Man Media Ltd	Gerddi Dyffryn (Dyffryn Gardens)
Bishops Estates & MGMT Ltd	Godmersham with Crundale Women's Institute
Box Trust	Grantscape
BP Matched Giving	H V Horticultural Ltd
C M Rob Natural History Society	Habitat Aid
Caerphilly CBC	Hampshire and Isle of Wight Wildlife Trust
Calverhall & Ightfield Women's Institute	Hampshire County Council
Carmarthenshire County Council	Harrogate and District Naturalists' Society
Catfield Parish Council	Headbourne Worthy PCC
CEMEX UK	Heritage Lottery Fund
Cheshire Wildlife Trust	High Weald AONB
Cholderton & District Water Co Ltd	Higher Heath Tuesday Club
Coda Wildlife Trust	International School of Stavanger
Co-op Funeralcare	J A Swire Charitable Trust
Countryside Council for Wales	John Wiley & Sons Limited
D G Albright Charitable Trust	Kent Downs AONB
D G Countryside	Legal and General
D W Hatton trading as D H Enterprise	Lincolnshire Police
Dartmoor National Park Authority	Lord Medway's Charitable Trust

Organisations making donations, grants and providing sponsorship or gifts-in-kind (continued)

Lower Mill Estate	The Ernest Kleinwort Charitable Trust
Martin Wills Fund	The Holbeche Corfield Charitable Settlement
MapMate, Teknica (UK) Ltd	The Hugh Fraser Foundation
Mrs M Maxwell-Stuart's Charitable Trust	The Jack Patston Charitable Trust
Natural England	The John Spedan Lewis Foundation
Natural History Museum	The Leggett Charitable Trust
Naturetrek	The Marsh Christian Trust
Nectar Creative	The Midhurst Society
Network Rail	The National Trust
NFU Mutual	The Rosemount Trust
North York Moors National Park Authority	The Russell Trust
Northern Ireland Environment Agency	The Tubney Charitable Trust
Oakdale Trust	The Vincent Wildlife Trust
Orange Aero	The Whitley Trust
Pagan Osborne	The Yorkshire Naturalists' Union
Peter Barker-Mill Memorial Charity	University of York
PF Charitable Trust	Vale of Glamorgan County Borough Council
PONT (GAP Cymru)	W G Healthcare UK Ltd
Portsmouth City Council	Warren Photographic
Rotherlands Conservation Group	Waste Recycling Environmental Ltd
Royal Bank of Scotland	Watkins & Doncaster
Royal Entomological Society	Welsh Assembly Government
Royal Society for the Protection of Birds	Woodland Trust
Rural Payment Scheme	Woodpeckers Trust
Scottish Natural Heritage	Yorkshire Building Society Charitable Foundation
Scottish Wildlife Trust	
Sedlescombe & District Garden Society	<u>Corporate Members</u>
Shropshire Wildlife Trust	Buglife
SITA Trust	C J Wildbird Foods Ltd
South Ayrshire Council	Coda Systems Ltd
Southampton Dynamo Club	Dorset Chamber of Commerce
St Giles Farm	Elm Horticulture Limited
Stamfordian	Ipswich Borough Council - Ranger Service
Stokesley & District U3A	Lafarge Aggregates Ltd
Stone King Sewell LLP	Martin-Baker Aircraft Co Ltd
Suffolk Coast and Heaths AONB Connect Fund	Naturetrek
Suffolk County Council	Northumbrian Water
Sussex Wildlife Trust	Orange Aero
Telegraph Media Group Limited	Orwell Clunch Pit Management Trust
The Blair Foundation	The English Cottage Garden Nursery Ltd
The Bromley Trust	The Travelling Naturalist
The City Bridge Trust	The Weld Estate
The Craignish Trust	Woodlands.co.uk
The East Surrey Group of the Alpine Garden Society	

Financial review Year to 31 March 2010

Organisations making donations, grants and providing sponsorship or gifts-in-kind (continued)

Legacies

James Chapman

Dr John Elwes Duffield

George Heath

Margaret Joan Ruth Iggulden

Douglas Arnold Illingworth

Colonel Bernard Renouf Johnston

Monica Gertrude May

Rowland Money

Alan John Oliver

Una Pionchon

William Tucker

Barbara Wigglesworth

For and behalf of Council

Maurice Avent

Chairman

Julie Williams

Secretary

Approved by Council on: 24 July 2010

Independent auditors' report to the Council and members of Butterfly Conservation

We have audited the financial statements of Butterfly Conservation for the year ended 31 March 2010 which comprise the statement of financial activities, the summary income and expenditure account, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's Council, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's members and Council 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 charity, the charity's members as a body and the charity's Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditors

The members of Council are the directors of the company for the purposes of company law and trustees for the purposes of charity law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the responsibilities of Council contained within the annual report.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether, in our opinion, the information given in the Report of Council is consistent with those financial statements.

Respective responsibilities of Council and auditors (continued)

We also report to you if, in our opinion, the charity has not kept adequate and proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of members of Councils' remuneration specified by law are not made.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of Council. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, 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.

