

**Butterfly
Conservation**

**Annual Report and
Financial Statements**

31 March 2016

Company Limited by Guarantee
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02206468 (England and Wales)

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Overview by the Chair

Year to 31 March 2016

We are undoubtedly living through a period of unprecedented change which is having a profound impact not only on populations of butterflies and moths but also on the running of Butterfly Conservation.

Our recent *The State of the UK's Butterflies 2015* report showed that over 70% of butterflies have suffered long term declines and over 40% are considered as threatened. The report also found worrying declines of several of our most widespread and familiar species. The reasons are not well known, but the relentless intensification of farming and other land uses must be partly responsible. Climate change is also having a measurable impact on butterflies, probably causing at least 15 species to spread but exacerbating the decline of many others. However, there is some good news that our conservation programmes have halted the decline of several threatened species, including the Duke of Burgundy and Pearl-bordered Fritillary.

On the political front, we face continued cut-backs in Government funding for the environment and increasingly complex and stricter rules surrounding other sources of funds such as Landfill Communities Fund. An important piece of nature conservation legislation, the EU Habitats Directive, is undergoing a major review and the long term implications of the results of the EU referendum on the natural environment are uncertain.

Despite these external concerns, Butterfly Conservation has had an extremely good year thanks to the continued backing of our members, supporters and funders. Our spend on conservation was the highest ever at just under £3 million. During the year, we started a number of new large landscape-scale projects and joined several pollinator initiatives including Polli:Nation, which will encourage hundreds of schools to take action for these vital insects. The Big Butterfly Count continues to be hugely successful (with over 158,000 people engaged over the last six years). Our supporter base has also grown rapidly so that we now have over 28,000 members and 93,000 people receive our monthly email newsletters.

Another significant development is that we have established a close partnership with like-minded NGOs concerned with species conservation. Together we have successfully bid to the Heritage Lottery Fund to begin a new 'Back from the Brink' project aimed at halting the decline of 138 threatened species. We are also jointly developing several other projects to deliver systematic habitat advice and are sharing expertise on reserve management. We believe that by working together we can achieve more and ensure our work benefits a wide range of wildlife.

The future will undoubtedly continue to bring many changes, but we are well placed to face them with our expert staff, active Branch network and dedicated volunteers, growing supporter base, and good governance.

One final change for the year is Martin Warren's formal decision to step down as Chief Executive of Butterfly Conservation at the end of December 2016. Martin has worked tirelessly for us over the past 23 years, and we all owe him a huge debt of gratitude for all his fantastic work to build Butterfly Conservation into the successful organisation it is now. His will be a hard act to follow. The process to recruit a new Chief Executive is already well underway.



Dr Jim Asher
Chair

Statement from the Chief Executive on his planned retirement

After much deliberation, I have decided to stand down as Chief Executive of Butterfly Conservation (BC) at the end of 2016, so this will be my last Annual Report. It has been a very hard decision to make as I have had almost 23 wonderful and productive years with BC, 13 of them as Chief Executive. However, now seems the right time to move on and give me time to pursue my other interests on butterflies and their conservation in Europe.

I first started working for BC in 1993, when I was appointed its first Conservation Officer. At that time, BC had a membership of around 10,000 and three admin staff based at its Head Office in Essex. Things have changed rapidly since then and we now have 28,000 members and over 70 staff based in offices around the UK.

It has been a hectic 23 years and an enormous team effort by everyone concerned. I owe a huge debt of gratitude to my colleagues who have worked tirelessly to grow the organisation and make some seriously important gains in conserving our wonderful butterflies and moths. Among the many fantastic achievements has been the development of world-leading recording and monitoring schemes on butterflies and moths which have together gathered over 23 million records. It is wonderful that so many people now want to record these important insects and share their data for conservation and research.

I am also immensely proud of my colleagues who have pioneered the landscape-scale conservation of butterflies and moths, summarised in a wonderful report with that title published in 2012. These projects are finally beginning to improve the fortunes of many threatened species after decades of decline. We know what to do to save butterflies, we now need the resources to sustain this effort and extend it to more areas. For me, this is what it has all been about, getting improvements on the ground and saving threatened species from what looked like inevitable extinction.

Over the years, BC has acquired some fabulous sites where butterflies and moths can thrive. In 2006 we bought Prees Heath in Shropshire, a remnant area of heathland. It is a microcosm of the problems we face. It was once an extensive area of heathland but during the 20th century it was dissected by roads, turned into a military training ground, and then largely ploughed up after the Second World War. All that remained was a narrow strip of runway that could not be ploughed, surrounded by very intensive arable land. But this had become the last site of the rare and highly threatened Silver-studded Blue in the whole of the Midlands. We could not ignore it. After a long and complex negotiation lasting over 10 years we bought the site and some of the surrounding arable land amounting to 60 hectares. We then began the long laborious process of converting this intensive farmland back to heathland. The project has been a superb success and it is wonderful to see the area now purple with heather and the Silver-studded Blue thriving once more, along with skylarks and a myriad of other plants and animals.

I will leave the charity in good hands. We have a thoroughly expert staff, both in the conservation field and the other vital fields of membership, fundraising, media and financial management. We have a network of 32 Branches who co-ordinate thousands of local volunteers who contribute the equivalent of £10 million each year. We have a wonderful Council, members of which govern the organisation and make sure we stay on course. My main job now is to ensure a smooth handover to my successor later in the year so that all this good work carries on.



Dr Martin Warren
Chief Executive

Introduction

The Council of Butterfly Conservation presents its report together with the consolidated financial statements of the charity and its trading subsidiary, Butterfly Conservation Trading Limited, for the year ended 31 March 2016.

The report set out on pages 2 to 51 equates to a directors' report as required by Part 15 of the Companies Act 2006, and has also been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared in accordance with the accounting policies set out on pages 59 to 66 of the attached financial statements and comply with the charitable company's Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Our vision

A world where butterflies and moths thrive and can be enjoyed by everyone, forever.

Our mission

Butterflies and moths are a vital part of our wildlife heritage and are valuable as sensitive indicators of the health of our environment. The stark fact is that butterflies and moths continue to decline at an alarming rate, despite Butterfly Conservation's best efforts over the last 40 years. Our data show they are declining faster than most other well-documented groups of plants and animals, so our task is both daunting and complex. For many species, we know what needs to be done to halt declines. In order to tackle these losses and achieve the aims of the charity, Butterfly Conservation has to dramatically increase its capacity and influence over the next few years. As butterflies and moths are good indicators of the health of the environment, our work will benefit other wildlife and the ecosystems upon which all life depends.

Our mission is to halt, and then reverse, the decline in butterflies and moths and to build a strong and effective organisation capable of delivering our vision and thereby helping to create a healthier environment in which we can all live.

Our strategic aims for 2020

- 1) Halt and reverse the decline of threatened species of butterflies and moths in the UK.
- 2) Increase the numbers of butterflies and moths across the wider landscape.
- 3) Maintain efficient, scientifically robust, recording and monitoring schemes making the best use of modern technology and continuing to influence Government and wider decision-making on the environment for the benefit of all species.

Strategic report

Year to 31 March 2016

- 4) Raise widespread awareness amongst the public and especially young people, about the role of butterflies and moths in contributing to a healthy environment and the need to conserve them now and in the future.
- 5) Play a major role in establishing sustainable resourcing for Butterfly Conservation Europe to fulfil a long-term role of conserving butterflies and moths across Europe.
- 6) Use our influence to support wider initiatives to conserve a healthy environment and ensure a secure future for both wildlife and people.
- 7) Significantly expand our member and supporter base to generate sustainable funds and give Butterfly Conservation a stronger voice at national and local levels.
- 8) Continue to develop our volunteer, branch and external networks so that they contribute significantly to all the above outcomes as well as addressing local needs.
- 9) Secure the substantial increase in funding and other resources needed to sustain Butterfly Conservation's work in the long term.

We will judge the success of these aims using the following measures:

- 1) Trends in threatened species and whether they have improved or worsened.
- 2) Trends in wider countryside species.
- 3) Number of records submitted annually and publication of the State of Butterflies and Moths reports with recommendations to government.
- 4) The extent of participation in our citizen science programmes, media coverage, and social media reach.
- 5) Funds raised and in-kind staff and volunteer contributions to support the work of Butterfly Conservation Europe.
- 6) Scale and impact of our advocacy work both directly and with partner NGOs.
- 7) Number of members; number of supporters registered on our email database; and the number of social media followers.
- 8) Branch activity and volunteer contributions to our work.
- 9) Overall charity income and actual expenditure on conservation activities.

At the March 2016 Strategic Council meeting, Council members identified the key elements of a new top level strategic plan to take Butterfly Conservation through to 2025. The new plan is now being developed with a view to gaining approval by Council at its July 2016 meeting. Once approved, staff will develop one to three year action plans.

Our performance and plans for the future

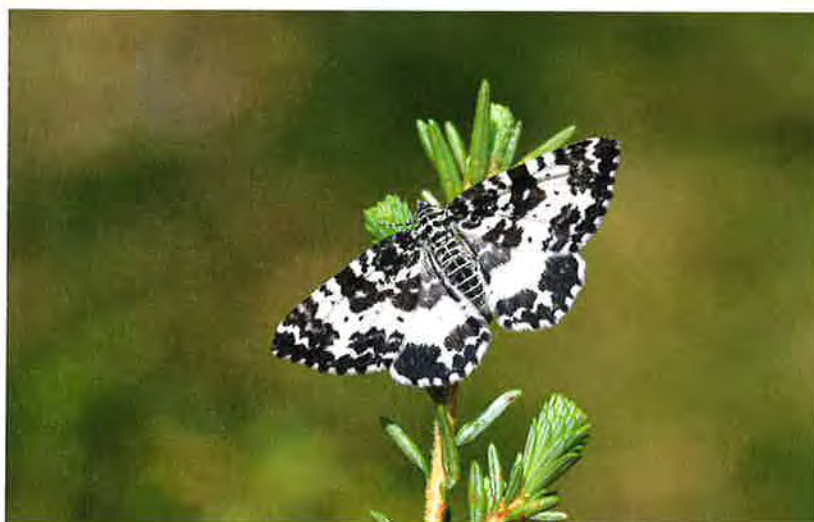
The following section of the Report of Council outlines the breadth of work that Butterfly Conservation carried out in England, Wales, Scotland, Northern Ireland and Europe during 2015/16. Some 10% of our expenditure is attributable to work wholly in Scotland. Council members confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing Butterfly Conservation's aims and objectives and have considered how planned activities will contribute to these.

Butterflies and moths are an integral part of our world. People enjoy seeing them in parks, gardens and the countryside. They are sensitive to change and their fortunes help us assess the health of our environment. Two-thirds of butterflies and moths are in decline. This is a warning that must not be ignored.

Our work focusses on restoring habitats for all butterflies and moths, concentrating our efforts particularly on species most at risk of extinction, while also aiming to improve conditions for widespread species. We have an established record of reversing declines. Our research helps us inform people how to conserve and restore habitats. We run programmes for over 100 threatened species, and we are involved in conserving our 36 reserves and more than 1,000 other important sites.

As butterflies and moths are good indicators of the health of the environment, our work has great public benefit and has an impact on a wide range of sectors in society. As a result of our activities: farmers are better able to manage their land in a sustainable way, gardeners can improve their gardens for wildlife, teachers have resources to enable their pupils to understand the value and beauty of nature, policy makers can maximise the benefits from publicly funded land management schemes, and the public increasingly understand how butterflies indicate the health of our environment. Our work has also contributed to human health and wellbeing by creating a greater number of quality habitats for wildlife that can be enjoyed by a greater number of people.

