

Company Number: 2677068
Charity Number: 1011102

FAUNA & FLORA INTERNATIONAL

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

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Fauna & Flora International

Company Information

Patron	Her Majesty, Queen Elizabeth II
President	HRH Princess Laurentien of the Netherlands
Vice Presidents	Baroness Amos Sir David Attenborough OM FRS Professor David Bellamy OBE The Lord Browne of Madingley FR Eng Field Marshal Sir John Chapple GCB CBE DL Lord John De Ramsey Dame Judi Dench Dr Lee Durrell Stephen Fry Rupert Goodman Edward Hoare Professor Frederick Kayanja Rove McManus Sir Mark Moody-Stuart Dr Lisbet Rausing Hugh Sloane Jon L Stryker Dr Charlotte Uhlenbroek The Rt Hon Baroness Young of Old Scone
Council Officers	
Chairman	Andrew Sykes
Vice Chairs	Professor Nigel Leader-Williams Charles Whitbread
Treasurer	Philip Prettejohn
Ordinary Members of Council	Virginia Drabbe-Seemann Stephen Georgiadis Professor Brendan Godley Dr Charlotte Grezo Professor E. J. Milner-Gulland Sir Gareth Rhys-Williams Professor Callum Roberts Edward van Cutsem Diana van de Kamp Dr Bhaskar Vira John Wotton
Company Secretary	Mark Blake
Chief Executive Officer	Mark Rose

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Fauna & Flora International

Board of Trustees' Report

For the year ended 31 December 2012

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

Statement of trustees' responsibilities

The trustees are responsible for preparing their annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the Group and the incoming resources and application of resources, including the net income and expenditure, of the Group for the year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the 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 reasonable 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 in 1903 and is registered with the Charity Commission, Registered Charity Number 1011102.

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Board of Trustees' Report

For the year ended 31 December 2012

Registered Office

FFI's registered and principal office is at 4th Floor, Jupiter House, Station Road, Cambridge CB1 2JD.

Board of Trustees

Members of the Board of Trustees (known as The Council) are directors for the purpose of company law and trustees for the purpose of charity law. The company is limited by guarantee; therefore no member of the Board of Trustees has any beneficial interest in the company. The Trustees who were in office on the date of this report are included under Company Information.

The Trustees who served during the year were as follows:-

Andrew Sykes	Chairman
Professor Paul Racey	Vice Chairman (stood down 31 st October 2012)
Professor Nigel Leader-Williams	Vice Chairman (appointed as Officer 31 st October 2012)
Charles Whitbread	Vice Chairman (appointed as Officer 31 st October 2012)

Philip Prettejohn	Treasurer
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Virginia Drabbe-Seemann
Stephen Georgiadis
Dr Charlotte Grezo
Professor Brendan Godley (appointed 31st October 2012)
Dr Sandra Knapp (stood down 31st October 2012)
Philip Merricks (stood down 31st October 2012)
Professor E. J. Milner-Gulland
Sir Gareth Rhys-Williams (appointed 31st October 2012)
Professor Callum Roberts
Edward van Cutsem (appointed 31st October 2012)
Diana van de Kamp
Dr Bhaskar Vira (appointed 31st October 2012)
John Wotton

Chief Executive Officer

Mark Rose

Company Secretary

Mark Blake

Auditors:

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

Solicitors:

Mills & Reeve, Botanic House, 100 Hills Road, Cambridge CB2 1PH

Investment Managers:

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

Principal Bankers:

Barclays Bank, Mortlock House, Vision Park, Histon, Cambridge CB24 9DE

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Board of Trustees' Report

For the year ended 31 December 2012

Structure, Governance and Management

FFI was established under a Memorandum of Association, which sets out its objects and powers, and is governed under its Articles of Association. The Board of Trustees, or 'Council', is the governing body of the organisation and has legal, financial and managerial responsibility for the charity.

Members of Council are ordinarily elected to serve a four year term and can be re-elected for a further term. The Council has adopted formal procedures for the recruitment, selection and induction of new trustees and has constituted a Nominations Committee to support Council in the implementation of these procedures, as well as for the consideration of other honorary appointments. There are also provisions under the Articles of Association for members to nominate any Member for election or re-election as a trustee.

The Council regularly reviews the scope of experience and expertise of its members in order to identify any gaps and in so doing considers the particular skills and characteristics it must seek in new recruits. All nominations for membership of Council are then reviewed against these criteria.

An induction procedure aims to provide new Council members with the information and tools that they need to become effective within the governing body. The Council is responsible for establishing the strategy, policy and control framework of the organisation, which is achieved via twice yearly meetings and via formal delegations to sub-committees and to the Senior Management Team of the organisation.

The Board of Trustees have established an Executive Committee, comprising the officers of the Charity, to which regular supervision of FFI's management and operations has been delegated. These duties are exercised through monthly meetings with the Senior Management Team and through delegations to the Chief Executive Officer and other staff, as agreed. The day-to-day operations of the Charity are the responsibility of the Chief Executive Officer and his staff.

Council has constituted a Remuneration Committee, responsible for agreeing the remuneration of senior staff within the organisation, as well as agreeing, on behalf of the Trustees, the remuneration policy of the Charity.

Council has also constituted an Audit Committee, responsible for engaging with the external audit provision, participating in the planning of the nature and scope of the audit and receiving and reviewing the annual report and accounts along with any associated management letter. The Audit Committee's remit also includes review of risk management policies and processes and receiving reports on such from the management of the organisation.

All acts and proceedings of these sub committees are fully and promptly reported to the full Council.

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Board of Trustees' Report

For the year ended 31 December 2012

Related Party Statement

FFI has related organisations in the United States of America, Australia and Singapore:

Fauna & Flora International Inc., was established in 1981 and is registered as a Not for Profit Organisation in the State of Massachusetts. It is tax exempt (EIN #04-2730954) and has 501(c) (3) status. It has a separate Board of Directors, over which FFI does not have the power to exercise control. The financial results of FFI Inc. have therefore not been consolidated.

Fauna & Flora International Australia (Ltd), (FFI Australia) was established in 2008 and is a public company limited by guarantee, registered in Victoria under the Corporations Act 2001, and recognised as a Charitable Institution (ABN 75 132 715 783, ACN 132715783). Fauna & Flora International Australia operates a Public Fund with deductible gift recipient (DGR) status which appears on the Australian Government's Register of Environmental Organisations. FFI Australia also has a separate Board of Directors, but FFI currently does not have the power in the Constitution to exercise control over the undertaking, although this control has not been exercised to date. However we are of the view that the existence of this power requires FFI Australia's financial results to be consolidated.

Fauna & Flora International (Singapore) was established as a public company limited by guarantee in November 2011, Registration Number 201133836K. It also became a registered Singapore charity in November 2012. This entity is wholly owned by FFI and therefore the financial results of FFI Singapore are consolidated.

The related party transactions are disclosed in notes 10, 11 and 16 below.

Risk Management

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 and the Audit Committee.
- The establishment of systems and procedures to mitigate those risks identified from operational review and as part of the Business 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, are reviewed on a periodic basis by the Trustees and actions taken accordingly.