Independent auditors' report 31 March 2010

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006; and
- ◆ the information given in the Report of Council is consistent with the financial statements.

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
12 New Fetter Lane
London
EC4A 1AG

18 August 2010

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of financial activities Year to 31 March 2010

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2010 Total £	2009 Total £
Incoming resources						
Incoming resources from generated funds						
. Voluntary income	1	691,690	176,591	—	868,281	546,705
. Activities for generating funds	1	31,255	178	—	31,433	68,126
. Investment income and interest receivable	1	87,337	28,076	—	115,413	200,961
Incoming resources from charitable activities						
. Conservation activities - grants receivable	2	22,064	1,459,464	—	1,481,528	1,811,507
. Contracts and royalties		206,535	70,253	—	276,788	257,481
. Other primary purpose trading		98,329	8,115	—	106,444	42,083
. Membership subscriptions		382,046	—	—	382,046	344,240
Other incoming resources		4,015	—	—	4,015	150
Total incoming resources		1,523,271	1,742,677	—	3,265,948	3,271,253
Resources expended						
3						
Cost of generating funds						
. Costs of generating voluntary income		47,290	14,783	—	62,073	85,576
. Fundraising trading: cost of goods sold and other costs		5,192	1,658	—	6,850	8,478
. Investment management costs		925	221	—	1,146	1,153
Charitable activities						
. Conservation		562,387	1,750,822	—	2,313,209	2,073,771
. Membership services		193,219	47,606	—	240,825	224,185
Governance		60,361	15,215	—	75,576	90,716
Total resources expended		869,374	1,830,305	—	2,699,679	2,483,879
Net incoming (outgoing) resources before transfers	4	653,897	(87,628)	—	566,269	787,374
Transfers between funds	13	(242,421)	242,421	—	—	—
Net incoming resources before net investment gains (losses)		411,476	154,793	—	566,269	787,374
Net investment gains (losses)		15,881	—	417,524	433,405	(436,660)
Net movement in funds		427,357	154,793	417,524	999,674	350,714
Balances brought forward at 1 April 2009		2,546,849	1,753,205	1,225,635	5,525,689	5,174,975
Balances carried forward at 31 March 2010		2,974,206	1,907,998	1,643,159	6,525,363	5,525,689

Statement of financial activities (continued) Year to 31 March 2010

	2010 Total funds £	2009 Total funds £
Statement of historical cost net movement in funds		
Net movement in funds (page 42)	999,674	350,714
Unrealised (gains) losses on investments	(326,059)	411,353
Difference between realised gains/losses based on historical cost and the actual realised gains/losses based on the revalued amounts	(61,350)	3,346
Historical cost net movement in funds	612,265	765,413

All of the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains and losses other than those shown in the statement of financial activities and therefore no separate statement of total recognised gains and losses has been presented.

Summary income and expenditure account Year to 31 March 2010

	2010 Total funds £	2009 Total funds £
Total income of continuing operations	3,265,948	3,271,253
Total expenditure of continuing operations	(2,699,679)	(2,483,879)
Net income for the period before investment asset disposals	566,269	787,374
Gains/(losses) on disposal of investment assets	107,346	(25,306)
Net income for the period	673,615	762,068

Total income comprises £1,523,271 (2009 - £1,259,727) for unrestricted funds and £1,742,677 (2009 - £2,011,526) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Detailed analyses of the expenditure are provided in the statement of financial activities and note 3.

The summary income and expenditure account is derived from the statement of financial activities on page 42 which, together with the notes to the financial statements on pages 52 to 66, provides full information on the movements during the period on all the funds of the charity.

Balance sheet 31 March 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	7	1,003,263	672,433
Investments	8	1,643,160	1,225,635
		2,646,423	1,898,068
Current assets			
Stocks		11,442	13,951
Debtors	9	981,058	971,804
Investments	10	144,490	128,609
Cash at bank and in hand			
. Short term deposits and interest bearing accounts		2,464,563	1,921,772
. Current accounts		470,353	699,886
		4,071,906	3,736,022
Creditors: amounts falling due within one year	11	(192,966)	(108,401)
Net current assets		3,878,940	3,627,621
Total net assets		6,525,363	5,525,689
Represented by:			
Funds and reserves			
Charitable funds			
Capital funds			
Endowment fund	12	1,643,159	1,225,635
Income funds			
Restricted funds	13	1,907,998	1,753,205
Unrestricted funds			
. General fund		963,972	482,437
. Tangible fixed assets (including freehold nature reserves) fund	14	392,645	388,553
. Designated funds	15	1,617,589	1,675,859
Total funds		6,525,363	5,525,689

Approved by Council and signed on its behalf by:

Maurice Avent

Chairman

Approved on: 24 July 2010

Cash flow statement Year to 31 March 2010

	Notes	2010 £	2009 £
<i>Net cash inflow from operating activities</i>	A	532,556	368,907
<i>Returns on investments and servicing of finance</i>	B	115,413	200,961
<i>Capital expenditure and financial investment</i>	B	(358,269)	54,289
		<u>289,700</u>	<u>624,157</u>
<i>Management of liquid resources</i>	B	(542,791)	(320,969)
<i>(Decrease) increase in cash</i>	C	<u>(253,091)</u>	<u>303,188</u>

Notes to the cash flow statement for the year to 31 March 2010.