On the following pages we are pleased to report the key achievements in 2015/16 against our five strategic objectives.



*A new Argent & Sable site was discovered in Yorkshire
(Photo: Bob Eade)*

Conserving threatened species in key sites and landscapes

A central part of our conservation strategy is to conserve threatened species that are at the greatest risk of extinction in the UK. We have focussed our effort on 73 key landscapes where we stand the best chance of success by making habitats larger, better managed, and better connected. For our rarer species, we provide advice on important individual sites that are vital for their future survival, as well as directly undertaking habitat management in many of our key landscapes. During the year, our staff made over 1,000 site visits to provide management advice, facilitate agri-environment and woodland grant schemes, oversee management, undertake monitoring and develop new projects. Volunteers within our Branches carry out extensive species survey and monitoring work, and also help improve habitats on a large number of other key sites. Our new *The State of the UK's Butterflies 2015* report provides good evidence that, as a result of this work, some threatened species are beginning to recover after decades of decline.

We have listed on pages 47 to 49 some of our external funders who have supported our projects, but none of them would have been possible without the active support, both financial and volunteer, of all the local Butterfly Conservation Branches.

Key achievements in 2015/16

Following years of effort with many partners and landowners, we believe we have stabilised populations of one of our most endangered butterflies, the Heath Fritillary. The number of colonies has now returned to 1980 levels in the Blean Woods in Kent (around 25 colonies) and numbers on Exmoor have stabilised after a rapid decline in the 1990s. Thanks to support from the Prince of Wales, it has been successfully reintroduced to a site in Cornwall and numbers on our reserve at Lydford in Devon reached a record high in 2015.

In the Wyre Forest in Shropshire, numbers of the Pearl-bordered Fritillary, another of our most rapidly declining butterflies, have also reached a record high. The number of breeding areas in the forest has trebled since 2002, making it one of the UK's major strongholds. The butterfly thrives in newly cut clearings so constant management by the Forestry Commission and Natural England, guided by our advice, has been essential. We are now working with the Wyre Forest Landscape Partnership to secure the long term future for this vitally important site.

We continued a project to conserve the Small Blue in Surrey, where it had been reduced to just 15 small sites. With funding from CEMEX Community Fund we have made over 20 new scrapes to create bare conditions where the foodplant, Kidney Vetch, can regenerate. Other butterfly species have also benefited from the scrub clearance including Silver-spotted Skipper and Chalk Hill Blue.



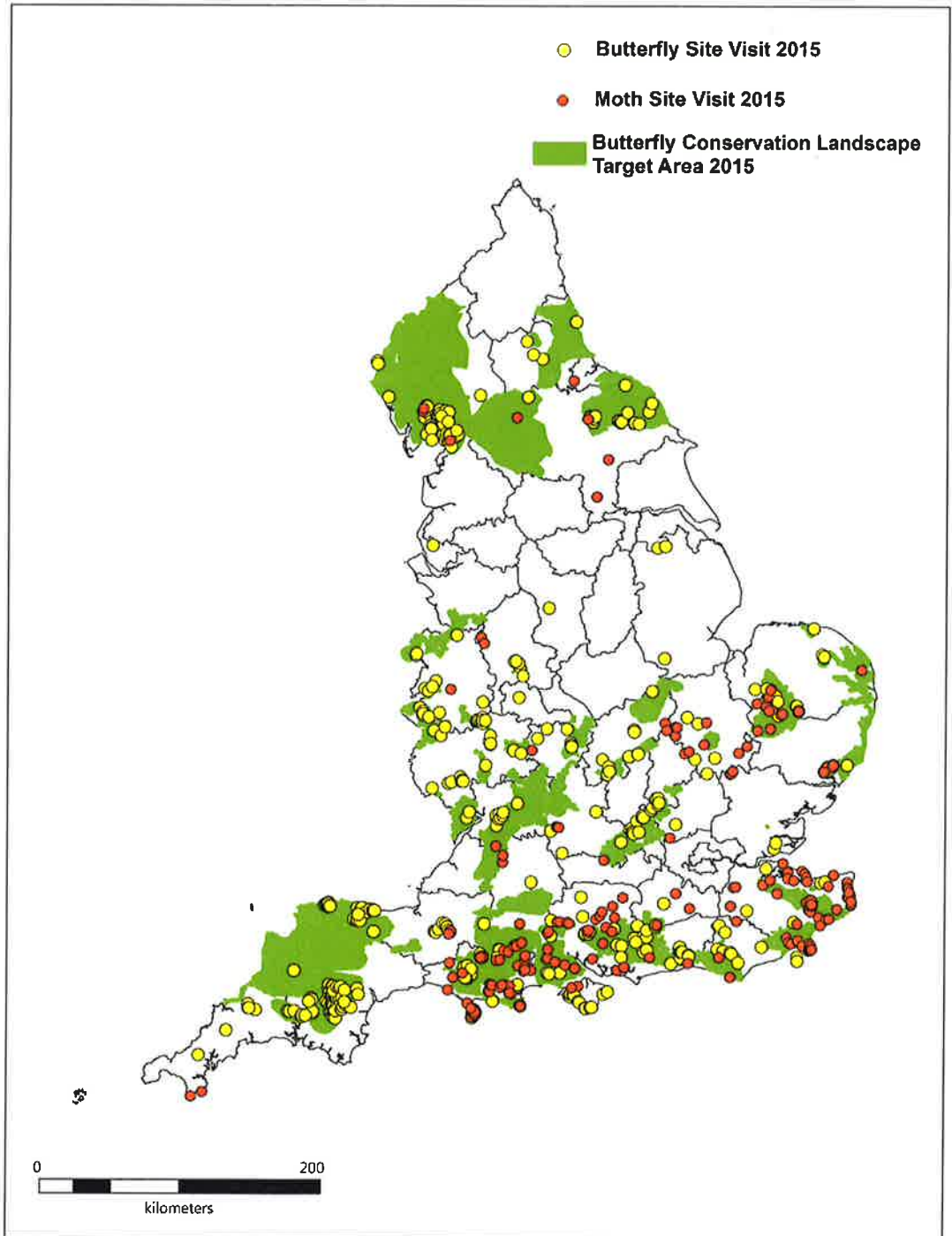
The Duke of Burgundy is one of several threatened species where numbers have increased thanks to our targeted conservation work (Photo: Martin Warren)

In Hampshire and Buckinghamshire, we are working to expand the breeding habitat of the Striped Lychnis moth, which feeds exclusively on Dark Mullein. Thanks to funding from Veolia Environmental Trust, we have planted over 3,000 seedlings of the Dark Mullein around our reserve at Magdalen Hill Down in Hampshire.

One of our rarest butterflies, the Glanville Fritillary, is confined to the south coast of the Isle of Wight and concerns have been growing about its recent decline. With the help of local volunteers, we re-surveyed all recent sites and found it present at just seven core sites and around four peripheral sites. We are now working with landowners to ensure suitable management on these crucial habitats.

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Year to 31 March 2016

Thanks to extensive networks we have built up during previous projects, we successfully applied to Natural England for Facilitation Funds in both the Wyre Forest and on the Morecambe Bay Limestones. The aims are to encourage farmers and other landowners to work together to connect habitats and make best use of the Countryside Stewardship Scheme. Among the species that should benefit are the High Brown Fritillary, Pearl-bordered Fritillary and Duke of Burgundy.



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Site visits by Butterfly Conservation staff in England are focussed on our target landscape areas as well as key sites for some of our most endangered species

Strategic report

Year to 31 March 2016

In Northern Ireland, we began the process of gathering together all recent records of the Marsh Fritillary as well as condition assessments of their damp grassland habitats in order to map the location and extent of each colony in the country. This data will be compiled in a site dossier as the first stage in planning conservation action. This information has already been used in the development of a partnership project in the butterfly's stronghold in Fermanagh.

In Scotland we started a new project to provide advice on 20 key species on the vast Forestry Commission Scotland estate. This includes open woodland species such as the Kentish Glory, as well as grassland species such as the Narrow-bordered Bee Hawk-moth, Small Blue and Dingy Skipper, which have significant populations that occur in clearings and forestry tracks.

Despite its name, the New Forest Burnet only occurs in the UK at a single remote location in the west of Scotland. Conservation efforts, focussed on restricting grazing, have resulted in a dramatic increase in the population from a low of around 20 in the mid-1990's to peak at over 10,000 in 2012 and 2013; a marvellous success story. However, two winter landslips have severely damaged the perimeter fence allowing unhindered access by sheep that could very quickly negate all this good work. We therefore held two volunteer work parties to undertake emergency repairs to make the fence stock-proof and remove the sheep; no mean feat given the rugged and steep terrain. Funding is now being sought for a replacement fence to enhance the fortunes of one of the country's rarest species.

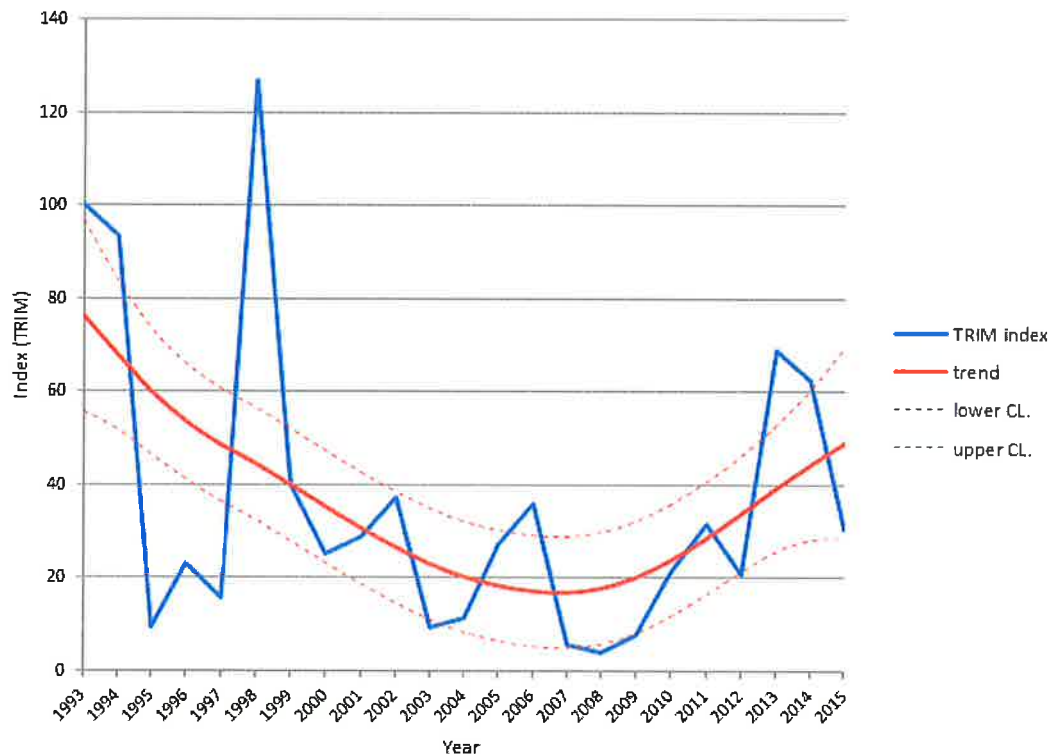


Volunteers making emergency fence repairs to save the last colony of the New Forest Burnet in Scotland (Photo: Tom Prescott)

Strategic report
Year to 31 March 2016

In Scotland’s Central Belt, we continue to work with Scottish Natural Heritage, local Branch volunteers and others to restore bog habitats for butterflies, moths and other specialist wildlife. Our ‘Bog Squad’ of volunteers has continued its quest to provide important habitat for declining species such as the Large Heath and Green Hairstreak. Four hectares of scrub have been cleared and 61 ditch-blocking dams installed during 2015. These measures help to re-wet the peaty habitats enabling key plant species to flourish such as the Large Heath’s larval foodplant, Hare’s-tail Cottongrass. Two previously unknown colonies of Large Heath were discovered and, most exciting, a new population of the rare Narrow-bordered Bee Hawk-moth.