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Board of Trustees' Report

For the year ended 31 December 2012

Report on Public Benefit

Public Benefit Statement

In exercising their powers and duties in furtherance of the Charity's Objects, Council have complied with their duty, under Section 17 of the Charities Act 2011, to show due regard for the Charity Commission's general guidance on public benefit. In addition, whilst setting the organisation's annual objectives and planning its activities, the Trustees have also demonstrated due regard for the Commission's specific guidance relating to the conservation of the environment for the public benefit.

The report which follows on pages 5 – 11 demonstrates the activities undertaken by FFI in 2012 in furtherance of its charitable purposes for the public benefit.

Objectives and Activities

FFI is established to achieve the following objectives:

- To promote the conservation of the environment by the protection of biodiversity for the benefit of the public by designing and implementing globally applicable solutions that are effective locally;
- To advance the awareness and education of all sectors of society worldwide in the conservation and protection of biodiversity.

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.

Targets and Aims

FFI operates primarily in developing countries where there are significant natural resources, but the means to conserve them may be limited. FFI has always been a groundbreaker in wildlife conservation; 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 is currently supporting or developing over 130 projects in more than 40 countries.

A current five-year business plan was launched with effect from January 2009. In this business plan our three key organisational aims have been retained, but the focus of the targets within them has been updated in relation to changing external pressures on the natural world. We have adopted three headline targets relating to each of our key organisational aims. For the period 2009-2013 our specific targets are:

- **Safeguard havens of biological diversity** To increase the area of terrestrial and aquatic ecosystems in our portfolio that is under robust conservation management by 50% by 2013.
- **Reduce the impact of climate change on biodiversity** Recognising the scale of threat to biological diversity from a rapidly changing climate, we will ensure that our work on natural habitats contributes to global efforts to reduce the speed of change and level of impact.
- **Build conservation capacity** To increase the effectiveness and impact of local level conservation action.

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For the year ended 31 December 2012

These targets fit within the organisation's three overarching organisational aims:

- *To secure the future of key threatened habitats and the species they harbour;*
- *To address the root causes of biodiversity loss; and*
- *To help others deliver successful conservation.*

Strategies

The business plan outlines our overall strategy in terms of approach and focus, and this is then articulated by the operational teams in relation to their specific region or focal work area.

- Regional strategies in Eurasia, Africa, Asia Pacific and the Americas & Caribbean address long-term conservation priorities tailored to the specific threats and opportunities of each region, and in line with priorities identified through collaborations with locally-based partners;
- Cross-cutting strategies developed by our Conservation Partnerships team ensure we continue to capture and disseminate conservation knowledge and help programmes to identify, fund and achieve their conservation targets. Additionally, we work to influence corporate behaviour and increase environmental responsibility of business, and bring 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; through both technical and financial assistance and active collaboration. We have an internal structure which mirrors our conservation priorities, with a series of four regional teams supported by a Conservation Partnerships team which aims to support learning and practice on key thematic approaches across the regions.

Activities in 2012

Across our projects in 2012 we worked collaboratively with local governmental and non-governmental organisations to protect habitats and species on the ground and to empower others (typically local organisations or students) to engage in conservation. We maintained our focus on the interactions of climate change with biodiversity, developing new initiatives that demonstrate the opportunities to protect carbon stored within forest systems, and hence help inform the wider global policy debate. In addition, we have started a new programme focusing on marine conservation.

Our regional teams have worked with their local partners in a number of ways in 2012, including:

- Managing land for conservation, and securing additional land under conservation management;
- Actively protecting threatened species and averting human–wildlife conflict;
- Generating the knowledge to inform site and species management, through research and monitoring;
- Raising awareness of conservation within target communities;
- Developing incentives and alternatives to alleviate pressure on natural resources;
- Engaging local communities directly in conservation management;
- Demonstrating potential financial returns from markets based around environmental services;
- Training local conservationists and supporting local conservation institutions.

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All these activities have also been actively supported through our Conservation Partnerships division. In addition, this year their activities have focused on:

- Developing projects that will help mitigate climate change or will promote adaptation to climate change;
- Influencing wider policy debates on climate and ecosystem services, and on the relationships between environment and development;
- Delivering a cross-regional marine programme;
- Engaging with the corporate sector to improve companies' 'biodiversity footprints';
- Informing and influencing wider economic drivers of biodiversity loss, with a specific focus on biodiversity issues for investment banking and agricultural businesses.

Grant-making Policies

Through our conservation grants programmes (Halcyon Land & Sea, Flagship Species Fund, Rapid Response Facility, Conservation Leadership Programme and Global Trees Campaign, and in-country grants programmes) we disbursed some £830,000 to field-based projects this year. Our grant funds are run with clear criteria and application processes, and use formal review and clearly defined decision making. They also incorporate strong policies on reporting and financial oversight for grants. Staff also reviewed over 430 grant applications for external grants funds and, through this, influenced the allocation of an additional £1.24 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 whilst undertaking research or administrative tasks over a defined period.

Achievements and Performance

In 2012 we continued to implement our internal project monitoring and assessment process. 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).

However, we continue to take account of the fact that conservation is a long term process and, whilst we can see results in terms of specific project level change within a single year, our wider success in terms of protecting species and maintaining habitats only becomes apparent over the course of several years or even decades. Thus many of our conservation results come from years of hard work and dedicated effort, and cannot be specifically apportioned to 2012. The following achievements provide a snapshot of our achievements in this last year.

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Board of Trustees' Report

For the year ended 31 December 2012

Aim 1: To secure the future of key threatened habitats and the species they harbour

- In 2012 we directly contributed to the conservation of some 19.8 million hectares of important habitat and influenced conservation across a total of over 43.8 million hectares.
- We supported 144 protected areas (80 national protected areas, 11 private reserves and 53 community areas) and helped to protect 60 sites that are not yet formally designated.
- On-the-ground protection activities (ranger patrols and enforcement) were supported at 69 sites and our projects employed or supported over 760 rangers or scouts.
- We recorded direct impacts from our management support at 119 sites – through evidence of enhanced management or enforcement (95 sites), reduced threats (12 sites), or habitat maintenance or recovery (eight sites).
- In 2012 we focused on recovering populations of 36 threatened species or sub-species, additional to our work in protected areas which aided the conservation of a further 70 important species.
- Our projects grew over 203,500 tree seedlings (including over 22,500 seedlings of endangered trees) and helped almost 1.4 million turtle hatchlings reach the sea.
- We have evidence of improved conservation status for 19 species in 2012 - with either improved management or protection efforts (two species) a reduction in key threats (six species) or else recovery in populations being reported (11 species).