A Adjustment of net incoming resources for the year before net investment gains (losses) to net cash inflow from operating activities

	2010 £	2009 £
Net incoming resources for the year before net investment gains (losses)	566,269	787,374
Depreciation charge	3,880	5,326
Interest receivable	(40,965)	(110,400)
Investment income receivable	(74,448)	(90,561)
Decrease in stocks	2,509	322
Increase in debtors	(9,254)	(226,250)
Increase in creditors	84,565	3,096
Net cash inflow from operating activities	532,556	368,907

Cash flow statement Year to 31 March 2010

B Gross cash flows

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	40,965	110,400
Investment income received	74,448	90,561
	115,413	200,961
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(334,710)	(3,216)
Payments to acquire investments	(534,213)	(310,640)
Receipts from the disposal of investments	510,654	368,145
	(358,269)	54,289
Management of liquid resources		
Increase in short term deposits	(542,791)	(320,969)

C Analysis of changes in cash

	At 1 April 2009 £	Cash flows £	At 31 March 2010 £
Cash at bank and in hand	699,886	(229,533)	470,353
Cash held by investment managers	82,135	(23,558)	58,577
	782,021	(253,091)	528,930
Liquid resources	1,921,772	542,791	2,464,563
Balance at 31 March 2010	2,703,793	289,700	2,993,493

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 2006. Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in the preparation of the financial statements.

Incoming resources and transfers to/from designated funds

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants from government and other agencies have been included as income from charitable activities where these amount to a contract for services or where the money is given in response to a specific appeal or for a particular purpose. Grants from government and other agencies are included as donations where they are given with greater freedom of use, for example monies for core funding.

Legacies are included in the statement of financial activities when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified. Each year, an amount equivalent to the unrestricted legacies credited to the statement of financial activities is transferred to the Legacy Fund, a designated fund. Each year, a transfer from each legacy is made back to the general fund, for a period of five years. However, if a legacy has not actually been received this part of the transfer is deferred.

Annual membership subscriptions are credited to the statement of financial activities on a receipts basis. This approach avoids any complexity that might be encountered if an accruals basis were applied and, in the opinion of the members of Council, results in a figure which is not materially different from that which would be achieved by using an accruals basis.

Subscriptions received from life benefactors are credited to the statement of financial activities when received and an equivalent amount is transferred to a designated fund – the Life Fund. Each year, a transfer is made back to the general fund, equal to one tenth of the fund balance, to finance general expenditure.

Incoming resources and transfers to/from designated funds (continued)

Donations received from Development Board appeals or events and the 40th Appeal are credited to the statement of financial activities when received and an equivalent amount is transferred to the relevant designated fund – the Development Board Fund/40th Appeal. Each year, an amount equal to one fifth of the balance is transferred back to the general fund from both funds.

Donations received from the Match Pot Appeal are credited to the statement of financial activities when received and an equivalent amount is transferred to the Match Pot Appeal, a designated fund. This fund is used across a broad range of the charity's activities to provide either the contributory third party or match funding required for landfill community and other funded projects.

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered.

Resources expended comprise the following:

- a. The costs of generating funds comprise the costs associated with generating voluntary income, fundraising trading costs and the fees paid to investment managers in connection with the management of the charity's listed investments. It includes costs that can be allocated directly to such activities and those indirect costs necessary to support them (see d. below).
- b. The charitable activities comprise expenditure on the charity's primary charitable purposes as described in the Report of Council i.e. conservation and membership services.

It includes both costs that can be allocated directly to such activities and those indirect costs necessary to support them (see d. below).

- c. Governance costs comprise the costs incurred with the governance arrangements of the charity. These costs include audit, legal advice, costs associated with meeting constitutional and statutory requirements and the costs associated with the strategic management of the charity.
- d. Support costs are those costs which enable fund generating and charitable activities to be carried out. These costs include finance, human resources, property management and information technology. Where expenditure incurred relates to more than one cost category it is apportioned using the most appropriate basis.

Contributory Third Party (CTP) and Landfill Tax credits

Due to a change in Entrust's (the regulator of the Landfill Communities Fund) guidelines regarding the collection of CTP, all funds collected as third party contributions towards projects are now regarded as an incoming resource and are credited to the statement of financial activities.

Principal accounting policies 31 March 2010

Tangible fixed assets

All assets costing more than £2,000 (2009 - £2,000) and with an expected useful life exceeding one year are capitalised.

Depreciation is provided on cost at the following annual rates in order to write off each asset over its estimated useful life:

- ◆ Office equipment,
plant and machinery 20-25% straight-line

No depreciation is provided on freehold land.

Investments

Investments are included on the balance sheet at their market value at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Stocks

Stocks of books and stationery for resale are valued at the lower of cost and estimated net realisable value.