Working with Natural Resources Wales and local volunteers, we re-surveyed all recent Marsh Fritillary colonies in Wales. The results show that although a few colonies continue to be lost to development or mismanagement, the species seems to be recovering from a low period from 2000-2010 thanks to targeted management and habitat restoration guided by our advice. Some areas are still being developed as building land, but the Wales team is using mitigation funds to restore neglected habitats such as at Median Farm, a reserve we took on a few years ago.



The trend of the Marsh Fritillary in Wales, based on systematic monitoring. Numbers dropped dramatically until the mid-2000s but have since recovered well due to conservation effort by Butterfly Conservation and its many partners in Wales.

Strategic report

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Our future priorities

Our main priority is to continue taking action for threatened species at a landscape scale which is vital to ensure their long term survival. We will also focus effort on key remaining sites for very rare moth species where specific management is essential for their survival.

Our conservation strategy is largely delivered via our National and Regional Action Plans. These were produced at the turn of the millennium and we have begun the process of reviewing them. We are working closely with our Branches and through this process will reassess species priorities and deliver conservation work across key landscapes, with a view to identifying potential new projects.

Our main priorities in 2016/17 are:

- ◆ Finalise our bid for funding towards the All the Moor Butterflies project, which aims to ensure management of key sites for four threatened fritillaries: High Brown, Pearl-bordered, Heath and Marsh.
- ◆ Develop our Back from the Brink projects in the Cotswolds and Rockingham Forest to restore habitats for threatened species, including the Large Blue and Duke of Burgundy.
- ◆ Develop Phase 2 projects for the Northants Wood White, Chilterns Duke of Burgundy, Surrey Small Blue, and Warwickshire Small Blue as well as projects to save the Heath Fritillary in the Tamar Valley and South Essex.
- ◆ Implement projects on the Dark Bordered Beauty at Strensall Common, Rusland Horizons, West Midlands Wood White, New Forest Fritillaries, Butterfly Files in Northern Ireland.
- ◆ Obtain funds and replace the fence protecting the last site for the New Forest Burnet moth.
- ◆ Produce a Marsh Fritillary site dossier in England and Northern Ireland.
- ◆ Deliver Facilitation Fund projects in Morecambe Bay and Wyre Forest and explore potential new projects in other target areas.
- ◆ Review priorities in our National and Regional Action Plans.

Building the evidence base

Butterfly Conservation aims to base its actions on sound scientific evidence. There are many challenges ahead, with the continuing loss of habitats, threats from climate change and from pesticides such as neonicotinoids that have been shown to have a serious effect on beneficial pollinating insects such as bees. There are also opportunities including new agri-environment schemes following the reform of the EU Common Agricultural Policy. In order to tackle these problems more effectively, we brought together our species and research sections under a new post of Director of Conservation Science.

Key achievements in 2015/16

Recording and monitoring

During the year, in collaboration with the Centre for Ecology and Hydrology (CEH), we published a major new report on *The State of the UK's Butterflies 2015*. This combines the data on butterfly abundance from the UK Butterfly Monitoring schemes with butterfly distribution data from our Butterflies for the New Millennium survey. The report was launched in December 2015 by our Vice-President, Chris Packham, and received widespread media coverage.



The report presents the findings of the last five years survey by more than 10,000 recorders who submitted 2.9 million records during the period 2010-2014 and also carried out monitoring on over 1,300 transects. A new analysis shows that butterflies have declined dramatically since the first survey in 1970 - 1982, with more than 70% of species declining. In contrast, at least 15 species are expanding their range, probably due to climate change. They include the Essex Skipper, Speckled Wood, Ringlelet and Comma which have spread during the last 40 years by 104%, 71%, 63%, and 57% respectively.

There was also some good news that several threatened species seem to be responding well to recent conservation measures. For example, the Duke of Burgundy, which has declined by over 84% during the last 40 years, has increased in

numbers during the last 10 years due to conservation effort by Butterfly Conservation and our many partners. The Large Blue, which became extinct in 1979 and has since been re-introduced, is another great success story.

One of the most worrying findings of the report is the recent decline of many familiar and widespread species like the Small Copper, Wall and Gatekeeper. The causes of these declines are poorly understood and we are working with several universities and research institutes to try to identify the root causes and find possible solutions.

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Our National Moth Recording Scheme (NMRS) continues to grow from strength to strength with more than 1 million records added to our database each year. So far, the scheme has focussed on the 900 or so species of larger (macro) moths, but during the year we worked with experts who run schemes for the circa 1,500 micro-moths to incorporate them into the NMRS for the first time. Accurate identification of these tiny moths is absolutely vital to ensure accurate data so we have established a system of verification both through our network of volunteer Vice County Recorders and an expert panel to verify the more difficult species at the national level.

We continue to support the work of Butterfly Conservation Europe to expand the butterfly monitoring network across Europe. So far 22 countries contribute monitoring data and we have collaborated with CEH to develop an online data entry portal and an agreement with other schemes to bring together European data into a central database. This will provide an invaluable tool for assessing trends in European butterflies and will enable the production of a series of butterfly indicators in coming years.



Our Wider Countryside Butterfly Monitoring Scheme continues to provide invaluable data on trends of widespread species (Photo: Butterfly Conservation)

Strategic report

Year to 31 March 2016

Research

During the year, we enhanced our capacity to analyse our large and complex datasets by taking on a post-doctoral researcher from Kent University. Several scientific papers have been written on a ground-breaking new method of analysis of long running data, which models trends using sophisticated statistical techniques. These have been made available and are now being adopted to calculate more accurate and robust trends of butterflies across Europe. The new techniques allow us to combine datasets and, for the first time, enable development of an urban indicator to assess trends in urban as opposed to rural habitats.

We continue to work with a wide range of universities and research institutes to conduct important research on our butterflies and moths, using our unique expertise and datasets. During the year, we collaborated in a joint study by Hull University to research the impact of light pollution on moths. A literature review was published into the impact of light on moth populations around the world as well as their role in the pollination of wildflowers. Field work has shown that lights interfere with moth behaviour and numbers, with ground level moths being drawn upwards towards street-lights. The study will now look at how this affects breeding.

Through collaboration with Stirling and Sussex Universities and CEH, we published a paper showing a correlation between the use of neonicotinoid pesticides and butterfly declines. These chemicals have, for several years, been implicated in the decline of bees, but this is the first evidence that they might be affecting butterflies as well. However, the results do not prove cause and effect and the correlation might be affected by some other aspect of intensive agriculture. We launched a crowdfunding appeal on the back of the findings to raise funds for research into the issue. We are now working with CEH and others to see if there might be a causal link.

Together with researchers at CEH, Natural England and the University of Exeter, we published a paper in the journal, *Nature Climate Change*, using long term trends from 129 sites. The analysis showed that the increased risk of droughts could lead to the extinction of several common species by 2050. A separate study with CEH and Rothamsted Research, showed that nearly half of the butterfly and moth species studied had experienced recent declines due to climate change. The results are worrying because we expected most southerly distributed species to benefit from climate change but the results show that the impact could actually be far more complex and damaging.

One of our rarest butterflies, the Lulworth Skipper, is confined to the south coast of Dorset and concerns have grown in recent years over its rapid decline. We have helped the University of Exeter to apply for funds for a three-year PhD project to investigate the possible causes.

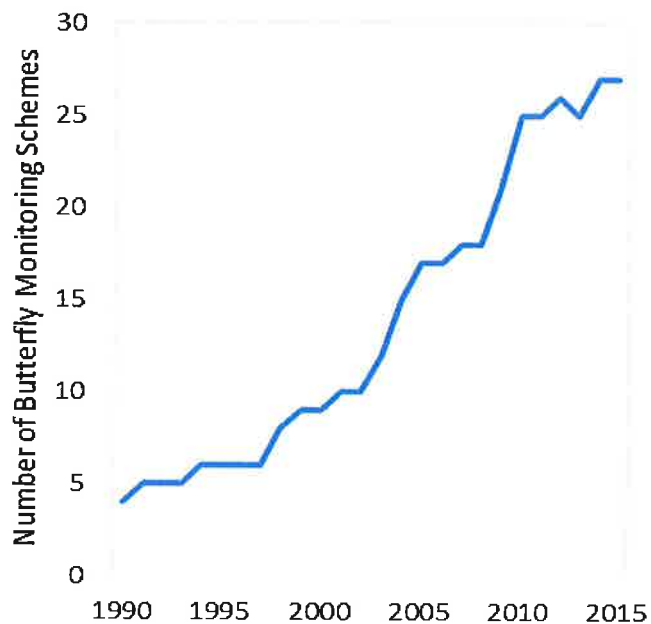
Our future priorities

- ◆ Continue to run our main recording and monitoring schemes, including the UK Butterfly Monitoring Scheme, Butterflies for the New Millennium, and National Moth Recording Scheme.
- ◆ Produce an Urban Butterfly Indicator and analyse trends from the Big Butterfly Count.

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- ◆ Continue to work towards publishing the first ever UK National Moth Atlas to celebrate Butterfly Conservation's 50th Anniversary in 2018, and a new Butterfly Atlas after the next five year recording period in 2020.
- ◆ Conduct further research into the decline of widespread butterflies and the impact of neonicotinoid pesticide use.
- ◆ Our new science and research strategy will guide an exciting period of growth in this area as we seek to expand our collaborative work with universities and research institutes. Our partnership with the University of Kent will increase our capacity to understand and use our extensive data sets.
- ◆ Working with Butterfly Conservation Europe, we will encourage and support the expansion of butterfly monitoring throughout Europe to enable the continuing development of European as well as UK indicators.



We are making good progress in expanding the number of butterfly monitoring schemes in Europe and hope to add in several more countries during the next three years.

Strategic report

Year to 31 March 2016

Nature reserves

Butterfly Conservation has a network of 36 reserves across the UK covering 793 hectares of key butterfly and moth habitat. They are managed with the help of our local Branches and volunteers and our partner organisations. We use these reserves to safeguard sites for threatened species, demonstrate good habitat management for Lepidoptera and other wildlife, and provide places where the public can enjoy butterflies and moths.

Key achievements in 2015/16

Thanks to a wonderful response to our member appeal, we were able to buy Westbury Beacon, an important site in the Mendip Hills of Somerset. The Beacon comprises eight hectares of flower-rich limestone grassland that supports over 30 butterfly species including significant populations of the Chalk Hill Blue and Dark Green Fritillary. The site is near to our existing reserve at Stoke Camp, meaning that the whole of the escarpment is now under conservation management. Volunteers from our Somerset Branch have immediately begun work parties to manage the encroaching scrub and improve the open downland habitat.

