

Company Number: 2677068
Charity Number: 1011102

FAUNA & FLORA INTERNATIONAL

(A company limited by guarantee and not having a share capital)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

Fauna & Flora International

Company Information

Patron	Her Majesty, Queen Elizabeth II
President	Lindsay Bury
Vice-Presidents	Sir David Attenborough, CH, CVO, CBE, FRS Professor David Bellamy, OBE The Lord Browne of Madingley FR Eng Field Marshal Sir John Chapple GCB, CBE, DL Dr Lee Durrell Edward Hoare Professor Frederick Kayanja Professor Jonathan Kingdon Her Royal Highness Princess Laurentien of the Netherlands Dr George B Rabb Dr Lisbet Rausing Jon L. Stryker Dr Charlotte Uhlenbroek The Rt Hon Baroness Young of Old Scone
Chief Executive Officer	Mark Rose
Council Officers	
Chairman	Andrew Sykes
Vice-Chairman	Professor Paul Racey FRSE
Honorary Treasurer	Philip Prettejohn
Ordinary Council Members	Professor William Adams Virginia Drabbe-Seemann Melanie Brown William Kendall Dr Sandra Knapp Philip Merricks MBE, DL Nicholas Mills Professor Callum Roberts Professor Ian Swingland Diana van de Kamp Dr Juliet Vickery Charles Whitbread John Wotton
Company Secretary	Mark Blake

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Fauna & Flora International

Board of Trustees' Report

For the year ended 31 December 2007

The Board of Trustees presents its report and audited financial statements for the year ended 31 December 2007.

Statement of trustee's responsibilities

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the net income or expenditure, of the charity for the year. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to the auditors

So far as each of the trustees is aware at the time the report is approved:

- There is no relevant audit information of which the company's auditors are unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Reference and Administrative Details

Status

Fauna & Flora International (FFI) is a company limited by guarantee, incorporated in January 1992, Registered Company Number 2677068. It was originally established as a charity in 1903 and is registered with the Charity Commission, Registered Charity Number 1011102.

Registered Office

FFI's registered and principal office is at Jupiter House, Station Road, Cambridge CB1 2JD.

Board of Trustees

Members of the Board of Trustees, who are directors for the purpose of company law and trustees for the purpose of charity law, and who served during the year and up to the date of this report, are listed under Company Information. The company is limited by guarantee; therefore no member of the Board of Trustees had any beneficial interest in the company.

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Board of Trustees' Report

For the year ended 31 December 2007

The Trustees during the year were as follows:-

Dr Ronald Haylock	Chairman (resigned 7 th November 2007)
Andrew Sykes	Chairman (appointed 7 th November 2007)
Professor Paul Racey	Vice-Chairman
Andrew Sykes	Honorary Treasurer (resigned 7 th November 2007)
Philip Prettejohn	Honorary Treasurer (appointed 7 th November 2007)

Professor William Adams
Lindsay Bury
Melanie Brown (appointed 15th June 2007)
Virginia Drabbe-Seemann
William Kendall
Dr Sandra Knapp
Philip Merricks
Nicholas Mills
Dr Lisbet Rausing (resigned 7th November 2007)
Professor Callum Roberts
Professor Ian Swingland
Diana van de Kamp
Dr Juliet Vickery
Charles Whitbread
John Wotton

Chief Executive Officer

Mr Mark Rose

Company Secretary

Mark Blake

Auditors:

Peters Elworthy & Moore, Salisbury House, Station Road, Cambridge CB1 2LA

Solicitors:

Hewitsons, Shakespeare House, 42 Newmarket Road, Cambridge CB5 8EP
Eversheds, Kett House, 1 Station Rd, Cambridge, CB1 2JY

Investment Managers:

Brewin Dolphin Limited, 12 Smithfield Street, London, EC1A 9BD

Principal Bankers:

The Royal Bank of Scotland plc, 82-88 Hills Road, Cambridge CB2 1LG

Structure, Governance, Management and Related Party Statement

FFI was established under a Memorandum of Association, which sets out its objects and powers, and is governed under its Articles of Association. Under those articles, any five Members of the company may in writing, or the Trustees may by resolution, nominate any Member for election or re-election as a Trustee. Nominations must be received by the Secretary at least six weeks before the date of the Annual General Meeting.

Council has adopted formal procedures for the recruitment, selection and induction of Trustees and has constituted a Nominations Committee to support Council in the implementation of these procedures. Council carries out a regular skills audit of its members to identify the gaps and the particular skills and characteristics it must seek in new recruits and all nominations and applications for Council membership are reviewed against these. The induction procedure aims to provide new Council members with the information and tools that they need to become effective within the governing body.

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Board of Trustees' Report

For the year ended 31 December 2007

The Board of Trustees is the governing body of the organization and has legal, financial and managerial responsibility for the company. The Board of Trustees may revocably appoint Committees, of which all the Officers of the Society save as otherwise determined by the Board of Trustees, shall be *ex officio* Members, to exercise full or limited delegated powers as specified by the Board of Trustees. All acts and proceedings of such Committees are fully and promptly reported to the Board of Trustees. There is also an Executive Committee to which the Board of Trustees shall delegate general powers in relation to the day-to-day running of the Society. Day-to-day management and operational matters are then delegated to the staff of the Society.