Fund accounting

The endowment fund comprises monies which must be held as capital indefinitely. The income there from may be used for general purposes and is credited directly to unrestricted funds.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor imposed conditions. Transfers between restricted funds and the tangible fixed assets fund are explained below. Transfers between restricted and other unrestricted funds are explained in note 13 to the financial statements.

The general fund comprises those monies which may be used towards meeting the charitable objectives of the charity and may be applied at the discretion of Council.

The tangible fixed assets fund represents the net book value of those tangible fixed assets which are not part of the endowment or restricted funds of the charity. Each year one tenth of the cost of all land purchased from restricted funds will be transferred to the tangible fixed assets fund unless there is a specific deed/covenant in place to derestrict the asset. The charity has adopted a formal policy of assessing all assets donated, other than cash, and valuing for account purposes only those with material value to the charitable work of the organisation.

Principal accounting policies 31 March 2010

Fund accounting (continued)

The designated funds are monies set aside out of the general fund and designated for specific purposes by Council. The policies for transfers to and from designated funds are explained above under "incoming resources and transfers to/from designated funds" or in note 15 to the financial statements.

Leased assets

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 in equal annual amounts over the lease term.

Pension costs

Contributions by the charity in respect of employees' personal pension plans and stakeholder schemes are charged to the statement of financial activities in the year in which the expenditure is accrued.

Liquid resources

Liquid resources represent term deposit accounts held with United Kingdom banks.

Notes to the financial statements Year to 31 March 2010

1 Analysis of income from generated funds

	Unrestricted funds £	Restricted funds £	2010 Total £	2009 Total £
Voluntary income				
Donations	324,284	105,032	429,316	470,734
Legacies	367,406	71,559	438,965	75,971
	<u>691,690</u>	<u>176,591</u>	<u>868,281</u>	<u>546,705</u>
Activities for generating funds				
Sale of goods/services - non-charitable material	9,667	178	9,845	12,741
Royalties and sponsorship - non primary purpose	4,324	—	4,324	1,202
Fundraising	17,264	—	17,264	54,183
	<u>31,255</u>	<u>178</u>	<u>31,433</u>	<u>68,126</u>
Investment income and interest receivable				
UK equities	43,219	—	43,219	48,645
UK government stock and fixed interest	23,973	—	23,973	34,758
UK common investment funds	7,256	—	7,256	7,158
	<u>74,448</u>	<u>—</u>	<u>74,448</u>	<u>90,561</u>
Bank interest	12,889	28,076	40,965	110,400
	<u>87,337</u>	<u>28,076</u>	<u>115,413</u>	<u>200,961</u>

2 Conservation activities – grants receivable

	Unrestricted funds £	Restricted funds £	2010 Total £	2009 Total £
Action Earth	—	—	—	50
Arnside/Silverdale AONB	—	3,333	3,333	3,333
Awards for All	—	(417)	(417)	4,700
Biffaward	—	66,580	66,580	—
Carmarthenshire County Council	3,585	—	3,585	4,316
CEMEX UK	—	3,928	3,928	15,993
Countryside Council for Wales	—	119,158	119,158	96,669
Dartmoor National Park Authority	—	5,000	5,000	5,000
Dumfries and Galloway Council	—	500	500	—
East Lothian Council	—	—	—	450
Environment Agency	—	10,000	10,000	15,500
Balance carried forward	<u>3,585</u>	<u>208,082</u>	<u>211,667</u>	<u>146,011</u>

Notes to the financial statements Year to 31 March 2010

2 Conservation activities – grants receivable (continued)

	Unrestricted funds £	Restricted funds £	2010 Total £	2009 Total £
Balance brought forward	3,585	208,082	211,667	146,011
Esmée Fairbairn Foundation	—	39,849	39,849	70,000
Exmoor National Park Authority	—	5,000	5,000	5,000
Forestry Commission	2,384	33,594	35,978	36,698
Friends of the Lake District	—	—	—	2,000
Grantscape	—	154,596	154,596	118,392
Hampshire County Council	1,500	—	1,500	1,500
Herefordshire Rivers LEADER +	—	—	—	863
Heritage Lottery Fund	—	309,280	309,280	288,565
High Weald AONB	—	—	—	7,786
Lake District National Park Authority	—	—	—	10,000
Lincolnshire Police	450	—	450	—
Malvern Hills Conservators	—	—	—	1,700
Mercers Charitable Foundation	—	—	—	10,000
National Federation for Biological Recording	—	—	—	500
Natural England	5,000	378,591	383,591	688,594
Natural Environment Research Council	—	—	—	6,260
Natural History Museum	—	1,914	1,914	—
Norfolk County Council	—	—	—	296
Norfolk Wildlife Trust (North Norfolk Group)	—	—	—	142
North York Moors National Park Authority	—	2,000	2,000	7,000
Northern Ireland Environment Agency	—	54,755	54,755	54,362
Oakdale Trust	250	—	250	—
Pont (GAP Cymru)	—	1,000	1,000	—
Portsmouth City Council	300	—	300	—
Rees Jeffrey's Road Fund	—	—	—	2,000
Rhondda Cyon Taff County Borough Council	—	—	—	53,990
Robert Kiln Charitable Trust	—	—	—	300
Royal Society for the Protection of Birds	—	1,000	1,000	1,003
Rural Payments Agency	—	—	—	7,545
Scottish Government	—	—	—	2,000
Scottish Natural Heritage	1,295	121,860	123,155	115,944
Shropshire County Council	—	—	—	1,299
Shropshire Wildlife Trust	500	—	500	—
SITA Trust	—	55,057	55,057	53,225
South Ayrshire Council	—	500	500	—
Suffolk Coast and Heaths AONB Connect Fund	1,200	—	1,200	—
Suffolk County Council	1,000	—	1,000	—
Balance carried forward	17,464	1,367,078	1,384,542	1,692,975