For example:

- *In 2012 we ensured that Antigua's key offshore islands were kept rat-free for yet another year. If rats were to successfully reinvade, we would see the native wildlife populations crash again. Checking the bait stations is a hot, tiring and tedious chore yet our local volunteers continue to feel committed and motivated enough to keep this up. As a result of our efforts we have seen an increase in the global population of Antiguan racer snakes reaching 893 individuals - a 79% increase since 2010, and an 18-fold increase since 1995.*
- *In Cambodia the first release of captive-bred Siamese crocodiles was a big success and marked the launch of a 20 year recovery programme in partnership between FFI, Forestry Administration and the Fisheries Administration.*
- *In Mozambique we have successfully established Chuilexi Conservancy within the wider Niassa Reserve. A sound infrastructure was put in place within the first 15 months of operation, and initial efforts seem to be paying conservation dividends. Whilst elephant poaching is still rife across Niassa Reserve, over 2012 we witnessed markedly lower levels of poaching in Chuilexi compared to neighbouring occupied and vacant concessions.*
- *In Kenya evidence collected by our partner (the Northern Rangeland Trust) has shown an increase in plant cover and a decrease in bare ground in conservancies we have helped to establish, compared with settlement areas. Across the newly protected ecosystem, sightings of wildlife as a whole increased and specifically there were increased sightings of elephant, giraffe, wild dog and lion.*

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Board of Trustees' Report

For the year ended 31 December 2012

- *In Tajikistan our support to the Zorkul Nature Reserve has resulted in increased patrolling, monitoring of smuggling routes and poaching roads, and better relations with local military. It is expected that all these are alleviating the threats of illegal hunting of Marco Polo sheep, breeding birds and other key species.*
- *In Indonesia the conservation status of 29,000 ha of forests in the Merangin District of Aceh is now significantly more secure. We successfully changed the licensing of these forest areas, resulting in increased protection regimes. They are now legally designated as Village or Customary Forests, enabling 13 villages to have a direct role in their management and ensuring these areas can no longer be designated as commercial logging concessions.*

Our mission statement tasks us to “take account of human needs” within our conservation work. Of the projects this year where it was feasible and relevant, 92% did indeed include efforts to address human needs – either through developing new livelihoods to offset the costs of conservation, reducing impacts of wildlife on crops, promoting other development priorities or engaging and empowering local people directly in conservation management.

- We consulted, engaged and/or supported over 191 communities in relation to our projects.
- We helped to establish or support some 56 local committees or Community Based Organisations to aid local environmental governance.
- Over 30 of our projects directly contributed to the development of sustainable livelihood projects; these benefited over 3,500 people directly and a further 750 indirectly.
- Awareness raising activities have reached over 44,700 people in the countries where we work (including over 8,000 schoolchildren).

For example:

- *The International Gorilla Conservation Programme (which operates in DRC, Uganda and Rwanda) operates a series of local savings and credit associations and a community enterprise project. Assessments showed that the enterprise project has directly created 261 jobs, and has indirectly resulted in creation a further 364, while the community walk business has created 24 direct jobs and 20 indirect jobs. The handcraft and community walk businesses generated an annual average income of between £1,100 and £2,400.*
- *In Georgia we have been developing sustainable livelihood activities in the deprived Tusheti region. Nine families had received greenhouses and seven of these had successfully grown vegetables, with another with fruits not yet ripe. With the use of the greenhouses the local growing season has been extended, annual yields increased and quality of certain crops improved. The beneficiaries are able to use the vegetables for private consumption and to sell in the local market (primarily guesthouses).*
- *On the Tibetan Plateau in China, we have helped to train villagers in growing livestock feed and so far 15 tons of turnip has been harvested which will be sufficient for feeding its 6000 heads of livestock in winter. Representatives from another eight nearby villages also attended the training workshop, and subsequently planted turnips in their own villages this year. This project thus directly impacted and benefited 400 households from 11 villages of herders.*

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Board of Trustees' Report

For the year ended 31 December 2012

Aim 2: To address the root causes of biodiversity loss

FFI recognises climate change as one of the greatest threats facing biodiversity. This year FFI's work on climate change has grown further. In addition, we work constructively with governments and the private sector to help them to shape and improve a range of policies that will benefit biodiversity and maintain ecosystem functions.

- We are contributing to the development of ten Reduced Emissions from Deforestation and Degradation (REDD) projects, which are designed to demonstrate how such initiatives can operate effectively to protect not only carbon, but also to benefit biodiversity and local communities.
- We are directly engaged in shaping national REDD policy in two countries (Indonesia and Liberia).
- We also work with our local partners to develop capacity for climate change adaptation; this is underway in seven projects, including five which are developing climate foresight plans.
- We also work to affect broader governmental policies – and this year 13 projects directly affected national or provincial government policies.
- Our work with the private sector has resulted in eleven national or multi-national businesses showing increased recognition of the need to consider biodiversity in their operations, and six companies developing new procedures to manage risks associated with biodiversity and ecosystem services. In addition five corporates showed evidence of leadership on biodiversity issues, by promoting the need to address these to others in their sector.

For example:

- *In Nicaragua as a result of six years of work a new law was approved which declared a Biosphere Reserve on Ometepe Island; this creates a new system of governance for the Reserve and ratifies the three core protected areas.*
- *In Aceh, Indonesia, FFI worked with the Legal Aid Institute to facilitate the drafting of Aceh's first land tenure policy which specifically aims to resolve conflicts over land and natural resources.*
- *In 2012 we worked to develop and apply a methodology to assess the sustainability performance of seafood companies and a scheme through which seafood companies can improve their performance.*

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Board of Trustees' Report

For the year ended 31 December 2012

Aim 3: To help others deliver successful conservation

A distinctive feature of FFI is that we work in direct collaboration with local partners and the improved capacity we have helped these local organisations to develop is part of the reason for many of our conservation successes.

- In 2012 we worked directly with around 280 local partner institutions and collaborated with an additional 248 local, national or international organisations.
- This year we provided institutional support or training to at least 68 organisations and technical support to an additional 128 organisations; we also helped to develop conservation or environmental management skills in over 4,700 individuals - both within and outside these organisations.
- We also provided focused training within local communities - helping at least 800 individuals to adapt or improve local livelihoods, or to develop new income generation skills.

For example:

- *In Liberia, we helped to develop two independent Biodiversity and Conservation courses for the University of Liberia. In addition an internship program was started to provide forestry graduates and upcoming conservationists with hands-on experience in conservation and ecological research. The scheme has proved to be effective and is now anticipated to become a yearly activity.*
- *In Georgia, our support to the Vashlovani Protected Area Authority has resulted in the resumption of active patrolling of the reserve, improving the Authority's ability to protect the area and enforce the law and also to carry out biodiversity monitoring.*
- *In Nicaragua, surveys are showing the positive impact of our campaign 'I do not eat turtle eggs'. 82% of people surveyed understand that it is illegal to consume or trade in turtle products, whilst 60% recognised the logo and slogan of the campaign.*
- *In Romania, our work with the local organisation ProPark has trained 97 protected area managers in 2012 alone (bringing the total number of individuals trained to date to over 600). Feedback from participants this year has demonstrated that the training is meeting the needs for improved protected areas management, resulting in better conservation work in over 40 protected areas.*

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Board of Trustees' Report

For the year ended 31 December 2012

Financial Review

This report and the consolidated Financial Statements incorporate the results of the UK operation, its associated permanent endowment funds and the results of FFI Australia and FFI Singapore. FFI Singapore is consolidated here for the first time, having been incorporated on 19th November 2011 and thus reporting its first financial period to 31st December 2012.

Income generation in 2012 has continued strongly, with an increase of 5% over 2011 taking consolidated income to £18,286k. Expenditure has also increased significantly to £17,310k, an increase of just under 9% on 2011. This has led to an increase in reserves of £780k, reflecting a significant increase in unrestricted reserves of £1,303k and a utilisation of restricted reserves of £583k.