FFI has a sister organization in the United States of America, Fauna & Flora International Inc, which was established in 1984 and registered as a Not for Profit Organization in the State of Massachusetts. It is tax exempt (IRS 0427 30954) and has 501(c) 3 status. The related party transactions are disclosed in notes 5b, 10 and 17 below.

The Trustees have established a framework for the identification and control of the major risks to which the Charity is exposed.

The Trustees have a risk management strategy which comprises:

- An annual review of the risks the Charity might face, complemented by regular reviews by the Executive Committee.
- The establishment of systems and procedures to mitigate those risks identified in the plan.
- The implementation of procedures designed to minimise any potential impact should those risks materialise.

Risk Management, together with the steps being taken by the Charity to mitigate the risks, will be reviewed on a periodic basis by the Trustees. Progress in this area remains a priority.

Objectives and Activities

Vision and Mission

FFI's vision is of a sustainable future for the planet, where biodiversity is effectively conserved by the people who live closest to it, supported by the global community. FFI's mission is to act to conserve threatened species and ecosystems worldwide, choosing solutions that are sustainable, based on sound science, and take account of human needs.

Aims and Objectives

FFI operates primarily in developing countries where natural resources of sufficient scale and scope still remain, but the means to conserve them may be limited. FFI has always been a ground breaker; it is renowned for its innovative, landmark programmes, many of which have come to be regarded as classic examples of good conservation practice. An emphasis on local partnerships remains the hallmark of FFI's approach and the organisation currently supports over 125 projects in more than 40 countries.

In 2007, our objectives were designed to address the following three key conservation aims, further articulated through a series of associated goals:

Aim 1: To prevent loss of key elements of biodiversity without compromising human needs

- To reduce loss of key populations, species or habitats, and/or threats to them, by direct and timely intervention
- To increase the area of nationally or internationally important habitat under effective long-term conservation management
- To enhance the status of species and habitats by addressing conflicts between the needs of biodiversity conservation and the needs of local people, and building mutually beneficial outcomes wherever possible
- To contribute to the development and implementation of, plans, policies and legislation that deliver effective biodiversity conservation

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For the year ended 31 December 2007

Aim 2: To support local and national organisations and institutions to deliver biodiversity conservation in the long term

- To improve information transfer, professional skills and conservation expertise across a broad conservation community including NGOs, government and academic agencies to ensure they can inform, drive and deliver effective conservation interventions in the long term
- To empower those living closest to biodiversity to engage with and participate in effective conservation management activities
- To engage the resources and skills of non-traditional conservation sectors, including the private sector, in contributing to biodiversity conservation

Aim 3: To influence the social, economic and political processes which underlie biodiversity loss

- To place biodiversity at the centre of the development debate and ensure wide-scale recognition among decision makers of the relationship of biodiversity to human health, welfare and economic security
- To ensure biodiversity issues and considerations are incorporated into wider political and economic decision making processes at government and inter-governmental levels
- To engage a wider constituency in order to drive changes in production and consumption patterns that impact upon biodiversity conservation
- To change policies and behaviour within the private sector to align them more closely with biodiversity goals

Strategies

In order to achieve these aims in 2007 we continued to work at two strategic levels:

- Regional strategies in Eurasia, Africa, Asia Pacific, the Americas & Caribbean addressed long-term conservation priorities through local partnership and activities which were tailored to the specific threats and opportunities of each region;
- Cross-sector strategies developed by our Conservation Partnerships team captured and disseminated conservation knowledge; helped programmes to identify, fund and achieve their conservation targets; helped to influence corporate behaviour and increase environmental responsibility of business; and brought influence to bear on international conservation policy.

How we work

FFI achieves its goals by forging close working relationships across sectors, across regions and across public and private entities. We aim to support local partners to achieve mutually agreed conservation mandates; our support is both technical and financial.

Activities in 2007

Across the regions within which we operate in 2007 we helped to protect many critical habitats and species through building the capacity of local government or NGO partners, strengthening existing institutions and helping to create new ones, gathering and sharing information and research, bringing together conservation stakeholders across state, public and private sectors, land acquisition and stewardship, and the direct funding of important projects.

Through our Conservation Partnerships programme we made progress in a number of important areas. We engaged with businesses in the extractive sector and with financial institutions, assisting them to minimise their impact on biodiversity and support conservation. Our biodiversity and human needs team linked livelihood and conservation gains through research and awareness on livelihood issues, support to programmes to help them integrate human needs into conservation activities, and the development of biodiversity-based local businesses. Despite limited resources to invest in this area, we furthered our aim of influencing global conservation policy by ensuring that livelihood issues were addressed within international conventions and by examining the opportunities and constraints around wildlife use strategies.

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As climate change was pushed further up the global agenda, we worked with others around the globe – in particular governments and the private sector – on realising “avoided deforestation” as a mechanism to prevent further loss of forests. Our role in particular was to bring pilot agreements to fruition, whereby local governance of forest resources might be linked to sustainable finance. In 2007 we also improved systems for assessing our conservation impact.

Grant-making Policies

Through the conservation grants programmes we have responsibility for (the Arcadia Fund, Flagship Species Fund, Rapid Response Fund, Conservation Leadership Programme and Global Trees Campaign) we disbursed some £823,660 to 59 different projects this year. In addition, three regional projects made small grants for conservation projects, and together supported 18 further local projects. Staff reviewed over 500 grant applications over the year, including 369 for external grants funds, and influenced the allocation of an additional £1 million of conservation grant funds.