Notes to the financial statements Year to 31 March 2010

2 Conservation activities – grants receivable (continued)

	Unrestricted funds £	Restricted funds £	2010 Total £	2009 Total £
Balance brought forward	17,464	1,367,078	1,384,542	1,692,975
Sussex Moth Group	—	—	—	100
Sussex Wildlife Trust	—	367	367	—
The City Bridge Trust	—	5,700	5,700	5,900
The City of Edinburgh Council	—	—	—	1,000
The John Ellerman Foundation	—	—	—	15,000
The John Spedan Lewis Foundation	—	2,629	2,629	—
The National Trust	—	500	500	—
The Tree Council	—	—	—	1,100
The Tubney Charitable Trust	—	65,000	65,000	70,422
The Waterloo Foundation	—	—	—	15,000
Ulster Museum	—	—	—	1,010
University of York	4,600	5,400	10,000	8,000
Vale of Glamorgan County Borough Council	—	2,500	2,500	1,000
Waste Recycling Environmental Ltd	—	9,596	9,596	—
Woodland Trust	—	694	694	—
	22,064	1,459,464	1,481,528	1,811,507

Notes to the financial statements Year to 31 March 2010

3 Resources expended

	Basis of allocation	Generating voluntary income £	Fundraising trading £	Investment management costs £	Conservation £	Membership services £	Governance £	Total 2010 £	Total 2009 £
Costs directly allocated to activities									
Staff costs	Direct	—	—	—	956,872	44,980	—	1,001,852	962,804
Fundraising	Direct	12,054	5,604	—	8,191	—	—	25,849	58,530
Membership recruitment	Direct	—	—	—	—	17,573	—	17,573	19,438
Marketing and publicity	Direct	—	—	—	8,343	—	—	8,343	5,202
Investment management charges	Direct	—	—	1,000	—	—	—	1,000	1,000
Management conservation	Direct	—	—	—	616,853	—	—	616,853	493,081
Information and education	Direct	—	—	—	67,661	2,785	10,439	80,885	44,683
Newsletter production and distribution	Direct	—	—	—	—	85,946	—	85,946	80,156
Membership servicing	Direct	—	—	—	—	10,634	—	10,634	10,701
Legal and professional	Direct	—	—	—	1,885	—	18,066	19,951	34,396
Other costs	Direct	—	—	—	—	—	6,997	6,997	9,467
Support costs allocated to activities									
Staff costs	Staff time basis	42,118	374	—	358,955	48,252	30,454	480,153	434,217
Other support costs	Pro-rata based on direct cost	7,901	872	146	294,449	30,655	9,620	343,643	330,204
		62,073	6,850	1,146	2,313,209	240,825	75,576	2,699,679	2,483,879

Notes to the financial statements Year to 31 March 2010

4 Net incoming (outgoing) resources before transfers

	Unrestricted funds £	Restricted funds £	2010 Total £	2009 Total £
Staff costs (note 5)	669,071	812,934	1,482,005	1,397,021
Auditors' remuneration				
. Statutory audit services	8,500	—	8,500	8,300
. Other services	1,250	—	1,250	8,450
Depreciation	1,982	1,898	3,880	5,326
Operating lease rentals	46,956	48,184	95,140	92,226

5 Employees, staff costs and remuneration of Council members

	2010 Total £	2009 Total £
Staff costs during the period were as follows:		
Wages and salaries	1,302,799	1,222,763
Social security costs	117,192	116,304
Other pension costs	62,014	57,954
	1,482,005	1,397,021
Staff costs by function were as follows:		
Generating voluntary income	42,118	31,477
Fundraising trading	374	1,057
Conservation	1,315,827	1,256,132
Membership services	93,232	80,121
Governance	30,454	28,234
	1,482,005	1,397,021

No employee earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the period (2009 - none).

The average number of employees during the year was 60 (2009 – 56.5).