Restricted income has been broadly maintained, with £14.5m being generated in the year. This has been driven by strong support from governments and multi-lateral funds and with other sources continuing to perform well. There has been some transition between individual giving and private trusts and foundations, primarily related to shifts in giving patterns by a number of high net worth donors. Corporate support, although falling slightly in the year, remains strong, with a consistent portfolio of partnerships and new opportunities being explored.

Unrestricted income shows considerable growth versus 2011, with an increase of £1,290k over 2011, largely attributable to the inclusion of the legacy referred to in our future plans in the 2011 report. Although not yet crystallised at the Balance Sheet date, there is sufficient certainty around our entitlement, and we can measure the value of this with a reasonable degree of certainty, to warrant its inclusion in these accounts. This has had the impact of adding £1,441k to unrestricted income in the year, though this is moderated somewhat by the inclusion of a significant accrual for costs that have been incurred in securing this asset. Without this we would have experienced a slight decline in unrestricted income from 2011 of £151k, though 2011 did also contain a single, significant legacy of £815k. This indicates that we are experiencing growth in underlying unrestricted income but can also see the value of an effective, carefully managed legacy marketing approach.

Income generation from Australia has not yet recovered sufficiently to fully deliver against our planned programme there, though with some reorganisation and staff changes we are confident that we can strengthen the position through 2013. Singapore has been included for the first time in these consolidated numbers. We have established this office principally as an operational management hub for our Asia-Pacific portfolio, whilst also being able to develop relationships with key stakeholders within Singapore.

We have managed to maintain a diversified portfolio of income sources, as illustrated in the table below, which has enabled us to absorb some of the market impacts and sustain our income levels to support our programme portfolio. With the addition of the legacy referenced above, unrestricted income generation has been strong in the year, though we recognise the challenges we still face in building a sustainable underlying unrestricted income stream that will enable us to support the operational requirements of the Charity whilst also contributing to reserves, in accordance with our policy.

Endowment income, generated through an invested portfolio designed to produce an income stream to support gorilla conservation work, has been maintained, with the investments designed to secure the capital base whilst also producing a steady income yield. This portfolio is reviewed from time-to-time by our investment managers, in conjunction with the Trustees.

The following table summarises our key sources of restricted, unrestricted and permanent endowment income for 2012.

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Board of Trustees' Report

For the year ended 31 December 2012

	£	£	£	£
Income Source	Restricted	Unrestricted	Endowment	Total
Government and Multilateral	5,895,547	94,278	-	5,989,825
Trusts and Foundations	4,061,688	256,079	-	4,317,767
Corporate	4,189,596	141,888	-	4,331,484
Individuals	367,557	3,043,894	-	3,411,441
Membership	-	186,239	-	186,239
Investment	801	27,866	20,105	48,772
Total	14,515,189	3,750,234	20,105	18,285,528

Activities continue to be diversified in scope, scale and geographically. We have continued work on our marine portfolio of activities, with projects located from Turkey to Aceh, the Caribbean to the Kenyan coast, and all programmes with a strong community base. Work on REDD+ projects continues, ranging from work supported by NORAD in Liberia, by EU projects in the Asia Pacific region and by programmes being developed in both the Africa and Americas and Caribbean regions. Meanwhile we continue with critical protection work in Aceh in Indonesia, in the Cardamom Mountains in Cambodia and in the Niassa reserve in Mozambique, to name just a few examples.

With income being maintained, we have managed to grow the amount of funds being spent on conservation projects and biodiversity awareness by 6% in the year, to £15,690k. As indicated above, this is largely utilised on direct conservation activities, either through our own field staff or by working with partners, and we believe that this concentration of resource relating to our charitable objectives, representing over 90% of our total spend, is a key factor in maintaining stakeholder support and ensuring successful delivery. We do recognise that investment in support activities and systems and processes are important for the successful delivery of programmes, therefore the Trustees have retained elements of designated funds, reserved to undertake some of these process improvements and also to support the objectives of a previously awarded legacy, which are still being delivered.

The significant increase in costs of generating voluntary income in the year consist of a number of differing factors, the most significant of which has been the inclusion of a cost accrual in relation to the legacy described above, representing an additional £247k of cost. This is attributable to the complexity of the administration of the estate, with a number of properties, some held overseas, and issues around potential tax liabilities and then the subsequent apportionment of residual costs. Significant progress has been made, and the Charity now has possession of the asset, so we are confident that we can resolve this during 2013 and that we have estimated reasonably, and provided adequately, for the revenue and costs incurred. We have also grossed-up, where appropriate, revenues and costs of certain activities that are delivered across the organisation, amounting to a further £69k of the variance, whilst the remainder relates to initiatives to develop our supporter base and to grow our unrestricted voluntary income, to enable the Charity to respond more effectively to conservation needs that are identified.

The principal asset that relates to the legacy received, and referred to above, is held under current assets as an investment to be disposed; we are optimistic that we may be able to secure this in 2013, therefore we have reported it under current assets.

The balance sheet reflects a significant movement between debtors and cash, as at the balance sheet date, in comparison to the 2011 position.

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Board of Trustees' Report

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This is largely attributable to timing issues in relation to major sources of income such as the EU and the Arcadia Fund, where invoices were raised at the end of 2012, and subsequently paid in 2013, in contrast to the position at the end of 2011, where we received the majority of this income prior to year end.

We have reviewed the portfolio of debtors held at year end in association with any provision for doubtful debt, as well as accruals for costs known or anticipated at the balance sheet date, and are comfortable that we have adequately provided for any diminution of these asset values and any potential liabilities, taking into account the circumstances at the balance sheet date and subsequently.

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, we have accrued costs against our unrestricted funds where necessary.

Negative balances shown against Programme balances in note 18 relate to programmes funded in arrears, where the timing or the level of income due is uncertain but where we have a sufficient degree of confidence that there is adequate income forthcoming. If there is reasonable doubt as to the likelihood of this income materialising, an appropriate cost accrual has been made in unrestricted funds. It is believed that potential project liabilities that may impact on the unrestricted fund are fully provided for in these accounts.

We have expensed losses on foreign exchange as they have occurred throughout the year on transactions as they have occurred. A revaluation of foreign currency denominated project balances at the year-end date has given rise to an element of write-down, which has been made against the fund established previously to absorb such volatility in valuation.

The endowment portfolio investments are maintained as separate charities or charitable funds, with FFI as the trustee, in accordance with the requirements of the Charities Act 2011, and are consolidated into the financial results presented here.

Overall Position

The net movement in unrestricted funds for the period is £1,303k, resulting in an accumulated surplus on unrestricted funds of £2,250k. The Trustees have retained designated funds of £442k of the balance held at year end to be held for a specific purpose, namely to support delivery of programmes in regions that support Great Ape conservation, leaving just over £1,808k in general reserves – some of this may be re-designated once we work through our reserves policy. We are pleased to acknowledge this considerable strengthening of our reserves position, recognising that a substantial part of this does still relate to an asset that we need to convert into liquid resources in order to support the Charity's objectives, but do still note the sensitivity around our unrestricted position, therefore we need to maintain the impetus in seeking to achieve a more consistent record of unrestricted surplus generation in order to provide what we believe is required under our reserves policy.