Volunteers

FFI does not have many opportunities for volunteers, but has developed some opportunities for short-term internships, where young conservationists can gain experience of the sector while undertaking research or administrative tasks over a defined period

Achievements and Performance

2007 was the second year in which we adopted an approach to project assessment based on conservation achievements. This is now integrated into our reporting process and data is collated on both the extent of our activities and also the outcomes and impacts of our work. Across our portfolio, projects demonstrate outcomes in relation to our three central aims (see below).

This year, as we approach a new planning cycle, we have used the opportunity to review our success as a baseline for the next phase. Many of our conservation results come from years of hard work and dedicated effort, thus cannot be specifically apportioned to 2007, but rather represent the culmination of ongoing endeavours. The following achievements are derived from project managers' reports for 2007 but provide a snapshot only.

To prevent the loss of key elements of biodiversity without compromising human needs.

The status of at least 67 threatened species has been addressed by our projects in 2007, with over half of these species projects (36) operated through our grant funds or Philippines programme. An analysis of 28 species-focused projects indicates that over half the species are effectively used as flagship species, thus bringing wider conservation benefits to their habitat and associated fauna and flora. This analysis also reveals that nine species are showing evidence of recovery or stabilization. Examples include:

- The Antiguan racer is recovering at a steady pace, with the world population estimated at 300 individuals in 2007, a six-fold increase since the project began in 1995
- The long-term survival chances of the Tonkin snub-nosed monkey have been boosted by the discovery of a group of these monkeys in a new location, and the population appears to be increasing as a whole
- Despite a low estimate of the Siamese crocodile's overall population size, we consider that the sub-population is now stable at our main project sites

Our work in protected sites and other areas means that our current projects contribute to the conservation of 15,550,703 hectares, a figure that rises to 16,215,032 hectares when including areas whose conservation status we influence indirectly. Significant achievements for 2007 include:

- The establishment of 22 Community Protected Areas within the two wildlife sanctuaries, Phnom Samkos and Phnom Aural, in the Cardamom Mountains, Cambodia. Additionally the cases of illegal logging in Phnom Samkos Wildlife Sanctuary have fallen from 12 per month in 2004 to four per month in 2007, and elephant poaching for ivory appears to have ceased with no elephant deaths recorded in the Cardamom Mountains in 2007

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- Initial assessments of the carbon-value of our Arcadia-funded projects suggest that 206 million tonnes of carbon have been stored as a result of habitat protection. Estimates suggest that these sites would have released up to 204 million tonnes of CO₂ had they been allowed to degrade.
- Rangers in the Awacachi Corridor, Ecuador, report a reduction in infractions against the Corridor in 2007, and attempts to extract timber and mine for gold in the corridor have also fallen when compared to 2006.

Through our work on biodiversity and human needs we have effectively engaged local populations with our conservation efforts, and helped to ensure biodiversity benefits the most disadvantaged rural poor. For example:

- Over 200 households in villages closest to the Cao Vit gibbon project, Vietnam's protected area have improved cooking stoves, and feedback from the project indicates that houses with stoves use c. 40-60% less fuel wood.
- 68% of recipients of a Fruit and Nut small grant project, Kyrgyzstan reported the grant had made a long-term material impact on their life and that of their family (e.g. generation of income), and 79% reported a long-term non-material benefit (e.g. new skills and information).

To support individuals and communities, local and national organisations and institutions to deliver biodiversity conservation in the long-term.

A distinctive feature of FFI is that we work in direct collaboration with local partners, and the improved capacity we have helped these local organizations to develop is part of the reason for many of our conservation successes. In 2007 we directly supported the work of 106 local partner institutions, and indirectly supported 116 local organizations. We also collaborated with an additional 68 organizations including national and international NGOs, universities and local community groups. In many cases local organizations are delivering significant conservation results, enabling FFI to offer a support role from the sidelines. In 2007 alone we saw 31 local partner organizations, or their staff, utilizing the skills we had previously provided, and evidence for six of these organizations taking clear steps towards working more independently of FFI. Examples of successes among our partners include:

- Three villages in Tanzania are now in the process of setting up new Village Level Forest Reserves which together constitute just under 7,000 hectares. This is a result of awareness-raising by the Mpingo Conservation Project on Participatory Forest Management
- Our ongoing institutional support to our long-term partner East Africa Wildlife Society, Kenya allows them to be effective in supporting local conservation groups in Kenya, including the Kuruwitu Community Managed Marine Protected Area. The Community's positive perception of the conservation activities was emphasized by its decision to demarcate a further 4 km² of beach, having recognized the links between declining local earnings and increased food insecurity and environmental degradation.
- We specifically helped in the training or institutional development of 40 conservation groups in 2007, and conservation skills development in at least 946 individuals.

To influence the social, economic and political processes that underlie biodiversity loss.

Central to our work is the wish to affect the underlying drivers of biodiversity loss, and to change the behaviour of governments and corporations with some of the greatest impacts on the world's natural resources. In 2007 one of the key international policy issues we have focused on is climate change and mitigation, with respect to its impact on biodiversity. Our presence at international meetings about this issue enabled us to raise biodiversity concerns around the drive towards bio fuels and during discussions of Reducing Emissions from Degradation and Deforestation (REDD). Our instigation of pilot projects in Indonesia will contribute to knowledge and learning in the future. Additional work in this area includes:

- Our work with five multi-national businesses, including companies in the mining and agricultural sectors, whom we help to incorporate biodiversity considerations into their day-to-day operations and planning.
- Work with the UNEP Finance Initiative to influence the policies of financial investment organizations, with regard to an awareness of the potential biodiversity impacts of their investments and associated risks.