The average number of employees, analysed by function, was:

	2010 Total	2009 Total
Generating voluntary income	1.25	1.00
Conservation	54.25	51.25
Membership services	3.50	3.25
Governance	1.00	1.00
	60.00	56.50

5 Employees, staff costs and remuneration of Council members (continued)

No Council member received any remuneration in respect of their services as members of Council (2009 - £nil). However:

- A total of £4,823 (2009 - £5,924) was reimbursed to (or paid by BC on behalf of) 6 (2009 - 6) Council members for personal expenditure incurred on behalf of BC.
- The charity has purchased insurance to protect the charity from any loss arising from the neglect or default of its trustees, employees and agents and to indemnify the trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity during the year totalled £982 (2009 - £982) and provides cover up to a maximum of £500,000 (2009 - £500,000).
- Advertisements were placed in *Butterfly*, the charity's magazine, by Aurelian Books. David Dunbar, a member of Council, is the sole proprietor of Aurelian Books. Advertisement space was charged at the standard rate and the advertising receipts were handled by Fellowes Media Limited who charge 35% commission. The net receipts before commission from Aurelian Books was £90 (2009 - £260).
- A Council member, David Dennis, attended one day of the symposium at a cost of £50 to the charity.
- £180 was due at 31 March 2010 from Jim Asher, a Council Member, for attending the symposium. No amount was outstanding at 31 March 2009.

In addition, the charity received subscriptions and donations from Council members. As this is voluntary income, individual amounts are not separately disclosed.

No other members of Council had any beneficial interest in any contract with the charity during the year (2009 – none).

6 Taxation

Butterfly Conservation is a registered charity and, therefore, is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

Notes to the financial statements Year to 31 March 2010

7 Tangible fixed assets

	Freehold land £	Office equipment, plant and machinery £	Total £
Cost			
At 1 April 2009	663,946	24,731	688,677
Additions	328,401	6,309	334,710
Elimination of obsolete items	—	(7,230)	(7,230)
At 31 March 2010	<u>992,347</u>	<u>23,810</u>	<u>1,016,157</u>
Depreciation			
At 1 April 2009	—	16,244	16,244
Charge for year	—	3,880	3,880
On obsolete items eliminated	—	(7,230)	(7,230)
At 31 March 2010	<u>—</u>	<u>12,894</u>	<u>12,894</u>
Net book values			
At 31 March 2010	<u>992,347</u>	<u>10,916</u>	<u>1,003,263</u>
At 31 March 2009	<u>663,946</u>	<u>8,487</u>	<u>672,433</u>

Freehold land comprises a number of nature reserves managed by the charity. The disposal of a number of these reserves is subject to restrictive covenants.

A legal charge dated 30 May 2006 in favour of one of the charity's funders exists in relation to the freehold property known as Prees Heath Common.

8 Fixed asset investments

	2010 £	2009 £
Listed investments (note a)	1,643,159	1,225,635
Investment in subsidiary company (note b)	1	—
	<u>1,643,160</u>	<u>1,225,635</u>

a) Listed investments and cash held for re-investment	Total £
Listed investments	
Market value at 1 April 2009	1,143,499
Additions at cost	534,213
Disposals at book value (proceeds: £510,654 gains: £107,346)	(403,308)
Net unrealised investment gains	310,178
Market value at 31 March 2010	<u>1,584,582</u>
Cash held by investment managers for re-investment	<u>58,577</u>
	<u>1,643,159</u>
Cost of listed investments at 31 March 2010	<u>1,265,041</u>

Notes to the financial statements Year to 31 March 2010

8 Fixed asset investments (continued)

Listed investments held at 31 March 2010 comprised the following:

	Total £
UK equities	1,059,943
Overseas equities	118,975
UK government stock and fixed interest	405,664
	1,584,582

Individual holdings of listed fixed asset investments which, at 31 March 2010, represented a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Market value £	Proportion %
Royal Dutch Shell B Ordinary Shares	100,143	6.3
Treasury 2.5% Index Linked Stock 2010	85,134	5.4
Invesco Perpetual Corporate Bond Fund	81,910	5.2

b) Investment in subsidiary company

The charity holds 100% of the issued share capital of Butterfly Conservation Trading Limited, a company registered in England and Wales. This holding was acquired on incorporation of the company on 23 February 2010. The results of Butterfly Conservation Trading Limited for the period from incorporation to 31 March 2010 have not been consolidated in these financial statements as they are considered to be highly immaterial to the financial statements for the year ended 31 March 2010. However, since the year end the company has started trading and the results will be consolidated for the first time in the year ending 31 March 2011.

9 Debtors

	2010 £	2009 £
Grants and other funding receivable	520,847	777,382
Prepayments and other accrued income	98,003	60,581
Legacies receivable	330,814	84,500
VAT recoverable	—	3,957
Amounts due from Butterfly Conservation Trading Limited	7,931	—
Sundry debtors	23,463	45,384
	981,058	971,804

Notes to the financial statements Year to 31 March 2010

10 Current asset investments

	Total £
Listed investments	
Market value at 1 April 2009	128,609
Net unrealised investment gains	15,881
Market value at 31 March 2010	<u>144,490</u>
 Cost of listed investments at 31 March 2010	 <u>134,196</u>

Current asset investments held at 31 March 2010 comprised the following:

	Total £
UK common investment funds	<u>144,490</u>

Individual holdings of current asset investments which, at 31 March 2010, represented a material proportion of the total value of the current asset investment portfolio were as follows:

	Market value £	Proportion %
Common investment funds		
. COIF Charities Investment Fund	74,030	51.2
. COIF Charities Fixed Interest Fund	70,460	48.8