A study of our monitoring transects showed that populations of habitat specialist butterflies have fared better on Butterfly Conservation reserves than on other sites. This shows that overall our management is successfully halting and reversing declines of our rare species. The analysis also showed that where a few species have disappeared from our reserves, they have also died out in the surrounding region, giving us a salutary warning that we need to consider the whole landscape around our reserves and ensure that other key sites are correctly managed as well.

One of our great successes has been the dramatic recovery of threatened species on several of our reserves. At Mabie Forest, a joint reserve with Forestry Commission Scotland, numbers of the highly threatened Pearl-bordered Fritillary have increased six-fold during the last decade, thanks to careful management. This 100 hectare forest is now one of the UK strongholds of the species.

Our future priorities

Our main priority is to ensure that our nature reserves are managed in the best possible way to maintain their threatened butterflies, moths and other important wildlife species present.

Our Branches and volunteers will continue to actively manage our reserves and other key sites, as well as engage local people with our important conservation work.

We will formally open our new reserve at Westbury Beacon and pilot ways of assessing the reasons for visits and evaluate people's experiences on selected reserves.



The view over our new reserve at Westbury Beacon on the Mendip Hills in Somerset. As well as protecting an important habitat, this links other sites along this important escarpment and helps us achieve our aim of landscape scale conservation to ensure the long term survival of butterflies and moths (Photo: John Davis).

Advocacy

The future of our butterflies and moths and other wildlife is strongly affected by government and other policies that affect land use and the health of the environment. Butterfly Conservation works with a wide range of other organisations to help improve these policies not just for wildlife but also to ensure the future survival of life on Earth.

Key achievements in 2015/16

Following the successful publication of the *State of Nature report* in 2013 with 22 other NGOs, we published a paper identifying the main drivers that are causing the decline of 60% of the UK's wildlife. Not surprisingly, intensive agriculture came out top but many species are also suffering through a lack of woodland management or from invasive species. The results will help improve environmental policies in the future.

Strategic report

Year to 31 March 2016

We worked with other NGOs to encourage English MPs to become a Species Champion for a threatened species found in their constituency. We secured two MPs as Species Champions for Lepidoptera, Steve Brine, MP for the Striped Lychnis moth, and Neil Parish, MP for the Marsh Fritillary. We will now be arranging site visits so they can learn first-hand about the conservation issues facing these and other species.

We joined the Bee Coalition which campaigns for action to save bees and other pollinators and contributed to a major report to Defra on the Design and Testing of a National Pollinator and Pollination Monitoring Framework.

On the European front, we continue to contribute to policy documents by the European Habitats Forum working with Butterfly Conservation Europe. As part of the EU Biogeographic Zone process we organised a highly successful seminar in Germany on the management of Alpine Grasslands for butterflies and other invertebrates. 58 experts from 16 countries attended, bringing together unique expertise in both the problems facing Europe but also possible solutions. The results have been fed through to the EU Directorates on the Environment and Agriculture.

The other main focus of Butterfly Conservation Europe has been to bring together data from monitoring schemes across Europe. The aim is to produce a single dataset which can be used to generate trends in European butterflies and assess the state of different European habitats for this important indicator group. We have worked with CEH to develop a system of combining data from the 22 existing countries with schemes and a data sharing agreement. This was launched at the Dutch Butterfly Conservation conference in March 2016. We have also worked with partners to develop schemes in countries without them.

Our future priorities

During the coming year it will be important to work with the Government to improve wildlife and environmental policies. We will work with partners in the four Countryside Links to promote wildlife-friendly policies.

We will also contribute to a new *State of Nature* report which will be launched by Sir David Attenborough in September 2016.

We will develop our relationships with the Species Champion MPs in England and hope to recruit at least two more. We will also run a similar initiative to secure Species Champions in the Welsh Assembly and recruit additional Champions from the new Scottish Parliament.

We will continue to work in all four UK countries to develop their agri-environment programmes and make sure they deliver for butterflies and moths. In particular, we will promote packages aimed at helping bees, butterflies and other pollinators in field margins.



Intensive agriculture continues to be a major cause of decline of wildlife, but flower-rich field margins can help bees, butterflies and other pollinators, while aiding food production (Photo: Martin Warren)

Engaging our supporters

Butterfly Conservation relies on the passion and commitment of more than 15,000 volunteers, co-ordinated through our network of 32 Branches. Our Branches run a comprehensive programme of events such as field trips, talks and work parties on reserves, as well as co-ordinating recording and monitoring activities. We owe them a huge debt of gratitude for this ongoing commitment to conserving butterflies and moths.

We are also extremely grateful to all our members, supporters and funders for their ongoing generous financial contributions, which allow us to continue our vital work.

Key achievements in 2015/16

Volunteers

During 2015/16, our Branches ran 1,641 events, ranging from walks and talks to work parties on reserves. More than 25,000 people attended these events giving them an important hands-on experience of the natural world.

During the year our volunteers contributed a huge effort to our work, amounting to 168,317 days, equivalent to £10.54 million. Much of this effort comes from contributions to our recording and monitoring schemes, where volunteers add 1.5 million records every year to our world-leading databases on butterflies and moths.

Strategic report

Year to 31 March 2016

Butterfly Conservation's Branch Support Officer has helped to develop our Branch network, share best practice and provide training and materials. We have also increased the capacity of our Media Team to promote our work to a wider audience, including via social media, our website and regional publicity.



Volunteers from the Upper Thames Branch and Network Rail creating new habitat for the Duke of Burgundy (Photo: Nick Bowles)

Citizen Science

The Big Butterfly Count had its most successful year ever with a record 50,000 counts submitted by 52,200 people. The Count was once again launched by our President, Sir David Attenborough, and received widespread coverage through the printed and digital social media. Since the count started in 2010, almost half a million people have visited the website, 205,000 identification charts have been downloaded, more than 158,000 people have taken part, and 2.7 million butterflies have been counted, making it the largest survey of its kind in the world.

In order to develop people's interest in recording, we also made plans to re-launch our long running Garden Butterfly survey with an online interface rather than via paper records. This will enable us to open it up to non-Butterfly Conservation members in 2016, with all records being submitted via a dedicated website. The new website will allow people to store their own records over the year and see how their gardens compare with others. The plan is to build up a new powerful database on which to assess trends in garden butterflies and see how they compare with those gathered from our Wider Countryside Survey.



Sir David Attenborough launching Big Butterfly Count in 2015 (Photo: Helen Atkinson)



One of the 52,200 people who took part in the Big Butterfly Count 2015 (Photo: Butterfly Conservation)

Strategic report

Year to 31 March 2016

National Moth Night 2015 was a huge success: events were held over a weekend in September, bringing the fascinating world of moths to new audiences and encouraging people to record their sightings and submit them. This year the theme was migrant moths and was timed to target one rather special visitor from the continent in particular, and it didn't disappoint. A large number of records were received for the *Convolvulus Hawk-moth* which had been seen feeding from flowering Tobacco plants in hundreds of gardens earlier in the year.



Convolvulus Hawk-moth; one of our largest and most spectacular moths recorded during National Moth Night (Photo: Mark Parsons)

Education

Munching Caterpillars, our flagship education project funded by the Heritage Lottery Fund (HLF), ended on a high in 2015. The project enthused children about the wonderful world of butterflies and moths and their fascinating life cycles. Over the last three years, the team ran hundreds of workshops engaging almost 14,000 children in Somerset and Dorset. These events included 233 primary school sessions, 99 public/community events, inspiring children and adults alike about what they can do in their own space, 19 visits to nature reserves to see species in their natural habitats, and 16 training workshops for teachers, environmental educators and volunteers, developing their knowledge and skills to enthuse young people about butterflies and moths. We are now seeking funds to roll out the project in other areas.



Moth trapping session for school children (Photo: Megan Lowe)

Our Branch volunteers continue to make a significant contribution to our education work and ran 70 school visits during the year, which were attended by more than 2,700 children.

Butterfly Conservation is pleased to be a main partner in Polli:Nation a three year HLF project developed by Learning Through Landscapes (LTL), a charity dedicated to enhancing outdoor education and play for children. The project will enable children to turn their school grounds into havens for butterflies, moths and other pollinating insects. More than 260 schools will receive expert advice and development plans for their school grounds. Our role is to provide this advice and help design a method for monitoring pollinator abundance suitable to all ages. In Northern Ireland we are delivering Polli:Nation in schools on behalf of LTL.

Our future priorities

- ◆ Work with Waitrose Limited and John Lewis Partnership to grow participation in the Big Butterfly Count and develop interest amongst the public.
- ◆ Launch the online Garden Butterfly Survey and encourage hundreds of new participants.
- ◆ Continue to promote and expand Moth Night.
- ◆ Produce an Education Strategy to develop the next phase of this important work.
- ◆ Continue to contribute to the Polli:Nation project and devise a method for monitoring pollinator abundance suitable to all ages.

Strategic report

Year to 31 March 2016

Membership

We are very grateful for the loyal and generous support of our members. Income from their subscriptions and donations has a major impact on Butterfly Conservation's ability to continue essential monitoring and recording programmes and our crucial conservation work to restore and create specific habitats, thus giving our most threatened butterflies and moths a greater chance of survival.

Membership continued to grow steadily during 2015/16; member numbers increased by nearly 11% compared to the target of 12%, however we feel this is an excellent achievement considering the ongoing economic problems facing the country and its citizens. We closed the year with over 28,000 individual members resulting in an increase in unrestricted income and a subsequent rise in the funds available to continue our conservation work. Our membership retention rate was maintained at 90%. A campaign to uplift members to our higher level annual Benefactor category resulted in a subscription increase of 57%, creating a further positive effect on membership income.

We continue to provide high quality information and activities for members through welcome packs, *Butterfly* magazine and numerous events held by local Branches. Our annual member survey helps to ensure that member expectations and preferences are monitored so that we match needs and demands.

Our future priorities

During the coming year we aim to grow our membership by at least 8% and maintain our retention rate at or above 90%. A further member survey will be run to help inform the future of *Butterfly* magazine and its attraction to new members. This research will help us understand the priorities of our members and help us maintain and plan more engagement opportunities.

Over the next two years we will continue to look for ways of streamlining membership administration to reduce costs.

A new Customer Relationship Management database will be implemented in 2018; this will make it easier to analyse campaigns and segment data as our membership growth continues by at least 8% per year.

We feel confident that these short, medium, and long-term plans will result in an increase in net surplus from membership income enabling Butterfly Conservation to continue core conservation work during coming years.



Moths capture attention at a Munching Caterpillars Bioblitz event at Mount Fancy Farm reserve in Somerset (Photo: Rob Skinner)

Fundraising

The current economic environment for the charity sector is uncertain and there are several ongoing threats to some of Butterfly Conservation's most important funding streams. There are concerns about the level at which the government agencies (Natural England, Scottish Natural Heritage, Natural Resources Wales and Northern Ireland Environment Agency) will be able to provide future funding as a result of the continuing squeeze on public finances. The future of the Landfill Communities Fund (LCF) is also uncertain in the long term. The lack of public trust in charities following negative media coverage over the past year may also lead to a reduction in supporter income. See page 34 for more details about Butterfly Conservation's established and responsible approach to fundraising.

Despite these ongoing challenges, our fundraising targets for 2015/16 were ambitious. We were therefore delighted to have met our income goals in most areas, enabling us to implement all planned core conservation work during the year.

Butterfly Conservation currently has a number of active HLF projects including the Urban Butterfly Project in Scotland and the new Butterfly Files project in Northern Ireland. We also secured initial joint funding from HLF as part of the Back from the Brink partnership species project. This project is currently in its development phase, further funding for the implementation stage is expected during 2017/18.