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Board of Trustees' Report

For the year ended 31 December 2007

Financial Review

2007 saw total income grow by £678k to £9,631k, with increases in both restricted and unrestricted income. We have continued to develop our operational programmes, and this has been supported by a strong increase in grants secured for these, though this has been partially off-set by a decline in voluntary restricted income, as certain projects complete. We continue to pursue diverse income streams to meet the requirements of our projects, and also to support our general operations, and through these sources managed to contribute to over 125 projects in 2007.

The following table summarizes key sources of restricted and unrestricted income

Income Source	£ Restricted	£ Unrestricted	£ Endowment	£ Total
Government and Multilateral	3,638,871	31,251	-	3,670,122
Trusts and Foundations	2,388,790	206,555	-	2,595,345
Corporate	1,439,248	157,720	-	1,596,968
Individuals	1,064,313	547,037	-	1,611,350
Membership	-	112,466	-	112,466
Investment	7,639	35,212	1,865	44,716
Total	8,538,861	1,090,241	1,865	9,630,967

Project income continues to be strongly supported by funding from multilateral sources, supporting our work on sustainable livelihoods and our continued work in Banda Aceh following the Tsunami. Funds flow from trusts and foundations has enabled development to continue in the Niassa reserve in Mozambique, with funds now flowing from the first of the franchises secured, with the aim of developing a sustainable income stream to support on-going operations for this significant wilderness area. Support from corporate organisations and individuals continue to be important sources of income, and we will continue to work pro-actively to build upon our corporate relationships and to ensure continuing support for our Arcadia fund, which has been able to make significant investments in habitats under threat, supporting many endangered species and ensuring continuing protection for threatened landscapes.

Unrestricted income in the year has exhibited strong growth, increasing by £286k over 2006 to £1,090k. The primary driver for this has been a strong improvement in funds raised from individuals, along with increased revenues from consultancy and direct delivery. It is critical that we maintain this impetus in order to strengthen the reserves position of the organisation, and therefore we will continue to invest in the functions necessary in order to achieve this.

Total expenditure for 2007 shows some reduction from 2006, at £8,231k, and within this the proportion of expenditure between restricted and unrestricted activities has altered, with less of our core organisational costs being met by contributions from project funds, partially attributable to lower project expenditure levels than in 2006. We continue to monitor closely the allocation of costs to projects and to ensure appropriate contributions to overhead costs are maintained, whilst also ensuring that we are able to build and develop our institutional capacity in order to continue to deliver against our key objectives and priorities. The costs of generating voluntary income also include significant initial investment in establishing and developing networks within Australia.

This has resulted in net unrestricted incoming resources before other recognised gains and losses of £107k for the year. There was minimal impact of exchange gains or losses in the year, due to little overall change in the value of the dollar in comparison to Sterling over the year, coupled with some strengthening of the Euro, and therefore we have been able to contain the impact of this

The investment portfolio did not fare so well, with some considerable devaluation of the portfolio through the year. This has led to an unrealised unrestricted loss in the period, and a small gain for the endowment portfolio.

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Project balances and project commitments remain constantly under review in order to ensure that there are no anticipated revenues that may be deemed irrecoverable or that there are project expenditures being incurred against which future income is unlikely to be generated. Internal monitoring processes have been developed to support this and, although not an exact science due to the differing funding processes adopted by our portfolio of funding partners, it is not felt that there are any projects that require balances to be written down or provided against at this point in time.

Overall Position

The net movement in unrestricted funds for the period is £71k, reducing the accumulated deficit to £303k, reflecting continuing improvements in the financial performance of the organisation, both in respect of the projects that we undertake and in the ability to generate unrestricted income to support our activities. There have been some increases in the cost base of the organisation, due to such things as the office relocation and the additional investment that we are making in our fundraising efforts, but any additional cost burdens are scrutinised carefully to ensure there are sufficient, on-going revenue streams identified to support them. We remain committed to eliminating our unrestricted deficit and progressing towards meeting our reserves target, whilst also continuing to improve the overall effectiveness of the organisation.

Reserves Policy

The Trustees remain committed to building up a reserves base that will help insulate the organisation from some of the volatility in funding that is inevitable in an organisation with such a high ratio of restricted to unrestricted funds, and the objective remains at present to establish a minimum reserve of £500k. This will be kept under review and revised as necessary by the Trustees.

Investment Policy and Objectives

The investment policy of the organisation is designed to protect, as far as possible, the value of the assets held in the designated permanent endowment funds and not to speculate in individual investments with the moderate funds currently held for general purposes. We are currently reviewing the existing portfolio to bring it into line with this policy

Plans for Future Periods

As we develop our Business Plan for the following five years, we see an increasing awareness of the importance of conservation and the impact of habitat destruction and biodiversity loss, We see a continuation of our partnering approach as an important aspect of our conservation delivery, allowing us to generate the maximum conservation returns for investments made, whilst also continuing to explore options for large – scale land management opportunities, avoiding degradation and destruction and establishing viable governance and stewardship models for these areas.