11 Creditors: amounts falling due within one year

	2010 £	2009 £
Social security and other taxes	44,838	837
Expense creditors	139,021	98,693
Accruals and deferred income	9,107	8,871
	<u>192,966</u>	<u>108,401</u>

12 Endowment funds

	The Appointed fund £
At 1 April 2009	1,225,635
Net investment gains	417,524
At 31 March 2010	<u>1,643,159</u>

Notes to the financial statements Year to 31 March 2010

12 Endowment funds (continued)

The Charity, Butterfly Conservation, acts as trustee for the Endowment Fund (The Appointed Fund). This is a capital restricted fund whereby the charity is entitled to the income only. The charity was appointed trustee of the fund by a trust deed dated 10 December 1991. Under the terms of the deed the charity must ensure that the Appointed Fund is, at all times, identifiable and is segregated from, and not mixed with, any other funds held by the charity. Income arising on the fund's investments is credited in the statement of financial activities (unrestricted funds) and may be applied towards the charity's charitable objectives at the discretion of Council.

13 Restricted funds

The income funds of the charity include restricted funds comprising the following to be applied for specific purposes:

Fund	At 1 April 2009 £	Incoming resources £	Resources expended, gains and losses £	Fund transfers £	At 31 March 2010 £
Action for Threatened Moths	244,189	176,403	(215,384)	33,873	239,081
Biodiversity Action Plan - Butterflies	227,322	168,239	(186,552)	38,076	247,085
Conservation Officer - Wales	17,851	87,275	(103,851)	11,760	13,035
Development in Scotland	8,157	140,277	(162,703)	22,324	8,055
Heads of Regions Fund	—	39,849	(15,927)	1,500	25,422
Marsh Fritillaries Landscape area	55,851	1,415	—	—	57,266
Millennium Fund	56,916	8,567	(23,845)	10,222	51,860
Morecambe Bay Limestone Project	96,228	69,963	(96,417)	13,800	83,574
Mynydd Mawr Marsh Fritillary Project	19,702	31,870	(55,067)	9,678	6,183
National Moth Recording Scheme	74,997	269,558	(256,936)	75,065	162,684
Prees Heath Fund	252,793	101,327	(94,563)	3,547	263,104
Regional Funds – Brownfields in Midlands	618	50,108	(43,053)	—	7,673
Regional Funds – East of England	21,461	45,829	(49,911)	3,500	20,879
Regional Funds – Northern Ireland	10,059	52,255	(45,231)	(2,500)	14,583
Regional Funds – South East of England	26,397	1,466	(18,928)	16,860	25,795
Regional Funds – West Midlands	8,135	37,386	(19,887)	—	25,634
Reserve Acquisition and Management	—	29,944	(6,412)	—	23,532
Reserve Purchase (Lewis)	370,059	7,744	(168)	(6,075)	371,560
Restricted Legacies Fund	—	72,084	—	—	72,084
Ryton Wood Meadow	—	804	(5,397)	10,619	6,026
South East Woodlands Project	148,924	178,410	(195,330)	(18,446)	113,558
South Lakes Coppice Fund	5,559	1,295	—	5	6,859
Two Moors Project	62,644	11,155	(38,042)	3,000	38,757
Head Office Restricted Funds < £5,000	21,343	155,658	(177,007)	10,916	10,910
Branch Restricted Funds < £5,000	24,000	3,796	(19,694)	4,697	12,799
	1,753,205	1,742,677	(1,830,305)	242,421	1,907,998

13 Restricted funds (continued)

The specific purposes for which the significant fund balances (>£5,000) are to be applied are as follows:

- *Action for Threatened Moths*
To initiate, develop and implement our conservation programmes on the most threatened moths (priority species) in England.
- *Biodiversity Action Plans – Butterflies*
To initiate, develop and implement our conservation programmes on the most threatened (priority species) butterflies in England.
- *Conservation Officer - Wales*
To initiate, develop and implement our conservation work in Wales.
- *Development in Scotland*
To initiate, develop and implement our conservation programmes in Scotland.
- *Heads of Regions Fund*
Co-ordination of the regional network.
- *Marsh Fritillaries Landscape Area*
Returning the Rhos pasture on the South Wales Coal Measures.
- *Millennium Fund*
The operational management and project co-ordinator costs of the Butterflies for the New Millennium Project.
- *Morecambe Bay Limestone Project*
Conserving the High Brown Fritillary Butterfly on the Morecambe Bay limestones.
- *Mynydd Mawr Marsh Fritillary Project*
Restoring the Mynydd Mawr landscape for Marsh Fritillary butterflies.
- *National Moth Recording Scheme*
To encourage moth recording throughout the UK and establish an ongoing recording scheme for the large moth species.
- *Prees Heath Fund*
The safeguarding of the Silver-studded Blue butterflies at Prees Heath.
- *Regional Funds – various regions of England*
To develop our conservation and education work in the respective regions.