Strategic report

Year to 31 March 2016

Since the introduction of the Landfill Communities Fund, Butterfly Conservation has received over £2.9 million from this source, which has funded 38 conservation projects. We received funding for 14 conservation projects during the year, including support from Veolia Environmental Trust for the Small Blue project, Biffa Award for the Large Blue in the Poldens, Waste Recycling Environmental Limited (WREN) for the ongoing Morecambe Bay Limestones project and Welcome to our Future for the West Midlands Wood White project. These projects will make a real difference to the survival of threatened species.

We are grateful to the Northern Ireland Environment Agency; Scottish National Heritage; Natural Resources Wales and Natural England for their continued funding of our core conservation work across the UK.

Income from trusts and foundations provide important funding for our conservation projects but during 2015/16 we failed to reach the fundraising target of £220,000 set for this area due to insufficient staff resources (a total of £94,272 was raised). We would like to thank all the trusts who have supported Butterfly Conservation's work. With further cuts to statutory funding expected, income from trusts will be increasingly important in the future. A strategic review of charitable trusts has been carried out and plans put in place to ensure that income is on target for the coming year.

We are enormously grateful to our members and supporters for their generous donations to our major appeal launched during spring 2015. The appeal reached its target and enabled Butterfly Conservation to purchase a new nature reserve at Westbury Beacon in Somerset. Essential habitats can now be restored to become a safe haven for butterflies and other wildlife for generations to come.

A series of small regional project appeals during the summer, followed by our popular Match Pot appeal in the autumn meant we achieved our highest ever donation levels during the year, exceeding income targets. This strong support from members and donors allowed us to continue the success of projects like Dukes on the Edge, which has halted and reversed the decline of the Duke of Burgundy in South East England; and Norfolk Brecks Heathland Restoration to turn round the fortunes of Brecks specialist moths and butterflies.

In November 2015 we launched our first ever Crowdfunder campaign in order to raise funds to carry out detailed analysis about the negative effects of neonicotinoid pesticides on butterflies and moths. This successful campaign surpassed the extended income target of £10,000 and encouraged 146 new donors to give to Butterfly Conservation (40% of total donors to the appeal). Further research is now underway and we hope the findings will enable us to help persuade the Government to review the use of these toxic chemicals.

Two major raffles were held during the year resulting in just under £45,000 from ticket sales; whilst this did not meet our initial target, we were happy with the 66% increase in income compared with last year and the additional benefit these funds will provide for butterflies and moths.

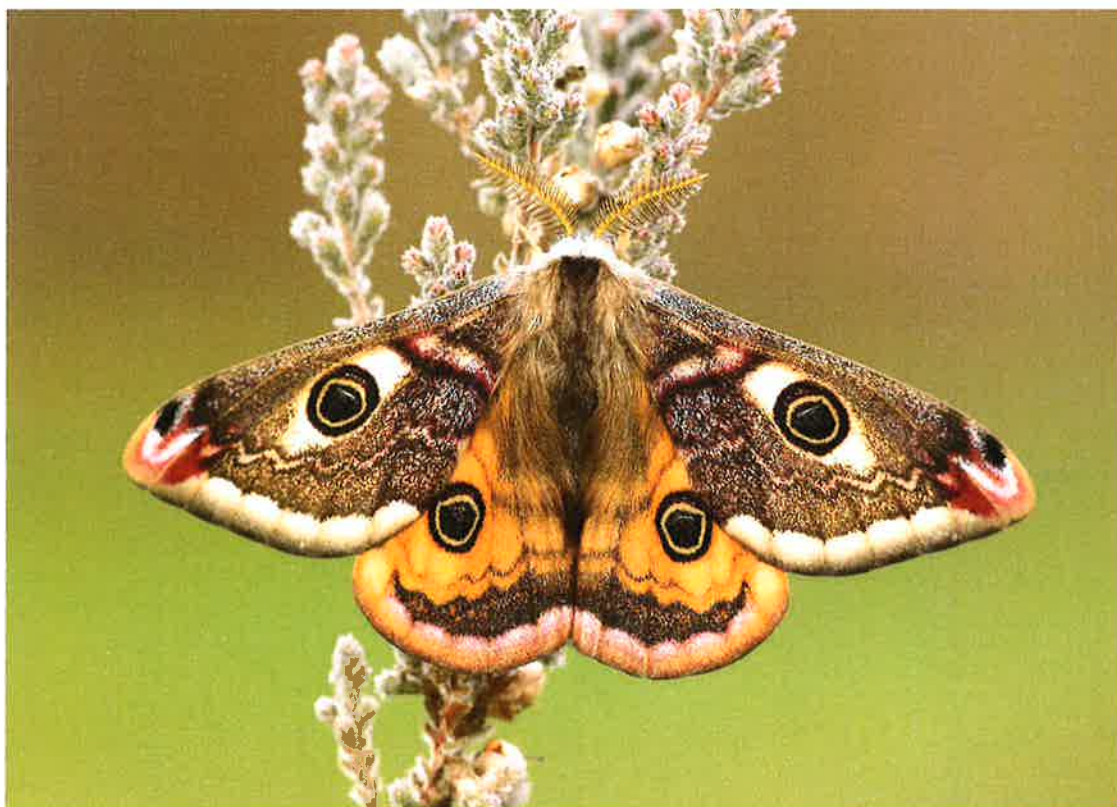
Strategic report

Year to 31 March 2016

Despite continued efforts we were disappointed not to see a significant increase in income from major gifts during the year; this led us to review our major donor fundraising programme and change focus to aim for higher levels of income for 2016/17.

In May 2016 a review published by Legacy Foresight reported that legacy income across the voluntary sector grew by 4.4% in 2015/16. However, Butterfly Conservation saw a decrease in legacy funds over the same period. Income was 10% below the £350,000 target set for the year but this income stream is very difficult to predict. We have reprioritised our fundraising effort to increase staff time spent on promoting this vital source of income for future years. Nearly £15,000 was also donated in memory of loved ones.

We have been fortunate to secure Waitrose Limited and John Lewis Partnership as new joint sponsors for the Big Butterfly Count in 2016. However, our lower level corporate supporter work has not been successful; we have therefore reviewed our plans in this area, reducing staff effort to focus on key fundraising areas that will provide a better return on time invested.



A stunning Emperor moth (Photo: Iain H Leach)

Strategic report

Year to 31 March 2016

Future Priorities

Our new three-year Fundraising Strategy and income targets will ensure fundraising is maintained across a wide range of disciplines.

In 2016/17 staff work programmes will be reprioritised to increase effort in our charitable trust, legacy giving and major donor fundraising work, with the aim of growing income in these three important areas.

Legacy promotion will continue in 2016/17 and although the income from this may not be felt for many years we will measure the success of this work by the number of legacy pledges and enquiries received.

Individual giving campaigns for supporters and members will continue, working within the new data protection and fundraising regulations.

During the coming year we will continue to focus on supporting our conservation work by seeking funds from major sources such as Landfill Communities Fund, Heritage Lottery Fund, and charitable trusts.

It will be important to increase our lobbying and campaigning and to work with other environmental NGOs to raise awareness of biodiversity and ensure statutory funding is continued.

Our mid-term goal will be to develop projects utilising European or other funding from new sources.

Over the coming years we will continue to seek opportunities for partnership working to maximise the chance of securing major funding for joint projects to achieve a more cohesive and consistent benefit for the environment and all wildlife.

Media and raising awareness

During the year Butterfly Conservation has strengthened the impact of our public engagement work by ensuring all campaigns are fully supported by a compelling media blend. The subsequent growth in our media reach has seen an increase in public knowledge and awareness of the plight of butterflies and moths. This has been achieved via direct engagement with our citizen science projects such as the Big Butterfly Count, Moth Night and the Garden Butterfly Survey – all of which have a strong educational theme.

Our key citizen science campaign – the Big Butterfly Count – enjoyed a record year with more participants taking part than ever before and record advertising value equivalent (AVE) of £1.9 million generated in media coverage. This success in engaging audiences and raising awareness was driven by our commitment to deliver campaigns offering an engaging mix of video, social media and traditional media. This goal was achieved by maintaining our expenditure while simultaneously increasing our reach.

Strategic report

Year to 31 March 2016

We are committed to diversifying our content in order to engage new audiences with our public engagement campaigns and further increase the impact of our messaging. As a result our new gardening campaign, Plant Pots For Pollinators, will feature a custom-made animation – a first for Butterfly Conservation. The campaign will also be used to pilot the charity’s first Instagram account.

We continue to champion the use of innovative media techniques. Our groundbreaking *The State of the UK’s Butterflies 2015* report gained widespread national coverage. Building on media interest we used the live streaming app, Periscope, to broadcast Vice-President Chris Packham’s keynote speech for the report launch via Twitter.

The launch of our revamped Garden Butterfly Survey also attracted widespread media interest. Butterfly Conservation faces a challenge to ensure that the campaign sustains and develops its own unique identity in an environment already saturated with similar competitive projects.

The impact of our media reach has seen Butterfly Conservation continue to punch above its weight in terms of generating press coverage for butterflies and moths, and the problems they face. During the year we produced more than 80 national and regional press releases and generated more than 3,400 print, online and broadcast articles with an AVE of more than £6.6 million.

The effect of our media campaigns is augmented by the strength of our social media profile which helps us to reach new supporters. Despite operating in a highly competitive environment, our Facebook presence has continued to thrive, with 100,000 likes as of 31 March 2016 compared to 38,000 likes in 31 March 2015 – a growth of 163%. Our Twitter profile is also expanding with 38,000 followers on 31 March 2016 compared to 29,000 at the same time last year – a rise of 31%. With a small increase in expenditure we have worked to prioritise Facebook advertising as a means of increasing campaign reach.

Email is a powerful tool for promoting our campaigns and conservation messages to a wide audience. We have continued to develop and improve the content of our monthly e-newsletter *All Aflutter* which now reaches more than 93,000 supporters – a rise of 39% on the previous year’s figures. This increase is mirrored by a growth in traffic to our website with the number of individual users up 19% to 576,309 compared to the same period in the previous year.

Our future priorities

Our commitment to producing high quality content marketing in the short, medium and long term should ensure that Butterfly Conservation is able to deliver sophisticated and targeted engagement campaigns with maximum public impact.

During the coming year, we will issue a new set of Brand Guidelines to staff and discuss the importance of consistent branding with our Branches and volunteers.

Key priorities involve the development and strengthening of our two new campaigns, Plant Pots for Pollinators and the Garden Butterfly Survey, alongside the maturation of Butterfly Conservation’s suite of engagement schemes.

Strategic report

Year to 31 March 2016

To improve our offer to supporters we will work to develop an online presence for *Butterfly* magazine in coming years as well as improving the content segmentation for *All Aflutter* recipients.

Campaign impact will be strengthened through a commitment to diversifying our media blend, developing a three-year digital strategy and harnessing innovations in social media.

We operate in a highly competitive environment at a period when traditional funding streams are increasingly under threat. Butterfly Conservation must be able to navigate these challenges successfully in order to maintain our reach and relevance.

Help stop butterflies and moths disappearing

Butterflies and moths are in trouble with many suffering from declines and several facing extinction. But your support can make a real difference in turning their fortunes around while creating a healthier more colourful world for us all.