We will need to continue to develop our supporter base and are seeking growth in our unrestricted income generation over this 5 year period to both eliminate the current unrestricted deficit and to build towards reaching our unrestricted reserves target.

Auditors

A resolution to re-appoint Peters Elworthy & Moore as auditors of the Company will be proposed at the Annual General Meeting.

Our thanks are extended to all staff and Trustees for the time and effort they have contributed during the year. We are also grateful to the volunteers who have given freely of their time to assist our work.

Approved and authorised for issue by the board of trustees on 26 June 2008 and signed on its behalf by



Philip Prettejohn
Trustee

Fauna & Flora International

Independent Auditors' Report to the Trustees

On the Financial Statements for the year ended 31 December 2007

We have audited the financial statements which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As described in the Statement of Trustees Responsibilities the trustees' (who are also the directors for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We are not required to consider whether the statement in the trustees' report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the trustees' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any 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 the trustees 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 the information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 December 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

PETERS, ELWORTHY & MOORE
Chartered Accountants and Registered Auditor
CAMBRIDGE

Re A
10th July 2008

Fauna & Flora International

Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 December 2007

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2007 Total £	2006 Total £
Incoming Resources:						
<i>Incoming resources from generated funds:</i>						
Voluntary income	3	622,815	2,977,599	-	3,600,414	4,050,331
Donations and gifts		22,937	30,000	-	52,937	59,567
Sub-total voluntary income		<u>645,752</u>	<u>3,007,599</u>	<u>-</u>	<u>3,653,351</u>	<u>4,109,898</u>
Investment income		35,212	7,639	1,865	44,716	54,492
Subscriptions		112,466	-	-	112,466	93,181
Charitable trading income		-	-	-	-	-
Royalty income		-	-	-	-	-
		<u>147,678</u>	<u>7,639</u>	<u>1,865</u>	<u>157,182</u>	<u>147,673</u>
<i>Incoming resources from generated funds</i>		793,430	3,015,238	1,865	3,810,533	4,257,571
<i>Incoming resources from charitable activities:</i>						
Grants for operational programmes		271,172	4,183,424	-	4,454,596	3,457,377
Contracts for operational programmes		25,639	1,340,198	-	1,365,837	1,237,937
Total incoming resources		<u>1,090,241</u>	<u>8,538,860</u>	<u>1,865</u>	<u>9,630,966</u>	<u>8,952,885</u>
Resource Expended						
<i>Costs of generating funds:</i>						
Costs of generating voluntary income		425,547	-	-	425,547	270,270
Fundraising trading costs		64,473	-	-	64,473	57,499
		<u>490,020</u>	<u>-</u>	<u>-</u>	<u>490,020</u>	<u>327,769</u>
<i>Charitable activities:</i>						
Conservation projects and biodiversity awareness		469,629	6,698,237	-	7,167,866	7,938,810
Land purchases		-	549,471	-	549,471	647,232
		<u>469,629</u>	<u>7,247,708</u>	<u>-</u>	<u>7,717,337</u>	<u>8,586,042</u>
Governance costs	7b	23,719	-	-	23,719	31,281
Total resources expended	7a	<u>983,368</u>	<u>7,247,708</u>	<u>-</u>	<u>8,231,076</u>	<u>8,945,092</u>
Net incoming (outgoing) resources before gains and losses – c/fwd		106,873	1,291,152	1,865	1,399,890	7,793

Fauna & Flora International

Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 December 2007

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2007 Total £	2006 Total £
Net incoming resources before gains and losses – b/fwd		106,873	1,291,152	1,865	1,399,890	7,793
Other Recognised Gains and Losses						
Unrealised gains on investments	9	(39,397)	-	183	(39,214)	65,294
Foreign exchange gains (losses)		3,183	-	-	3,183	(268,193)
Exceptional expenses	6	-	-	-	-	(71,943)
Net Movement in Funds		70,659	1,291,152	2,048	1,363,859	(267,049)
Balance brought forward		<u>(374,640)</u>	<u>2,949,423</u>	<u>429,894</u>	<u>3,004,677</u>	<u>3,271,726</u>
Balance carried forward	15	<u>(303,981)</u>	<u>4,240,575</u>	<u>431,942</u>	<u>4,368,536</u>	<u>3,004,677</u>

All gains and losses recognised in the year are included above. All the activities of the charity are classed as continuing.

Fauna & Flora International

Balance Sheet

As at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	8		100,974		73,005
Investments	9		418,310		477,144
			<u>519,284</u>		<u>550,149</u>
Current Assets					
Debtors	10	2,303,924		995,827	
Cash at bank and in hand		<u>2,389,844</u>		<u>2,073,820</u>	
		4,693,768		3,069,647	
Creditors: amount falling due within one year	11	<u>(844,516)</u>		<u>(598,452)</u>	
Net Current Assets			3,849,252		2,471,195
Creditors: amount falling due after one year	12		-		(16,667)
			<u>4,368,536</u>		<u>3,004,677</u>
Reserves					
Income Funds					
Unrestricted funds	15		(303,981)		(374,640)
Restricted funds	13,15,19		4,240,575		2,949,423
			<u>3,936,594</u>		<u>2,574,783</u>
Capital Funds					
Permanent endowment funds	14,15		431,942		429,894
			<u>4,368,536</u>		<u>3,004,677</u>

Approved by the Board of Trustees and authorised for issue on 26 June 2008 and signed on its behalf by