Restricted reserves have seen some utilisation in the year, though the reserves position does still seem reasonable, at just less than 4 months expenditure. All restricted reserves held relate to current, active projects and are anticipated to be utilised over the course of the next 1 to 2 years.

Fauna & Flora International

Board of Trustees' Report

For the year ended 31 December 2012

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. Although operations tend to be funded via multi-year awards, the lack of unrestricted reserves to date has made the transition in and out of new projects more difficult and also limits our ability to invest in the internal capacity of the organisation. Once we have liquidated the current asset investment we will be in a position to more strategically deploy our reserves, taking into account the necessary capacity developments to be identified under our Business Plan. It is anticipated that we will develop a strategic investment plan, to be funded by designated reserves, coupled with a more risk-based approach to assess the level of general unrestricted reserves required.

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 permanent endowment funds and not to speculate in individual investments with the modest funds currently held for general purposes. Accordingly, the endowment funds are invested in UK government bonds and a range of UK investment trusts in order to achieve portfolio diversification. It has been agreed that any investments to be held for general purposes will follow a similar investment policy, with asset protection and capital growth being the primary requirements above income yield.

Post Balance Sheet events

There are no significant post balance sheet events to report.

Plans for Future Periods

We are starting to look ahead to our next planning period, covering the period 2014 to 2018, and will be seeking to focus and orientate our efforts towards the strategic priorities identified that we can address as an international conservation organisation. We will be working across FFI globally to achieve this, with our sister organisations in the USA, Australia and Singapore, as well as within our regional and cross-cutting teams.

We will retain the objective to seek to re-balance our income, providing a more stable, sustainable base for the organisation, and are also tracking carefully global political, environmental and socio-economic trends, and market developments, in order to maximise our impact. In between times we see a strong continuation of our partnerships with Government and bi-lateral and multi-lateral agencies, delivering significant, landscape level initiatives in many of the regions within which we work. We will continue to develop corporate partnerships globally, maintaining our influence and seeking to embed best environmental management practice into operational activities, and we will continue to explore innovative financing mechanisms to provide long-term sustainable financing for conservation management.

Auditors

A resolution to re-appoint Peters Elworthy & Moore as auditors of the Company will be proposed at the Annual General Meeting on 15th October 2013.

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 26th June 2013 and signed on its behalf by



Andrew Sykes
Chairman

Fauna & Flora International

Independent Auditors' Report to the Members

On the Financial Statements for the year ended 31 December 2012

We have audited the consolidated and parent company financial statements of Fauna & Flora International for the year ended 31 December 2012 which comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet, the Company Balance Sheet, the consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its 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 explained more fully in the Trustees' Responsibilities Statement set out on page 1, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable group's and the parent company's affairs as at 31 December 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Fauna & Flora International

Independent Auditors' Report to the Members

On the Financial Statements for the year ended 31 December 2012

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Board of Trustees's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Paul Chapman (Senior Statutory Auditor)

for and on behalf of

PETERS ELWORTHY & MOORE

Chartered Accountants and Statutory Auditor

Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 23rd July 2013

Fauna & Flora International

Consolidated Statement of Financial Activities (including Income and Expenditure Account)

For the year ended 31 December 2012

	Note	Unrestricted £	Restricted £	Endowment Funds £	2012 Total £	2011 Total £
Incoming Resources:						
<i>Incoming resources from generated funds:</i>						
Voluntary income	3	1,822,235	1,147,789	-	2,970,024	3,635,592
Legacies		1,806,318	85,489	-	1,891,807	1,052,672
Sub-total voluntary income		<u>3,628,553</u>	<u>1,233,278</u>	<u>-</u>	<u>4,861,831</u>	<u>4,688,264</u>
Investment income		27,756	801	20,185	48,742	50,480
Charitable trading income		61,104	4,324	-	65,428	27,705
		<u>88,860</u>	<u>5,125</u>	<u>20,185</u>	<u>114,170</u>	<u>78,185</u>
Incoming resources from generated funds		<u>3,717,413</u>	<u>1,238,403</u>	<u>20,185</u>	<u>4,976,001</u>	<u>4,766,449</u>
Incoming resources from charitable activities:						
Grants for operational programmes		32,821	9,983,615	-	10,016,436	9,053,361
Contracts for operational programmes		-	3,293,171	-	3,293,171	3,567,806
Total incoming resources		<u>3,750,234</u>	<u>14,515,189</u>	<u>20,185</u>	<u>18,285,608</u>	<u>17,387,616</u>
Resource Expended						
<i>Costs of generating funds:</i>						
Costs of generating voluntary income		1,452,387	-	1,960	1,454,347	928,416
Fundraising trading costs		70,940	-	-	70,940	68,918
		<u>1,523,327</u>	<u>-</u>	<u>1,960</u>	<u>1,525,287</u>	<u>997,334</u>
Charitable activities:						
Conservation projects and biodiversity awareness		780,501	14,909,061	-	15,689,562	14,805,448
Governance costs	6a	95,523	-	-	95,523	89,005
Total resources expended	6a	<u>2,399,351</u>	<u>14,909,061</u>	<u>1,960</u>	<u>17,310,372</u>	<u>15,891,787</u>
Net incoming resources before gains and losses – c/fwd to page 19		1,350,883	(393,872)	18,225	975,236	1,495,829

Fauna & Flora International

Consolidated Statement of Financial Activities (including Income and Expenditure Account)

For the year ended 31 December 2012

	Note	Unrestricted £	Restricted £	Endowment Funds £	2012 Total £	2011 Total £
Net incoming resources before gains and losses – b/fwd from page 18		1,350,883	(393,872)	18,225	975,236	1,495,829
Other Recognised Gains and Losses						
Unrealised gains/losses on investments	8	-	-	42,319	42,319	(300)
Realised gains/losses on investments		-	-	-	-	-
Realised foreign exchange gains/losses	4	(277)	10	-	(267)	(17,633)
Unrealised foreign exchange gains/losses	4	(5,124)	(232,106)	-	(237,230)	(31,590)
Net movement in Funds		<u>1,345,482</u>	<u>(625,968)</u>	<u>60,544</u>	<u>780,058</u>	<u>1,446,306</u>
Transfers between funds		(42,263)	43,305	(1,042)	-	-
Net movement in Funds after transfers		<u>1,303,219</u>	<u>(582,663)</u>	<u>59,502</u>	<u>780,058</u>	<u>1,446,306</u>
Balance brought forward		946,723	5,305,642	489,586	6,741,951	5,295,645
Balance carried forward		<u>2,249,942</u>	<u>4,722,979</u>	<u>549,088</u>	<u>7,522,009</u>	<u>6,741,951</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
Consolidated Balance Sheet
For the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed Assets					
Tangible fixed assets	7		68,229		73,483
Investments	8		531,986		488,668
			<u>600,215</u>		<u>562,151</u>
Current Assets					
Current asset investments	9	1,454,000		-	
Debtors	10	4,769,299		2,640,609	
Cash at bank and in hand		3,484,408		6,512,228	
		<u>9,707,707</u>		<u>9,152,837</u>	
Creditors: amounts falling due within one year	11	(2,785,913)		(2,973,037)	
Net Current Assets			<u>6,921,794</u>	<u>6,179,800</u>	
Net assets			<u>7,522,009</u>	<u>6,741,951</u>	
Reserves					
Income Funds					
Unrestricted funds:					
General funds			1,807,892		498,473
Designated funds			442,050		448,250
			<u>2,249,942</u>		<u>946,723</u>
Restricted funds	12,18		4,722,979		5,305,642
			<u>6,972,921</u>		<u>6,252,365</u>
Capital Funds					
Permanent endowment funds	13		549,088		489,586
			<u>7,522,009</u>		<u>6,741,951</u>