Find out how you can help by signing up to our monthly email newsletter *All Aflutter*. You will receive exclusive butterfly and moth news, wildlife gardening tips, special offers and details of how you can support our work, butterfly-conservation.org/enews

It doesn't matter if you have five minutes or five thousand pounds to give, you can still help save butterflies, moths and the environment.

- ◆ **Donate** – Every penny counts in the fight to save our most threatened species. Your generosity can secure a future for butterflies and moths.
- ◆ **Join** – Add your voice to our 28,000 members who are speaking up for butterflies and moths.
- ◆ **Remember butterflies in your Will** – Every gift, whatever the size, makes a real difference to our conservation work and helps ensure future generations experience the joy of watching butterflies and moths in the wild.
- ◆ **Garden** – Transform your garden space into a wildlife haven by planting for butterflies and moths. Take part in our *Plant Pots* campaign and feed pollinators throughout the summer.
- ◆ **Volunteer** – From fence building to filling envelopes – we have volunteer tasks for all ages and abilities. Give time for butterflies and moths and help make a difference.
- ◆ **Monitor** – Counting butterflies and moths through our monitoring schemes tells us which species need help and where they need it. Get out for the Count with our Big Butterfly Count or spot back garden favourites throughout the year with our Garden Butterfly Survey.
- ◆ **Fundraise** – Run a marathon or bake a cake – there are endless ways you can help butterflies and moths by fundraising for Butterfly Conservation.

**Visit butterfly-conservation.org for more information
or call 01929 400209**

Strategic report

Year to 31 March 2016

Risk management

Risk Management is well established within Butterfly Conservation and is considered in every aspect of our work.

During 2015/16 we have further strengthened our risk management framework. Council members receive regular reports on serious strategic risks to Butterfly Conservation and the actions taken to control them. The Strategic Risk Register is reviewed at each Council meeting.

Council has taken all reasonable steps to ensure that major risks are identified and recorded in the Strategic Risk Register and that there are systems in place to mitigate them. However, it is aware that such processes are designed only to manage rather than eliminate all major risks. Council will continue to improve and refine risk management principles in all aspects of Butterfly Conservation's work.

The Risk Audit Group reviews specific topics which have been selected by Council from the Strategic Risk Register. The Group reviews aspects of Butterfly Conservation's work each year to ensure that, over a period, each area of our operations is in good order. The Group makes recommendations, where appropriate, for change or improvement to Butterfly Conservation's policies, management and control processes.

Principal risks and uncertainties

Through the risk management process, Council members have identified a comprehensive suite of risk factors which covers the broad range of risks to which the charity is exposed. The principal risks faced by Butterfly Conservation are:

- ◆ changes to the external environment;
- ◆ lack of adequate fundraising leading to reduced income; and
- ◆ poor financial management.

Council members consider changes to the external environment as the charity's major risk. Political changes resulting in lower priority for biodiversity and poor decision making by policy makers could lead to poorer land use policies and less funding for biodiversity. This is mitigated by the creation of a new Director of Conservation Science post in 2014, to lead our advocacy work. As a member of the State of Nature partnership we lobby for greater action on biodiversity and we produce numerous scientific papers to build an evidence base for impacts of climate and land use change. We produced the new *The State of the UK's Butterflies 2015* report, which highlights action needed to conserve butterflies and biodiversity. The implementation of the new Scottish income tax system could have an impact on our funding because of changes to the tax regime.

Strategic report

Year to 31 March 2016

Lack of adequate fundraising leading to reduced income could seriously impact on Butterfly Conservation's ability to deliver its core conservation objectives. To mitigate this we employ experienced, well trained staff across all fundraising disciplines as well as working in partnership with other environment NGOs. We will continue to grow our membership and supporter base to ensure that we maintain a diverse portfolio of funding streams so we are less reliant on the ever-decreasing statutory funding from government agencies. A new three-year Fundraising Strategy was produced in March 2016. We will continue to grow our media presence to raise awareness of the plight of butterflies and moths' and encourage individual giving.

The risk of poor financial management, which could lead to fraud, financial loss or poor value for money, is mitigated by having strong financial policies and controls, and excellent contract management. We have regular training for staff and inductions for all Branch Volunteer Treasurers. Monthly management accounts are produced and reviewed and Council members are regularly informed about Butterfly Conservation's financial position. A robust IT Systems Policy is actioned alongside a tailor-made insurance policy, which ensures that Butterfly Conservation's insurance needs are covered.

Fundraising regulations

During 2015 there were a number of negative press articles about charity fundraising. We therefore took action to demonstrate that our members and supporters can have complete confidence in our procedures and data handling when contacting us. This was achieved by including the following statement on all printed and electronic marketing communications, and highlighted in *Butterfly* magazine and our monthly email newsletter:

Our promise to you

- ✓ We will never swap, sell or rent your details to anyone;
- ✓ We will always follow the strict code of conduct set out by the Regulator;
- ✓ You can change how you hear from us or unsubscribe from our mailing lists at any time, just let us know.

We also made our opt-out statements clearer and larger, and produced a new Supporter Guarantee document, which is available on our website.

With continued negativity surrounding charity fundraising, the imminent changes to fundraising regulations and potential introduction of a new Fundraising Preference Service, we are planning to move from the current opt-out statement to ensure that everyone we contact has opted-in for communications and fundraising asks. This will inevitably have an impact on our income in the short to medium-term. However, we feel that this is the best way we can be sure that we are respecting the wishes of our current and future members and supporters. We hope that in the long-term this approach will lead to even stronger relationships and increased supporter trust.

Strategic report

Year to 31 March 2016

Health & Safety

Butterfly Conservation's Health & Safety (H&S) Policy, Codes of Practice and Risk Assessments are reviewed on a regular basis. H&S training was identified and implemented for staff and volunteers.

Environmental policy

Butterfly Conservation's Environmental Policy aims to reduce the negative environmental impacts of aspects of our work.

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

- ◆ Minimise the environmental effects caused by our operations and activities, by using energy, natural and non-renewable resources efficiently, and minimising waste and pollution.
- ◆ Ensure that staff use public transport wherever possible.
- ◆ Select the most fuel efficient cars for use on essential fieldwork.
- ◆ Purchase, wherever possible, environmentally-preferable goods and services, and ensure that our publications are produced, where possible, using either recycled paper or carry an industry-recognised eco-label.
- ◆ Establish recycling and composting facilities for all appropriate waste in each of our offices.
- ◆ Demonstrate high standards of environmental care in the management of our reserves.
- ◆ Inform and raise awareness among our staff, volunteers and membership, of our environmental performance, and their individual environmental responsibilities including their responsibility for ensuring sustainable lifestyles.

Financial overview

Financial review

A year in which total income was unchanged from the year before and total expenditure rose by less than 5%, may superficially indicate that little changed, whether by internal initiative or external circumstance. Such a view would be misplaced.

In economic and fundraising times which remain challenging, the charity's ability to present attractive cases for support to a very wide range of potential supporters and donors is immensely valuable. For example, the record of conservation success detailed in this report was the foundation for a very successful appeal for the purchase of the new reserve at Westbury Beacon. This combined with another wonderful response to our Match Pot appeal, offset much reduced income from legacies and ensured that receipts from donations and legacies combined showed little change. Encouragingly the number of legacy receipts increased, which provides evidence that this element of our fundraising endeavour is achieving its objective; our efforts in this area are being increased.

Strategic report

Year to 31 March 2016

Despite continuing pressure as government spending is reduced outside certain specified areas, of which the environment is not one, statutory agencies continued their support this year but indicated in several instances that future cuts were inevitable. In similar vein, landfill funding, which has been of great assistance to us, is now more difficult to secure as funders change their rules regarding funding for biodiversity.

The benefit of being alert to, and understanding the priorities of, a wide range of funders proved invaluable as applications for HLF grants proved very successful and the total received from this source was double that of the previous year.

With no symposium this year, income from primary purpose trading was always likely to reduce and this was compounded by the absence of any item this year comparable to the income received last year from Marks & Spencer plc for work on pollinators. Timing issues are responsible for the fall in income from contracts and royalties, with delays in payments from the Single Payment and Environment Management Schemes.

While bank interest receipts remained flat and very low, there was a welcome increase of 8% in the investment income earned on our endowment fund.

The most rewarding feature of the results, in every meaning of the word, was the support from our members and supporters. The response to the Westbury Beacon and Match Pot Appeals has already been mentioned and the same was true of the response to two raffles in the year. Amazingly in the current economic climate, membership income, including related Gift Aid, showed a 15% increase to £722,000. Among the shifting sands seen in other areas of support, the steadfast and increasing support from individual members and supporters has been a true rock.

All this effort and support is, of course, undertaken for the purpose of securing funds to be applied to our charitable purpose of 'Saving Butterflies and Moths and our Environment'. It is, therefore, very pleasing to report that our charitable expenditure, as defined under the new financial reporting standard, increased by 4% to a whisker below £3 million. A very significant addition to this is the value of the work undertaken by our thousands of volunteers, which is conservatively valued at in excess of £10 million. The combined and well co-ordinated work of our professional staff and our volunteer supporters, is a feature of Butterfly Conservation of which we are rightly proud.

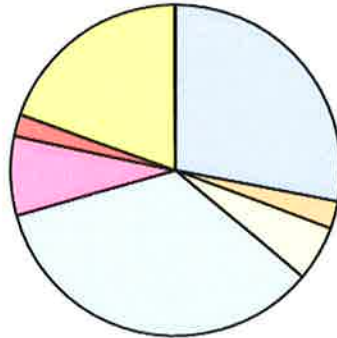
On our balance sheet at the year-end we held Restricted Funds of £1.6 million, up by 15% on the previous year-end, which indicates that a continuation of much project work is assured. We have chosen to reduce the additional underpinning of this work through our designated funds from two years to one year, but to continue to strive to increase our general fund reserves. The latter increased by 28% from £1.16 million to £1.48 million, to approach our current target of £1.5 million, which is equivalent to five months' operating costs.

Overall then a steady and pleasing year benefitting from flexible and intelligent fundraising and the magnificent support of our members and supporters, on whom we rely more each year as external sources of funds become progressively scarcer and harder to secure. On the delivery side, the spending recorded in these accounts is delivered by a strong professional team, to which is added a truly vast amount of volunteer input. There is no doubt that all these various strengths will be tested again in the coming year.

Strategic report
Year to 31 March 2016

How we raised our funds

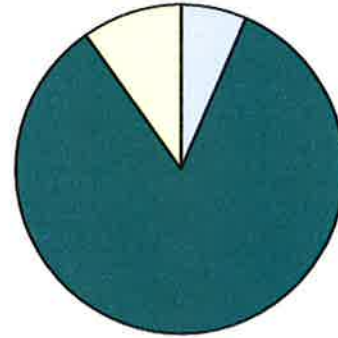
Total Income £3,723,958
(2014/15 £3,732,526)



■ Donations and legacies	£1,049,176
■ Other trading activities	£100,885
■ Investments	£201,189
■ Conservation activities- grants receivable	£1,283,961
■ Contracts and Royalties	£289,395
■ Primary purpose trading	£80,253
■ Membership subscriptions	£721,893
■ Other income	£3,426

How we spent our funds

Total Expenditure £3,586,117
(2014/15 £3,455,158)



■ Raising funds	£234,291
■ Conservation	£2,997,562
■ Membership services	£354,264

Tangible fixed assets

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

Investment policy

At 31 March 2016 Butterfly Conservation held investments in an Endowed Fund, classified as a fixed asset investment, with a market value (including cash held for re-investment) of £4,781,397 (2015 - £4,869,149) and other investments, classified as current asset investments with a market value of £145,101 (2015 - £150,061). The Endowed Fund is managed by Cazenove Capital Management.