Chairman: Andrew Sykes

Fauna & Flora International

Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	18	374,433	134,945
Returns on investments and servicing of finance	18	(42,851)	(54,492)
Capital expenditure and financial investment	18	<u>(15,558)</u>	<u>48,633</u>
Increase in cash and cash equivalents		<u>316,204</u>	<u>129,068</u>
Reconciliation of Net Cash Flow to Movements in Net Funds			
Increase in cash in the year		316,024	129,068
Net cash resources at 1 January 2007		<u>2,023,820</u>	<u>1,894,734</u>
Net cash resources at 31 December 2007		<u>2,339,844</u>	<u>2,023,820</u>
Analysis of changes in net debt			
	As at 01.01.07	Cash Movement	As at 31.12.07
	£	£	£
Cash at bank and in hand	2,073,820	316,024	2,389,844
Loan balances	(50,000)	-	(50,000)
	<u>2,023,820</u>	<u>316,024</u>	<u>2,339,844</u>

The attached notes form part of these financial statements

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

1 Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the charity's financial statements.

a) Accounting Convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments, and are in accordance with applicable accounting standards, and the Statement of Recommended Practice by Charities (SORP 2005), "Accounting and Reporting by Charities" published in March 2005.

b) Incoming Resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Income is recognised when it is due under terms of funding agreements. In respect of restricted income grants, where the donor has specifically stated a percentage is to be used for management and administration, then this amount is accounted for as unrestricted income. Where no percentage is stated the Society accounts for 15% as relating to management and administration and this amount is accounted for as unrestricted income. For legacies, entitlement to income is the earlier of the charity being notified of an impending distribution or the legacy being received.

c) Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Fund-raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Governance and Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out at Headquarters. Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

d) Tangible Fixed Assets

Tangible fixed assets are shown at cost less depreciation. Depreciation is provided so as to write off the cost of tangible fixed assets over their estimated useful lives at the following annual rates:

Fixtures and fittings	- 20% straight line
Project equipment	- 25% straight line

e) Listed Investments

Listed investments are included at the mid-market price as shown in the Stock Exchange Daily Official List as at close of business at the year end. The SOFA includes the net unrealised gains and losses arising on revaluations and realised gains and losses on disposals throughout the year.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

f) **Leased Assets**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount accounted for is the present value of the minimum lease payments payable during the lease term. All other leases are treated as operating leases and their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

g) **Funds**

Resources are allocated to Restricted Funds according to the limitations on their use specified by the donors or other providers. Funds received in the direct operation of the charity are treated as unrestricted income funds. Other resources received without external restriction are designated by the trustees for particular purposes as deemed appropriate.

h) **Foreign Exchange**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end. Gains and losses on re-translation are dealt with as part of the deficit or surplus on ordinary activities for the financial year.

i) **Pension Contributions**

The charitable company contributes to individual personal pensions for staff; contributions are charged to the profit and loss account as they become payable.

j) **Finance and operating leases**

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred. Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges. Finance charges are written off to the SOFA over the period of the lease so as to produce a constant periodic rate of charge.

2 Company Status

The company is limited by guarantee, not having a share capital and is also a registered charity; it is not liable to corporation tax. The members of the limited liability company are the trustees named on page 1. In the event of the charity being wound up, the liability in respect of guarantee is limited to £1 per member of the limited liability company.

3 Donations and gifts

	2007 £	2006 £
Individuals	1,358,965	930,660
Charitable Foundations	2,181,121	3,117,821
Corporate Donations	60,328	1,850
	<u>3,600,414</u>	<u>4,050,331</u>

4 Expenditure

	2007 £	2006 £
Direct and other expenditure includes:-		
Auditors' remuneration	13,312	12,500
Auditors' other fees	7,340	2,238
Depreciation	9,074	6,148
Operating leases: land and buildings	98,559	74,790
Foreign exchange (gains)/losses	<u>(3,182)</u>	<u>268,193</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

5 Employee Information	2007 £	2006 £
5a Staff costs:		
Wages and salaries	1,973,659	1,338,661
Social security costs	153,073	136,254
Pension costs	12,142	11,720
	<u>2,138,874</u>	<u>1,486,635</u>

5b The average number of persons, analysed by function, employed during the year was:-	2007 Number	2006 Number
Project management, fundraising and administration	<u>52</u>	<u>49</u>

The above numbers do not include Trustees who are not permitted to receive remuneration for their duties unless formal approval has been received from the Charity Commission. Expenses of £915 (2006: £1,250) were reimbursed to Trustees in respect of travel and subsistence during the year.