Approved by the Board of Trustees and authorised for issue on 26th June 2013 and signed on its behalf by:



Chairman: Andrew Sykes



Treasurer: Philip Prettejohn

Fauna & Flora International
Company Balance Sheet
For the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed Assets					
Tangible fixed assets	7		68,229		73,483
Investments	8		531,986		488,668
			<u>600,215</u>		<u>562,151</u>
Current Assets					
Current asset investments	9	1,454,000		-	
Debtors	10	4,827,424		2,659,687	
Cash at bank and in hand		2,688,720		5,633,176	
		<u>8,970,144</u>		<u>8,292,863</u>	
Creditors: amounts falling due within one year	11	(2,775,746)		(2,820,167)	
Net Current Assets			<u>6,194,398</u>	<u>5,472,696</u>	
Net assets			<u>6,794,613</u>	<u>6,034,847</u>	
Reserves					
Income Funds					
Unrestricted funds:					
General funds			1,283,994		299,861
Designated funds			442,050		448,250
			<u>1,726,044</u>		<u>748,111</u>
Restricted funds	12,18		4,519,481		4,797,150
			<u>6,245,525</u>		<u>5,545,261</u>
Capital Funds					
Permanent endowment funds	13		549,088		489,586
			<u>6,794,613</u>		<u>6,034,847</u>

Approved by the Board of Trustees and authorised for issue on 26th June 2013 and signed on its behalf by:



Chairman: Andrew Sykes



Treasurer: Philip Prettejohn

Fauna & Flora International

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Notes	2012 £	2011 £
Net cash outflow from operating activities	17	(2,988,525)	1,063,289
Returns on investments and servicing of finance	17	48,662	50,480
Capital expenditure and financial investment	17	<u>(37,957)</u>	<u>(29,399)</u>
Decrease in cash and cash equivalents		<u>(2,977,820)</u>	<u>1,084,370</u>

Reconciliation of Net Cash Flow to Movements in Net Funds

Decrease in cash in the year		(2,977,820)	1,084,370
Net cash resources at 1 January 2012		<u>6,462,858</u>	<u>5,377,858</u>
Net cash resources at 31 December 2012		<u><u>3,484,408</u></u>	<u><u>6,462,228</u></u>

Analysis of changes in net debt

	As at 01.01.12 £	Cash Movement £	As at 31.12.12 £
Cash at bank and in hand	6,512,228	(3,027,820)	(3,484,408)
Loan balance	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
	<u>6,462,228</u>	<u>(2,977,820)</u>	<u>3,484,408</u>

The attached notes form part of these financial statements.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

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 a contribution to unrestricted costs. Where no percentage is stated, and the terms of the grant enable it to do so, the charity accounts for 15% as relating to management and administration and this amount is accounted for as a contribution to unrestricted costs. 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. Project activity costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management and oversight delivered from UK contracted staff. 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. Support & administration costs are indirect costs related to the overall management and facilities of the organisation and Governance costs are those incurred in connection with Trustee administration of the charity and compliance with constitutional and statutory requirements.

d) Tangible Fixed Assets

Tangible fixed assets are shown at cost less depreciation. Assets in use in the organisation are capitalised where the value of an individual item is greater than £1,000 and the asset has a long-term useful life. When items of portable equipment are acquired, such items that fall below this threshold may be capitalised. Where items are acquired from funding from restricted grants, these items will be treated in accordance with the grant requirements and therefore may well be fully expensed in the year of acquisition, rather than capitalised.

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 - 25% straight line
Project equipment	- 25% straight line
Computer equipment	- 33% straight line

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

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.

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 on the balance sheet at the rates of exchange ruling at the year-end. Unrealised gains and losses on re-translation are dealt with as part of the deficit or surplus on ordinary activities for the financial year. Gains and losses related to restricted projects cannot be allocated to specific projects. Therefore, these are accumulated in a foreign exchange revaluation fund and grouped with restricted reserves, as shown in note 18. These are then allocated to the relevant projects as they are completed.

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.

k) **Basis of consolidation**

The consolidated financial statements comprise a consolidation of the financial statements of Fauna & Flora International, Fauna & Flora International Australia (Ltd) and Fauna & Flora International (Singapore). The charitable company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own SOFA.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

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. 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 Voluntary Income - Consolidated

	2012	2011
	£	£
Individuals	1,485,032	1,997,148
Charitable Foundations	874,250	1,029,965
Corporate Donations	300,486	360,851
Statutory Donations	310,256	247,628
	<u>2,970,024</u>	<u>3,635,592</u>

4 Expenditure - Consolidated

	2012	2011
	£	£
Direct and other expenditure includes:-		
Auditor's remuneration	43,570	28,154
Auditor's other fees	58,906	23,932
Depreciation	43,211	40,513
Operating leases: land and buildings	197,835	161,971
Foreign exchange losses/(gains)	237,497	49,223
	<u>237,497</u>	<u>49,223</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

5 Employee information - Consolidated

5a Staff costs:	2012	2011
	£	£
Wages and salaries	4,137,077	3,565,058
Social security costs	304,003	299,338
Pension costs	244,534	209,565
	<u>4,685,614</u>	<u>4,073,961</u>

5b	2012	2011
The average number of persons, analysed by function, employed during the year was:-		
Project management, fundraising and administration	<u>126</u>	<u>108</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 £399 (2011: £263) were reimbursed to Trustees in respect of travel and subsistence during the year.

The above numbers also do not include employees retained directly under projects in-country, as control of these is exercised locally, therefore staff costs in this note differs from that analysed under 6a) to this extent.

5c	2012	2011
Employees whose emoluments for the year were £60,000 or more are shown in the following bands:-		
£60,001-£70,000	-	-
£70,001-£80,000	2	1
£80,001-£90,000	1	2
£90,001-£100,000	1	3
£100,001-£110,000	1	-
£110,001-£120,000	-	-
£120,001-£130,000	1	1
£130,001-£140,000	1	-

The pension contributions to pension schemes for higher paid staff were £45,296 (2011: £44,446) and for other staff were £199,237 (2011: £165,119).