The investment strategy is set by the members of Council and its implementation is overseen by the Investment Committee. The strategy takes into account the duty for Council to be even handed as between current and future beneficiaries and recognises that only the income derived from the investments may be applied by the charity in pursuit of its objects. The overall investment objective is to seek from a well-diversified portfolio, an income that can be expected to grow in line with inflation as measured by the Retail Prices Index (RPI), while maintaining the real value of the capital.

The Investment Committee monitors investment performance and the level of income received and meets the manager as necessary, most recently in February 2016.

Strategic report

Year to 31 March 2016

Falling commodity prices combined with the Quantitative Easing programmes of the central banks of the Eurozone and Japan kept inflation expectations and interest rates suppressed during the year to the extent that bond markets outperformed equity markets in the UK and elsewhere. The weakness in commodity prices indicated sluggish economic growth across the world and forecasts were reduced successively during the year.

Concerns about slowing growth in many regions and local concerns such as the Brexit debate in the UK introduced an increased degree of volatility. Over the year as a whole, returns from investment markets were generally muted with weakness in a number of emerging markets driven by the impact of weak commodity prices.

The total return of 1.0% achieved for the Endowed Fund in the year is viewed as satisfactory, being close to the rise of 1.3% in the RPI and showing outperformance of our internal benchmark by around 2.5%.

Reserves policy

At 31 March 2016 Butterfly Conservation had total funds of £11,377,176 (2015 - £11,332,047).

These funds included our permanent endowment totalling £4,781,397 (2015 - £4,869,149), which was given to provide future income for Butterfly Conservation.

Restricted funds totalled £1,589,542 (2015 - £1,379,469) and represented assets, including freehold nature reserves, purchased in accordance with the terms of specific gifts amounting to £595,629 (2015 - £558,024).

Butterfly Conservation's unrestricted funds at 31 March 2016 amounted to £5,006,237 (2015 - £5,083,429).

However, these funds include £20,000 (2015 - £20,000) being the retained profits of Butterfly Conservation Trading Limited. These funds also include £752,146 (2015 - £688,156) representing freehold nature reserves and other tangible fixed assets. These are central to Butterfly Conservation's charitable activities and the funds would not be available to meet future contingencies should they arise.

Council has designated a total of £2,749,713 (2015 - £3,211,624) in the following funds:

Fund	£
Branch Fund	300,010
Commitments to Conservation Projects	988,792
Legacy Fund	1,000,778
Match Pot Appeal Fund	460,133
Total	2,749,713

Strategic report

Year to 31 March 2016

The Legacy and Match Pot Appeal Funds are Head Office designations of past legacies and donations used to finance general expenditure. A third of the value of the Legacy Fund is drawn down each year. The current monies in the Match Pot Appeal Fund will be utilised to support conservation projects until 2018/19. The Branch Fund comprises monies that Council has committed for work undertaken by Butterfly Conservation's Branches and it is anticipated that the current funds will be spent over the coming two years. The Commitments to Conservation Projects comprises of monies that Council has committed to funding key conservation projects over the next year.

The funds available for meeting ongoing future expenditure therefore total £1,484,378 (2015 - £1,163,649).

These free financial reserves are held to ensure that Butterfly Conservation:

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

These funds equate to five months' operating costs.

During the year Council has evaluated Butterfly Conservation's financial risk and calculated the financial contribution expected to be made by Butterfly Conservation over the next year to key conservation projects (£988,792). This sum is held in a designated fund.

Council has reviewed the charity's Financial Reserves Policy with the designation of this money and has also taken into consideration the continued reduction in statutory agency funding and the need to invest financial resources into achieving our 2020 Vision. Considering these factors, Council has calculated that the amount of financial reserves it needs to hold is £1.5 million (2015 - £1.25 million). During 2015/16 we have raised funds to increase the level of our financial reserves by £320,729 whilst also increasing expenditure on our core objectives. In 2016/17 we will continue to implement our fundraising strategy to ensure we maintain our conservation effort and financial reserve target.

Strategic report approved for and on behalf of Council:



Dr Jim Asher
Chair

Approved by Council on:

23 July 2016

Reference and administrative information Year to 31 March 2016

Registered name	Butterfly Conservation
Registered charity	Registered charity number 254937 (England and Wales) and SC039268 (Scotland); governed by the Articles of Association updated in 2014/15
Company limited by guarantee	Limited company number 02206468 Registered in England and Wales
Registered office	Manor Yard East Lulworth Wareham Dorset BH20 5QP
Website	butterfly-conservation.org
Twitter	@savebutterflies
Facebook	Facebook.com/savebutterflies
Instagram	Instagram.com/savebutterflies
President and Vice-Presidents	
President	Sir David Attenborough
Vice-Presidents	Maurice Avent Esq Nick Baker Esq Thelma Barlow John F Burton FZS FRES Dudley Cheesman Esq Sue Collins The Earl of Cranbrook PhD DL Cbiol David Dennis Esq Mike Dilger Esq Clive P Farrell Esq Julian Gibbs Esq Ian Hardy MVO Anthony Hoare Esq Dr Stephen Jeffcoate Chris Packham Esq Professor Jeremy Thomas Alan Titchmarsh MBE

Reference and administrative information Year to 31 March 2016

Council Members (Directors and Trustees)

Chair	Dr Jim Asher
Vice Chair	Mike Dean
Honorary Treasurer	David Hanson

Other Trustees	Dr Andy Barker
	Andrew Brown
	Kathryn Dawson
	Roger Dobbs
	Dr Susan Foden
	Michael Johnston
	Alan Martin
	Dr Ian Small
	Sue Smith
	Nigel Symington
	Ilija Vukomanovic
	Chris Winnick

Senior Management Team

Chief Executive	Dr Martin Warren
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Deputy Chief Executive and Company Secretary	Julie Williams
Director of Conservation Science	Dr Nigel Bourn
Director of Conservation & Regions	Dr Sam Ellis
Director, Scotland	Paul Kirkland

Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
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Investment managers	Cazenove Capital Management 31 Gresham Street London EC2V 7QA
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Principal bankers	NatWest plc 2 North Street Wareham Dorset BH20 4AL
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Solicitors	Stone King LLP Boundary House 91 Charterhouse Street London EC1M 6HR
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Structure, governance and management Year to 31 March 2016

Members of Council

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

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

The following Council members were in office during the year to 31 March 2016 and served throughout that year except where shown:

Council members	Elected / Resigned
Dr Jim Asher – Chair	
Mike Dean – Vice Chair	
David Hanson – Honorary Treasurer	
Dr Andy Barker	
Andrew Brown	
Kathryn Dawson	
Roger Dobbs	
Dr Susan Foden	
Michael Johnston	
Alan Martin	
Dr Ian Small	
Sue Smith	
Nigel Symington	
Neil Thompson	Resigned November 2015 (end of tenure)
Ilija Vukomanovic	Appointed November 2015
Chris Winnick	Appointed November 2015
Dr Mark Young	Resigned November 2015 (end of tenure)

All members of Butterfly Conservation are eligible to seek election to Council at the Annual General Meeting (AGM).

One-third of Council members stand down each year on rotation and new Council members are elected at Butterfly Conservation's AGM in November.

New Council members receive a comprehensive induction pack. This pack is designed to provide Council members with an understanding of their roles and responsibilities. A detailed induction day is arranged to provide new Council members with a strategic and operational overview of Butterfly Conservation, the current financial position and future plans and objectives. An invitation is also issued to all Council members to attend for refresher training.

Members of Council (continued)

To familiarise themselves with the work of the charity they are invited to attend key meetings and events such as National and Regional Conservation Days and Branch Liaison Meetings. Council members also have the opportunity to meet staff and volunteers at both the AGM and Members' Day, and at the Strategic Planning Weekend, usually held in Dorset.

Annually the Chair holds one-to-one meetings with each Council member to discuss his/her contribution in the last year and to agree plans for self-development in the future. All Council members are invited and encouraged to undertake trustee-training seminars offered by external professionals and are offered subscriptions to relevant governance online magazines.

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

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

Council members declare all relevant interests and register them with the Company Secretary and, in accordance with Butterfly Conservation's Code of Conduct Policy, withdraw from decisions where a conflict of interest arises.

Responsibilities of Council

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

Company law requires the members of Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period.

In preparing these financial statements, the members of Council are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

Responsibilities of Council (continued)

- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Each member of Council confirms that:

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

Transactions involving Council members and related parties

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

Details of transactions involving Council members and related parties are given in Note 12 and Note 26 to the attached financial statements.

Strategy and policy setting

Council determines the overall strategy and policy of Butterfly Conservation. Council meets four times a year. It reviews the Strategy Plan at an annual Strategic Planning weekend.

Council delegates some of its powers to three committees: Conservation Strategy, Governance and Investment. They all report to Council. Three working groups: the Branch 2020 Action Group, the Consultative Group and the Reserves Working Group report to the Chief Executive. The Risk Audit Group, which works on an *ad hoc* basis, reports directly to Council.

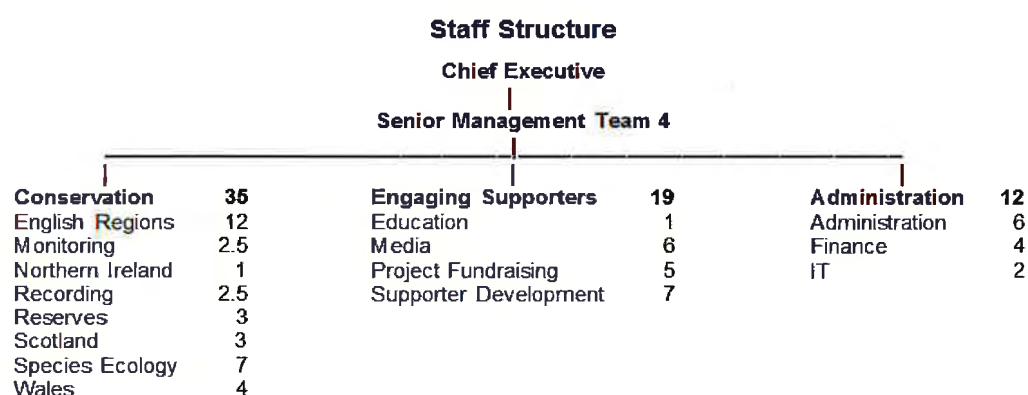
Staff and Branches

The Chief Executive, assisted by the Senior Management Team, is responsible for the day-to-day management of Butterfly Conservation, acting under authority delegated to him by Council.

Structure, governance and management Year to 31 March 2016

Staff and Branches (continued)

During the year we employed on average 72 members of staff (68 in 2014/15) who are grouped into three main work areas: Conservation, Engaging Supporters and Administration. The Conservation and Engaging Supporters Departments are based at both the Head Office located in Dorset and at offices throughout the UK. The Administration Team is based at Head Office.



This chart shows the number of staff employed (71) at 31 March 2016 (not Full Time Equivalent).

One of Butterfly Conservation's greatest strengths is its large number of active volunteers, over 15,000, who contribute towards our work. They carry out a variety of roles from national surveys to delivering our practical conservation programmes. Many thousands of other people also take part in our citizen science projects, such as Big Butterfly Count.