5c Employees whose emoluments for the year were £60,000 or more are shown in the following bands:-	2007 Number	2006 Number
£60,001 - £70,000	-	1
£70,001 - £80,000	2	-
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-

The pension contributions to the pension scheme for its higher paid staff was £12,142 (2006: £11,720) and for the other staff was £0 (2006: £0)

6 Exceptional Costs	2007 £	2006 £
Exceptional Costs	<u>-</u>	<u>71,943</u>

This cost in 2006 related to some investigation work that was undertaken by KPMG following allegations made regarding financial malpractice in part of our operations. Following this report and reports received from the management of the organisation, the trustees are satisfied that there has been no fraud, false accounting or management malfeasance either in FFI or our partner organisation.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

7a Analysis of Total Resources Expended

	Staff costs £	Other costs £	Support costs £	2007 £	2006 £
Projects					
Arcadia	16,939	148,233	384,301	549,473	574,383
Africa	603,993	187,086	694,723	1,485,802	2,403,671
Asia Pacific	915,025	253,566	673,177	1,841,768	2,468,965
Americas	325,388	115,100	392,191	832,679	414,592
Eurasia	163,832	90,454	177,152	431,438	329,077
Partnerships	609,056	392,004	1,105,488	2,106,548	1,715,750
	<u>2,634,233</u>	<u>1,186,443</u>	<u>3,427,032</u>	<u>7,247,708</u>	<u>7,906,438</u>
Fundraising & communications	357,070	-	209,676	566,746	389,967
Support administrative costs	(116,122)	-	532,744	416,622	648,687
	<u>2,875,181</u>	<u>1,186,443</u>	<u>4,169,452</u>	<u>8,231,076</u>	<u>8,945,092</u>
			(Note 7b)		

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

7b Analysis of Support Costs

	Project activities £	Fund-raising & Communication costs £	Support & administration costs £	Governance £	Total 2007 £	Total 2006 £
Premises	27,400	11,597	232,740	-	271,737	401,290
Equipment	447,322	5,967	11,358	-	464,647	461,920
Grants	1,878,311	12,935	6,443	-	1,897,689	2,595,132
Conferences & events	144,386	8,830	3,799	4,915	161,930	352,280
Financial costs	17,618	2,618	13,981	-	34,217	26,401
Depreciation	-	-	9,074	-	9,074	6,148
Communications, IT & office supplies	269,286	104,657	82,166	1,388	457,497	179,483
Travel and entertainment	519,230	55,154	90,821	4,079	669,284	635,046
Legal fees	-	7,918	9,629	25	17,572	9,552
Audit fees	-	-	-	13,312	13,312	14,738
Other costs	90,629	-	49,014	-	139,643	419,535
Land purchases	32,850	-	-	-	32,850	542,080
	<u>3,427,032</u>	<u>209,676</u>	<u>509,025</u>	<u>23,719</u>	<u>4,169,452</u>	<u>5,643,605</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

8 Tangible Fixed Assets

	Land	Fixtures and Fittings	Total
	£	£	£
Cost:			
At 1 January 2007	70,000	100,241	170,241
Additions	-	37,043	37,043
Disposals	-	(17,065)	(17,065)
At 31 December 2007	<u>70,000</u>	<u>120,219</u>	<u>190,219</u>
Depreciation:			
At 1 January 2007	-	97,236	97,236
Charge for year	-	9,074	9,074
Disposals	-	(17,065)	(17,065)
At 31 December 2007	<u>-</u>	<u>89,245</u>	<u>89,245</u>
Net book value:			
At 31 December 2007	<u>70,000</u>	<u>30,974</u>	<u>100,974</u>
At 31 December 2006	<u>70,000</u>	<u>3,005</u>	<u>73,005</u>

9 Fixed Asset Investments

	2007 £	2006 £
Market valuation as at 1 January 2007	477,144	460,483
Acquisitions at cost	-	36,535
Disposals at market value	(21,485)	(74,802)
Net surplus/(deficit) on revaluation	(37,349)	54,928
Market valuation as at 31 December 2007	<u>418,310</u>	<u>477,144</u>
Historical cost as at 31 December 2007	<u>292,277</u>	<u>301,201</u>
Disposals at market value	21,485	74,802
Disposals at cost	(19,620)	(68,216)
Realised gains/(losses)	1,865	6,586
Unrealised gains/(losses)	(39,214)	65,294
Total gains/(losses) on revaluation	<u>(37,349)</u>	<u>71,880</u>
Fixed asset investments comprised of:		
Equities	338,663	394,994
Gilts	79,647	82,150
	<u>418,310</u>	<u>477,144</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

10 Debtors

	2007 £	2006 £
Other debtors	1,062,407	162,319
Amounts due from FFI Inc	484,257	282,967
Amounts recoverable on projects	714,051	519,483
Prepayments and accrued income	43,209	31,058
	<u>2,303,924</u>	<u>995,827</u>

All the above amounts fall due within one year

11 Creditors: falling due within one year

	2007 £	2006 £
Loans	50,000	33,333
Trade Creditors	145,954	235,819
Tax & Social Security	49,368	52,703
Accruals	54,565	73,377
Deferred Income	544,629	203,220
	<u>844,516</u>	<u>598,452</u>

The bridging loan in respect of the Sera Project is an interest-free loan repayable in full during the year ended 31 December 2008 (see also note 12).

12 Creditors: falling due after one year

	2007 £	2006 £
Loans	<u>-</u>	<u>16,667</u>

The bridging loan in respect of the Sera Project is an interest-free loan repayable in full during the year ended 31 December 2008.

13 Restricted Funds

	Balance Brought Forward £	Net surplus (deficit) for year £	Balance carried forward £
Conservation projects	<u>2,949,423</u>	<u>1,291,152</u>	<u>4,240,575</u>

The restricted funds of the charity comprise unexpended balances on income given for specific purposes. Details of individual funds are disclosed in note 19 on page 23.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

14 Permanent Endowment Funds

	Balance Brought Forward £	Net Surplus for year £	Investment gains/ (losses) £	Balance Carried Forward £
Rothiemurchus Bequest Fund	22,291	1,865	(3,316)	20,840
M.G.P. Fund	407,603	-	3,499	411,102
	<u>429,894</u>	<u>1,865</u>	<u>183</u>	<u>431,942</u>

The Rothiemurchus bequest stipulates that the Society should:

- i) Hold the bequest and pay or apply part of the income thereof each year in assisting not more than one conservation project consistent with the aims of the Society;
- ii) Accumulate for as long as possible at least one quarter of the income, which should be added to the capital of the bequest.