13 Restricted funds (continued)

- *Reserve Acquisition and Management Fund*
To purchase and manage nature reserves.
- *Reserve Purchase (Lewis)*
The purchase of a butterfly reserve.
- *Restricted Legacies Fund*
Legacies received for a specific purpose.
- *Ryton Wood Meadow*
Habitat restoration and maintenance at Ryton Wood Meadow.
- *South East Woodlands Project*
Landscape conservation in South East England.
- *South Lakes Coppice Fund*
Habitat restoration and maintenance within Morecambe Bay Limestones Woodland.
- *Two Moors Project*
To ensure best possible management of threatened fritillaries on Dartmoor and Exmoor.
- *Head Office Restricted Funds <£5,000*
All Head Office Restricted Funds with a balance less than £5,000.
- *Branch Restricted Funds <£5,000*
All Branch Restricted Funds with a balance less than £5,000.

Transfers between restricted and unrestricted funds arise for various reasons. The most common reasons are:

- a transfer from unrestricted to restricted funds where costs exceed the income received towards a specific project;
- a transfer from unrestricted funds to restricted funds where BC has made a commitment to a specific project as part of a funding agreement;
- a transfer from restricted to unrestricted funds when a restriction has been removed.

14 Tangible fixed assets (including freehold nature reserves) fund

This fund represents the net book value of those tangible fixed assets (including freehold nature reserves) forming part of unrestricted funds. The fund exists in order to emphasise that such assets are essential in enabling the charity to fulfil its charitable objectives. The value of such assets, therefore, should not be regarded as expendable in order to meet the day to day liabilities of the charity. The fund balance changes each period by an amount equal to the movement in the net book value of the relevant tangible fixed assets.

15 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by Council for specific purposes:

	At 1 April 2009 £	New design- ations £	Utilised/ released £	At 31 March 2010 £
40th Appeal	103,346	217	(20,713)	82,850
Branch Fund	265,905	27,265	(54,541)	238,629
Commitments to Conservation Projects	822,106	—	(302,902)	519,204
Development Board Fund	43,844	4,805	(9,749)	38,900
European Interest Group	2,488	2,939	(1,123)	4,304
Legacy Fund	363,991	367,406	(134,032)	597,365
Life Fund	49,148	6,000	(5,515)	49,633
Match Pot Appeal Fund	—	96,923	(44,041)	52,882
Nature Reserves	25,031	11,464	(2,673)	33,822
	1,675,859	517,019	(575,289)	1,617,589

The specific purposes for which the funds are to be applied are as follows:

- *40th Appeal*
The 40th Appeal Fund comprises income received from an appeal during Butterfly Conservation's 40th year. An amount equal to one fifth of the balance will be released each year over a five year period to finance general and conservation expenditure.
- *Branch Fund*
The Branch Fund comprises monies that Council has committed for work undertaken by BC's branches.
- *Commitments to Conservation Projects*
A fund to support commitments made by Butterfly Conservation to conservation projects.

15 Designated funds (continued)

- Development Board Fund*
The Development Board Fund exists to provide unrestricted funds to meet ongoing costs of Head Office and outposted staff, and the 'core costs' of a broad range of BC's conservation programmes. An amount equal to one fifth of the balance will be released each year over a five-year period.
- European Interest Group*
A fund comprising of European Group membership fees to be used to support BC's work in Europe.
- Legacy Fund*
The Legacy Fund comprises unrestricted legacies received by Head Office. Each legacy, when received, is released in equal annual instalments over a five-year period to general funds to finance general expenditure.
- Life Fund*
The Life fund comprises receipts from Life Benefactors. An amount equal to one tenth of the balance is released each year to general funds to finance general expenditure.
- Match Pot Appeal Fund*
This fund is used across a broad range of the charity's activities to provide either the contributory third party or match funding required for landfill community and other funded projects.
- Nature Reserves*
A fund to support the management of BC's nature reserves.

16 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	2010 Total £
Fund balances at 31 March 2010				
are represented by:				
Tangible fixed assets	392,645	610,618	—	1,003,263
Fixed asset investments	1	—	1,643,159	1,643,160
Net current assets	2,581,560	1,297,380	—	3,878,940
Total net assets	2,974,206	1,907,998	1,643,159	6,525,363

16 Analysis of net assets between funds (continued)

Unrealised gains (losses) on investments included above are as follows:

	Unrestricted funds £	Restricted funds £	Endowment funds £	2010 Total £
Reconciliation of movements in				
Unrealised gains on investments				
Unrealised losses at 1 April 2009	(5,587)	—	(51,987)	(57,574)
Less: in respect of disposals during the period	—	—	61,350	61,350
Less: net unrealised gains in period	15,881	—	310,178	326,059
Unrealised gains at 31 March 2010	10,294	—	319,541	329,835

17 Leasing commitments

Operating leases

At 31 March 2010 the charity had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2010 £	2009 £	2010 £	2009 £
Operating leases which expire:				
Within one year	22,782	9,725	8,632	2,664
Within two to five years	140	12,904	6,425	13,146
After five years	35,815	35,695	—	—
	58,737	58,324	15,057	15,810

18 Liability of the members

The charity is constituted as a company limited by guarantee. In the event of the charity being wound up, members are required to contribute an amount not exceeding £1.