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

6a Analysis of Total Resources Expended - Consolidated

	Staff costs	Other direct costs	Other Indirect costs	Total Resources expended 2012	2011
	£	£	£	£	£
Conservation Programme activities					
Halcyon	-	192,307	-	192,307	192,708
Africa	1,119,883	1,929,368	88,677	3,137,928	3,580,237
Asia Pacific	2,171,016	3,026,744	195,729	5,393,489	4,600,502
Americas & Caribbean	316,620	667,693	35,012	1,019,325	863,431
Eurasia	384,468	499,467	40,749	924,684	795,157
Conservation Partnerships	1,293,522	1,082,600	81,058	2,457,180	2,562,502
Other	-	-	-	-	4,001
	<u>5,285,509</u>	<u>7,398,179</u>	<u>441,225</u>	<u>13,124,913</u>	<u>12,598,538</u>
FFI Australia	248,043	334,327	171,973	754,343	590,021
FFI Singapore	62,421	18,433	72,983	153,837	-
Total Programme Activities	<u>5,595,973</u>	<u>7,750,939</u>	<u>686,181</u>	<u>14,033,093</u>	<u>13,188,559</u>
Fundraising & Communications	570,456	856,665	239,051	1,666,170	1,116,022
Support & administration costs	810,082	156,821	548,683	1,515,586	1,498,201
Governance costs	30,629	9,460	55,434	95,523	89,005
	<u><u>7,007,140</u></u>	<u><u>8,773,883</u></u>	<u><u>1,529,349</u></u>	<u><u>17,310,372</u></u>	<u><u>15,891,787</u></u>

6b Analysis of Other Indirect Costs – Consolidated

	Project activities	Fundraising & communications	Support & administration	Governance	Total other Indirect costs 2012	Total 2011
	£	£	£	£	£	£
Office rent & services	240,987	230	284,568	-	525,785	459,008
Equipment purchases & maintenance	3,808	34	22,699	-	26,541	31,250
Grants	-	-	-	-	-	-
Conference attendance	2,976	-	-	-	2,976	16,420
Bank charges and interest	15,362	8,078	28,791	37	52,268	29,475
Depreciation	6,440	4,565	31,585	153	42,743	40,151
IT, telephony & office supplies	79,305	120,239	68,165	2,362	270,071	208,909
Travel & subsistence	146,387	67,221	91,916	4,898	310,422	266,895
Audit, legal & professional fees	97,764	-	-	36,500	134,264	232,269
Other costs	93,152	38,684	20,959	11,484	164,279	75,669
	<u><u>686,181</u></u>	<u><u>239,051</u></u>	<u><u>548,683</u></u>	<u><u>55,434</u></u>	<u><u>1,529,349</u></u>	<u><u>1,360,046</u></u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

7 Tangible Fixed Assets – Consolidated and Company

	Fixtures & Fittings £	IT Equipment £	Software £	Leasehold Improvements £	Motor Vehicles £	Total £
Cost:						
At 1 January 2012	15,405	91,699	45,944	18,515	-	171,563
Additions	7,167	12,791	12,034	-	5,965	37,957
Disposals	(14,985)	(23,915)	-	(18,515)	-	(57,415)
At 31 December 2012	<u>7,587</u>	<u>80,575</u>	<u>57,978</u>	<u>-</u>	<u>5,965</u>	<u>152,105</u>
Depreciation:						
At 1 January 2012	15,125	47,217	17,223	18,515	-	98,080
Charge for year	816	25,012	16,985	-	398	43,211
On disposals	(14,985)	(23,915)	-	(18,515)	-	(57,415)
At 31 December 2012	<u>956</u>	<u>48,314</u>	<u>34,208</u>	<u>-</u>	<u>398</u>	<u>83,876</u>
Net book value:						
At 31 December 2012	<u>6,631</u>	<u>32,261</u>	<u>23,770</u>	<u>-</u>	<u>5,568</u>	<u>68,229</u>
At 31 December 2011	<u>280</u>	<u>44,482</u>	<u>28,721</u>	<u>-</u>	<u>-</u>	<u>73,483</u>

Fauna & Flora International

Notes to the Financial Statements

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8 Fixed Asset Investments – Consolidated and Company

	2012	2011
	£	£
Market valuation as at 1 January 2012	488,667	488,968
Acquisitions at cost	-	-
Disposals at market value	-	-
Net surplus/(deficit) on revaluation	43,319	(300)
Market valuation as at 31 December 2012	<u>531,986</u>	<u>488,668</u>
Historical cost as at 31 December 2012	<u>381,279</u>	<u>381,279</u>
Disposals at market value	-	-
Disposals at cost	-	-
Realised gains/(losses)	-	-
Unrealised gains/(losses)	43,319	(300)
Total gains/(losses) on revaluation	<u>43,319</u>	<u>(300)</u>
Fixed asset investments comprised of:		
Equities	373,860	333,145
Gilts	158,126	155,523
	<u>531,986</u>	<u>488,668</u>

9 Current Asset Investments

	Consolidated		Company	
	2012	2011	2012	2011
	£	£	£	£
Short term investment	<u>1,454,000</u>	<u>-</u>	<u>1,454,000</u>	<u>-</u>

The asset held under short-term investments relates to a house received as part of a legacy, originally notified in 2010 which we anticipate being able to liquidate in 2013. This asset is free of restriction and the benefit of this has been accrued to general reserves.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

10 Debtors

	Consolidated		Company	
	2012	2011	2012	2011
	£	£	£	£
Other debtors	3,465,767	2,093,867	3,441,352	2,093,867
Amounts due from FFI Inc.	5,279	45,120	5,279	45,120
Amounts due from FFI Australia	-	-	-	30,303
Amounts due from FFI Singapore	-	-	83,824	-
Amounts recoverable on projects	89,777	107,692	89,777	99,804
Prepayments and accrued income	1,208,476	393,930	1,207,192	390,593
	<u>4,769,299</u>	<u>2,640,609</u>	<u>4,827,424</u>	<u>2,659,687</u>

All the above amounts fall due within one year.

11 Creditors: falling due within one year

	Consolidated		Company	
	2012	2011	2012	2011
	£	£	£	£
Loan	-	50,000	-	50,000
Trade creditors	353,046	238,341	343,774	222,011
Amounts due to FFI Australia	-	-	48,372	-
Tax and social security	190,288	536,324	161,195	422,766
Accruals and deferred income	1,991,889	1,869,228	1,985,856	1,869,230
Other creditors	250,690	279,144	236,549	256,160
	<u>2,785,913</u>	<u>2,973,037</u>	<u>2,775,746</u>	<u>2,820,167</u>

The bridging loan in respect of the Sera Project was an interest-free loan repaid in full during the year ended 31 December 2012.

12 Restricted Funds – Consolidated

	<i>Restated Balance bought forward £</i>	<i>Net surplus (deficit) for year £</i>	<i>Balance carried forward £</i>
Conservation projects	<u>5,305,642</u>	<u>(582,663)</u>	<u>4,722,979</u>

Restricted Funds – Company

	<i>Balance bought forward £</i>	<i>Net surplus (deficit) for year £</i>	<i>Balance carried forward £</i>
Conservation projects	<u>4,797,150</u>	<u>(277,669)</u>	<u>4,519,481</u>

The restricted funds of the charity comprise unexpended balances on income given for specific purposes. Details of individual funds are disclosed in note 18.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

13 Permanent Endowment – Consolidated and Company	Balance brought forward	Net surplus for year	Investment gains/ (losses)	Transfer to restricted funds	Balance carried forward
	£	£	£	£	£
Rothiemurchus Bequest Fund	24,847	1,042	3,104	(1,042)	27,951
M.G.P Funds	464,739	17,183	39,215	-	521,137
	<u>489,586</u>	<u>18,225</u>	<u>42,319</u>	<u>(1,042)</u>	<u>549,088</u>

The Rothiemurchus bequest stipulates that the Charity 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 Charity:
- 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 International Gorilla Conservation Programme.