The Whitley Animal Protection Trust M.G.P. Fund represents a capital donation from the Whitley Animal Protection Trust, which stipulated that the capital should be invested and the income used for the protection of the mountain gorilla. Provision is made to maintain the relative value of the capital and to provide regular guaranteed income for the I.G.C.P.

15 Analysis of Net Assets between Funds

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Tangible fixed assets	30,974	70,000	-	100,974
Investments	214,734	-	203,576	418,310
Net current assets	(549,689)	4,170,575	228,366	3,849,252
Long-term creditors	-	-	-	-
	<u>(303,981)</u>	<u>4,240,575</u>	<u>431,942</u>	<u>4,368,536</u>

16 Operating Lease Commitments

Annual commitments are as follows:

	2007 £	2006 £
Land and buildings		
In less than two years	-	18,947
In two to five years	105,526	105,526
	<u>105,526</u>	<u>124,473</u>
Other operating leases		
In less than two years	3,933	2,933
In two to five years	24,264	25,264
	<u>28,197</u>	<u>28,197</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2007

17 Related Party Transactions and Ultimate Controlling Party

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8, other than those disclosed in Notes 5b and 10 above. The company is under the control of the Board of trustees. There is no ultimate controlling party

18 Cash Flow Information

	2007 £	2006 £
a) Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	1,363,859	(267,049)
Depreciation charges	9,074	6,148
Gain on disposal of investment assets	(1,865)	-
Investment income (shown separately in (b) below)	42,851	54,492
(Increase)/decrease in debtors	(1,308,097)	76,621
Increase in creditors	229,397	330,027
Change in investment valuation	39,214	(65,294)
Net cash inflow (outflow) from operating activities	<u>374,433</u>	<u>134,945</u>
b) Gross cash flows		
<i>Returns on investments and servicing of finance:</i>		
Investment income received	<u>(42,851)</u>	<u>(54,492)</u>
<i>Capital expenditure and financial investment:</i>		
Payments to acquire tangible fixed assets	(37,043)	-
Receipts from sales of investments	21,485	85,166
Payments to acquire investments	-	(36,533)
	<u>(15,558)</u>	<u>48,633</u>

Fauna & Flora International

Statement of Restricted Reserves

For the year ended 31 December 2007

19 Restricted Funds

	Programmes	B/Fwd	Receipts	Payments	Income Accrued	From U/R	C/Fwd
		£	£	£		£	£
Arcadia	Arcadia	-	929,379	549,471	-	-	379,908
Conservation Partnerships	Policy	11,342	123,123	151,168	33,301	-	16,598
	Corporate	257,441	906,033	680,976	-	-	482,498
	Livelihoods	219,027	773,768	988,848	32,646	-	36,593
	Land & Species	156,257	447,499	351,507	-	-	252,249
Africa	Pan Regional	36,291	31,843	45,486	-	-	22,648
	Nimba	-	15,756	40,031	37,706	-	13,431
	Liberia	231,854	152,540	452,439	75,892	-	7,847
	Central Africa						
	Primates	100,862	438,488	399,917	60,140	-	199,573
	OI Pejeta	-	284,106	181,997	-	-	102,109
	East Africa	55,694	266,065	160,926	16,428	-	177,261
	Niassa Reserve	34,839	644,309	364,601	36,766	-	351,313
	South Africa	6,915	63,589	60,295	-	-	10,209
	BIOT	7,073		8,256	1,183	-	-
Eurasia	Pan Regional	12,876	61,913	66,573	-	-	8,216
	Other Eurasia	18,201	145,233	85,675	-	-	77,759
	Kyrgystan	128,787	131,111	200,279	32,391	-	92,010
	Western Europe	113,574	80,033	111,268	-	-	82,339
Americas	Pan Regional	33,521	102,360	60,620	-	-	75,261
	Caribbean	9,725	6,655	7,983	-	-	8,397
	Belize	-	183,085	211,512	35,698	-	7,271
	Nicaragua	51,041	278,871	288,842	13,438	-	54,508
	Brazil & Argentina	40,110	304,975	257,607	24,803	-	112,281
	Ecuador	6,516	101,238	104,461	24,406	-	27,699
Asia Pacific	Pan Regional	33,752	40,512	26,166	-	-	48,098
	Vietnam	206,753	394,174	517,608	131,152	-	214,471
	Cambodia	158,654	522,283	499,345	19,272	-	200,864
	Indonesia	965,281	922,619	998,595	123,294	-	1,012,599
	Philippines	49,840	118,760	36,219	-	-	132,381
	China	3,197	68,540	53,088	15,535	-	34,184
		<u>2,949,423</u>	<u>8,538,860</u>	<u>7,961,759</u>	<u>714,051</u>	<u>-</u>	<u>4,240,575</u>

Included in the above are amounts for grants received from the following organisations:

BBC Wildlife Fund £50,000

The Bromley Trust £15,000