14 Analysis of Net Assets between Funds – Consolidated

	General Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total £
Tangible fixed assets	68,229	-	-	-	68,229
Investments	-	-	-	531,986	531,986
Net current assets	<u>1,739,663</u>	<u>442,050</u>	<u>4,722,979</u>	<u>17,103</u>	<u>6,921,794</u>
	<u>1,807,892</u>	<u>442,050</u>	<u>4,722,979</u>	<u>549,089</u>	<u>7,522,009</u>

Analysis of Net Assets between Funds – Company

	General Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total £
Tangible fixed assets	68,229	-	-	-	68,229
Investments	-	-	-	531,986	531,986
Net current assets	<u>1,215,765</u>	<u>442,050</u>	<u>4,519,481</u>	<u>17,102</u>	<u>6,194,398</u>
	<u>1,283,994</u>	<u>442,050</u>	<u>4,519,481</u>	<u>549,088</u>	<u>6,794,613</u>

Designated funds represent amounts remaining to be spent in 2013 from donations that the Trustees have agreed to reserve for a specific purpose to support the wishes of the donor, and are therefore held in a separate general fund from general reserves.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

15 Operating Lease Commitments – Consolidated

Annual commitments are as follows:	2012 £	2011 £
Land and buildings:		
In less than two years	27,395	44,706
In two to five years	205,002	171,700
	<u>232,397</u>	<u>216,406</u>
Other operating leases:		
In less than two years	23,007	10,222
In two to five years	47,488	52,749
	<u>70,495</u>	<u>62,971</u>

16 Related Party Transactions and Ultimate Controlling Party

The company is under the control of the Board of Trustees. There is no ultimate controlling party.

Fauna & Flora International shares common charitable objectives with three related charitable organisations, these being disclosed below:

Fauna & Flora International Inc. operates in the USA to provide both technical and financial support to FFI's flagship species projects, generating support through its committed Board from a wide range of Individuals, US based trusts and foundations as well as government agencies.

Fauna & Flora International Australia has established to further conservation and livelihood issues in Australia and in neighbouring countries throughout Asia and the Pacific, and to contribute to the overall objectives of Fauna & Flora International in the UK.

Fauna & Flora International (Singapore) was incorporated in 2011 and became a registered charity in the Republic of Singapore in 2012 in order that FFI could establish a Regional Hub Office in Asia-Pacific.

As at 31 December 2012, FFI was due a balance of £5,279 (2011: £45,120) from Fauna & Flora International Inc. This is disclosed in Debtors in note 10 to the financial statements.

As at 31 December 2012, FFI owed a balance of £48,372 (2011 was due a balance of: £30,303) to Fauna & Flora International Australia. This is disclosed in Debtors in note 10 to the financial statements and in Creditors in note 11.

As at 31 December 2012, FFI was due a balance of £83,824 (2011: Nil) from Fauna & Flora International (Singapore). This is disclosed in Debtors in note 10 to the financial statements.

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

17 Consolidated Cash Flow Information

	2012 £	2011 £
a) Reconciliations of changes in resources to net inflow from operating activities		
Net incoming resources	780,058	1,446,305
Depreciation charge	43,211	40,513
Gain on disposals of investment assets	-	-
Investment income (shown separately in (b) below)	(48,662)	(50,480)
Decrease in current asset investment		-
(Increase)/decrease in debtors	(2,128,690)	(173,485)
Increase/(decrease) in creditors	(137,124)	(199,864)
(Increase) in current asset investments	(1,454,000)	-
Change in investment valuation	(43,318)	300
Net cash inflow/(outflow) from operating activities	<u>(2,988,525)</u>	<u>1,063,289</u>
b) Gross cash flows		
<i>Returns on investment and servicing of finance:</i>		
Investment income received	<u>48,662</u>	<u>50,480</u>
<i>Capital expenditure and financial investment:</i>		
Payments to acquire tangible fixed assets	(37,957)	(29,399)
Receipts from sales of investments	-	-
Payments to acquire investments	<u>-</u>	<u>-</u>
	<u>(37,957)</u>	<u>(29,399)</u>

Fauna & Flora International

Notes to the Financial Statements

For the year ended 31 December 2012

18 Statement of Restricted Reserves

	Programmes	<i>Restated</i> B/Fwd £	Income £	Expenditure £	C/Fwd £
Halcyon	Halcyon	1,107,065	598,256	721,302	984,019
Conservation Partnerships	Policy	8,595	-	(1,863)	10,458
	Corporate	139,127	2,120,567	2,176,900	82,794
	Livelihoods	241,740	158,219	193,131	206,828
	Land & Species	98,410	1,453,650	1,031,116	520,944
	Environmental Markets	85,616	366,654	345,357	106,913
	Capacity	29,058	77,388	67,777	38,669
Africa	Africa Pan Regional	14,706	12,000	32,045	(5,339)
	Nimba	(29,031)	183,921	108,882	46,008
	Liberia	(14,425)	885,963	782,701	88,837
	Central Africa Primates	(73,455)	573,072	507,670	(8,053)
	OI Pejeta	(24,425)	130,066	91,685	13,956
	East Africa	28,690	447,468	725,229	(249,071)
	Niassa Reserve	39,530	198,840	410,960	(172,590)
	South Africa	27,200	43,212	32,392	38,020
Eurasia	Other Eurasia	275,637	829,306	770,347	334,596
	Kyrgyzstan	6,675	16,339	14,437	8,577
	Western Europe	53,638	88,545	106,825	35,358
Americas	Americas Pan Regional	24,293	204,354	103,851	124,796
	Caribbean	73,058	81,927	130,619	24,366
	Belize	17,626	91,164	70,588	38,202
	Nicaragua	81,733	200,254	230,169	51,818
	Brazil & Argentina	84,045	12,152	18,359	77,838
	Ecuador	197,381	170,813	227,956	140,238
Asia Pacific	Asia Pacific Pan Regional	202,994	480,418	474,832	208,580
	Vietnam	(60,441)	441,886	419,158	(37,713)
	Cambodia	799,449	964,130	1,234,383	529,196
	Indonesia	797,974	2,537,654	2,771,104	564,524
	Philippines	1,788	134,013	127,084	8,717
	China	189,573	320,635	196,442	313,766
	Myanmar	154,709	327,297	193,137	288,869
	Laos	116,318	136,896	133,411	119,803
FFI Australia		508,490	718,007	1,023,001	203,496
FFI Singapore		-	-	-	-
Other	Foreign Ex. Revaluation	102,301	-	116,742	(14,441)
		<u>5,305,642</u>	<u>15,005,066</u>	<u>15,587,729</u>	<u>4,722,979</u>

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

BBC Wildlife Trust	£50,490	DFID	£125,082
Big Lottery Fund	£108,637		