Our local action is co-ordinated by a UK wide network of 31 Branches and a European Interest Group for our work in Europe. Each Branch is managed by a volunteer committee and works through a network of volunteers. Branches of Butterfly Conservation carry out most of the local conservation and development work with advice and guidance from staff. Branches contribute to strategy and policy setting primarily through Branch Liaison meetings and National and Regional Conservation Days.

The Branch 2020 Action Group consists of five Branch volunteers led by Butterfly Conservation's Vice Chair Mike Dean. The Group have liaised with the Branch Support Officer during the year to update the Branch governance document, implement the new schedule of Regional Branch Liaison meetings and ensure effective communication with Branches.

Volunteers are vital to the work Butterfly Conservation carries out each year and we are indebted to them for the huge expertise they bring and the work they carry out.

Pay and Remuneration Policy

Butterfly Conservation is committed to ensuring that we pay our staff fairly and in a way which ensures we attract and retain the right skills to have the greatest impact in delivering our charitable objectives. The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the members of Council, and the Senior Management Team.

The charity's Pay and Remuneration Policy states how salary and pay awards are set, including remuneration for the Chief Executive and Senior Management Team.

The same benefits arrangements, including pensions, and terms and conditions apply to all employees, including the Senior Management Team. Pay bands and salary increments are reviewed annually against a number of other NGOs and using benchmarking tools widely available in the voluntary sector.

Further salary banding information on the Senior Management Team remuneration is included in Note 12.

Council members are not remunerated but are reimbursed for reasonable out of pocket expenses (stated in Note 12).

Trading

Butterfly Conservation Trading Limited was incorporated in February 2010 to conduct trading activities in support of Butterfly Conservation's charitable activities. The company is registered in England and Wales under company number 07166835 and is a wholly-owned trading subsidiary. The directors of the trading company may decide to donate under Gift Aid part or all of its annual taxable profit to its parent charity, Butterfly Conservation. For the year ended 31 March 2016 the donation amounted to £11,181 (2015 - £79,878).

Thank you

We are extremely grateful to those individuals and organisations who have so generously supported the charity in 2015/16. On behalf of everyone at Butterfly Conservation we would like to thank the following for their support:

A E H Salvesen's Charitable Trust	Dartmoor National Park Authority
A S Butler Charitable Trust	Dartmoor Soap Company
Aberdeenshire Council	Defence Infrastructure Organisation
Amersham U3A Birdwatchers	Diageo Plc
Antrim Camera Club	Dorset County Council
Arnside & Silverdale AONB Partnership	Durlston Court
Arthingworth Gardening Club	Eastleigh Young Carers
ASDA	Easyfundraising.co.uk
Association of Countryside Voluntary Wardens	Eaton Womens Institute
Atropos	Ecclesiastical Insurance
Barwick & Scholes Probus Club	EcoCo Life
Battens Charitable Trust	Ecotricity Group Limited
Biffa Award	Elm Horticulture Limited
Bisland Commons Limited	Environment Agency
Blackwater Valley	Esmée Fairbairn Foundation
BP Foundation	Everyclick Limited
Braintree Organic Club	Exmoor National Park Authority
Brandis Corner Wildlife Group	Fairweathers Garden Centre
Brecon Beacons National Park Authority	Farm & Countryside Liaison Service
Brendoncare	Forestry Commission
British Science Association	Fox Lane Market Garden Cooperative
British Wildlife Publishing	Freedom Civil Asset Management
Brown & Co Property & Business Consultants	Fremington Gardening Club
Bruton & District Horticultural Society	Friends of Wolstonbury
Butterfly World	Gartocharn Gardening Club
C W Groves & Son	Gearrchoille Community Wood in Ardgay
Caerphilly County Borough Council	Gloucestershire Environmental Trust
Calnex Solutions Limited	Grand Union Junction
Canal & River Trust	<small>Granstcape (CWM Community & Environmental Fund)</small>
Carmarthenshire County Council	Greenwings Wildlife Holidays
Castle Cameras	Habitat Aid
Cemex Community Fund	Halesowen Wildlife Group
Cemex UK Materials Limited	Harrogate Golf Club
Ceredigion County Borough Council	Haven Power Limited
Chapman Charitable Trust	<small>Hawridge & Cholesbury Commons Preservation Society</small>
Cheltenham Woodcraft Folk	Heligan Gardens Limited
Chesham Natural History Society	Henry C Hoare Charitable Trust
Colden Common Womens Institute	Heritage Lottery Fund
Cole & Son (Wallpapers) Limited	Highslopes Beavers, Fareham
Creature Candy	Hoburne Caravan Park Blue Anchor
Cubs & Scouts Portsmouth	Holy Trinity Community Group
Cumbria County Council	Hull Valley Wildlife Group
Dartmoor Conservation Garden	Ivy Lane School

Acknowledgements 31 March 2016

J P Developments (Midlands) Limited
JJ Burgess & Sons
John Bebbington
John Lewis Partnership
Kingston Horticultural Society
Lacey Green Horticultural Society
Learning Through Landscapes
Leeds Co-operative Photography Society
Llandudno Friendship Link
Louth LWT Area Group
Lulworth Over 50s Club
Lydford and District Gardening Club
Lynmouth Pavilion Project
Magnox Limited
Margaret Lindstone MF
Marks & Spencer plc
Marsh Christian Trust
Mike & Lynne Charitable Trust
Miss K M Harbinson's Charitable Trust
Miss Kathleen Beryl Sleigh Charitable Trust
Mrs M A Lascelles Charitable Trust
National Museums
National Trust
Nationwide Scheme
Natural England
Natural Resources Wales
Nature Conservation Services
Natureguides
Naturetrek Limited
New Forest Primary
NFU Mutual
Normandy Wildlife
North Bovey Conservation Group
North Dartmoor Garden Club
Northern Ireland Environment Agency
Opticon
Otterbourne Primary
Patsy Wood Trust
Pembrokeshire County Council
Peninsular QS Limited
Peter's Trust
Peveril Bruce - Matterley Estate
Portsmouth Young Carers
Probus Club
Rapanui
RBS Community Cashback
Robert O Curle Charitable Trust
Rowan Bentall Charitable Trust
Royal Society for the Protection of Birds
Sandwich Bay Bird Observatory Trust
Scottish Natural Heritage
Scottish Wildlife Trust
Shropshire County Council
SITA Trust
SMJ Nature Reserve
Somerset Wildlife Trust
South West Lakes Trust
Southam Town Council
Staffordshire County Council
Staunton Brownies
Stevenage Borough Council
STNC Bridgnorth
Stoke Holy Cross Tuesday Group
Stroud School
Swindon Wildlife Group
Tadcaster Methodist Church
Tanner Trust
Tayfield Foundation
The Banister Charitable Trust
The Bat Conservation Trust
The Blair Foundation
The Claxton Charitable Trust
The D G Albright Charitable Trust
The Dulverton Trust
The Ernest Kleinwort Charitable Trust
The Esmé Mitchell Trust
The Geoffrey Arnold of Longdon Memorial Trust
The Gesingthorpe Trust
The Hamamelis Trust
The Hubert Burton Foundation Trust
The Hugh Fraser Foundation
The John Swire 1989 Charitable Trust
The JTH Charitable Trust
The Leggett Charitable Trust
The Louis Sterne Trust
The Marden Charitable Trust
The Robert Kiln Charitable Trust
The Seven Pillars of Wisdom Trust
The Simon Digby Charitable Trust
The Spear Charitable Trust
The Sylvia and Colin Shepherd Charitable Trust
The Technical Lodge of Freemasons Hull
The University of the Third Age
The Valentine Charitable Trust
Thomey Womens Institute
United Reformed Church Group
University of York
Veolia Environmental Trust
Waitrose
Warwick Natural History Society
Waste Recycling Environmental Limited
Watkins & Doncaster

Acknowledgements 31 March 2016

WHEN Home Ed Group
Whitley Gardening Club
Wickersley Probus Club
Wildlife World Limited
William Haddon Charitable Trust
Willow Organic Beauty
Winchester Cubs & Beavers

Woodpeckers Trust
Worcestershire Wildlife Trust
Wychavon District Council
Yorventure
Zetland Lodge Freemasons

Corporate Members

Barnes Common Management Company
Coda Systems Limited
Cole & Son (Wallpapers) Limited
Coln Park LLP
Continental Landscapes
Elm Horticulture Limited
From the Notebook Limited
Frontier Agriculture Limited
Ginger Dragon
Ground Control Limited
Holme for Gardens
Naturetrek

Northumbrian Water
Opticron
Perrywood Garden Centre
Pili Palas Nature World Limited
Priory Junior School
Silver Trees Holiday Park
Sussex Country Gardener
The Green People Company Limited
The Weld Estate
Tobiz Products

Legacy gifts

Much of our successful conservation work is underpinned by the generosity of supporters who have left Butterfly Conservation a gift in their Will. All gifts, whatever their size, are hugely valuable, making a lasting difference to butterfly and moth conservation.

We would like to thank our generous benefactors for these important gifts:

Legacies

Peter John Bell
Keith Cleaves
Priscilla Ruth Cook
Raymond Philip Cordero
Michael John Dyke
Geraldine Beatrice Fisher
Graham Thomas Foggitt
Beryl Foote
Yvonne Hilda Griffiths
Philip Haskell

Bessie Howlett
Henry George Howlett
Trevor Leary
Phyllis Barbara Lodge
Sheila Jennifer Matthew
Hugh Charles Millman
Eileen Patricia Morris
Joyce Penticost
John Lee Sager
Michael Anthony Terry
John Norris Wood

Acknowledgements 31 March 2016

In Memory Gifts

John Bater
Diana Carr
Richard Constable
Helen Corbett
John Richard Coward
Colin Davis
Ormonde Tony Dicks
Isaac William Fuser
Harold D H Hughes OBE
Eleanor James
Gwen Norman
Maureen Skinner
Grizel Lindsay-Watson

If you would like to find out more about leaving Butterfly Conservation a gift in your Will then please call Helen Corrigan direct on 01273 453313 or email hcorrigan@butterfly-conservation.org

Report of the Council approved for on and behalf of Council:



Dr Jim Asher
Chair



Julie Williams
Secretary

Approved by Council on: 23 July 2016

Independent auditor's report to the members of Council and members of Butterfly Conservation

We have audited the financial statements of Butterfly Conservation for the year ended 31 March 2016 which comprise the consolidated statement of financial activities, the consolidated summary income and expenditure account, the group and parent charity balance sheets, the consolidated statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the members of Council as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the applicable Charities Accounts (Scotland) Regulations. Our audit work has been undertaken so that we might state to the charity's members and members of Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, the charity's members as a body and the members of Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of Council and auditor

The members of Council are trustees of the charity for the purposes of charity legislation and are also the directors of the charitable company for the purposes of company law. As explained more fully in the statement setting out the responsibilities of Council set out in the report of Council, the members of Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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 Practices 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 group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members of Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of Council including the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and applicable Charities Accounts (Scotland) Regulations.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of Council including the Strategic 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 and the applicable Charities Accounts (Scotland) Regulations require us to report to you if, in our opinion:

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

Buzzacott LLP

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

27 July 2016

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

Consolidated statement of financial activities Year to 31 March 2016

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2016 Total £	2015 Total £
Income from:						
Donations and legacies	1	717,650	325,526	—	1,043,176	1,077,464
Other trading activities	2	100,534	151	—	100,685	105,421
Investments and interest receivable	3	189,663	11,486	—	201,169	184,827
Charitable activities	4					
Conservation activities - grants receivable	5	16,363	1,267,598	—	1,283,961	1,182,749
Contracts and royalties		217,004	72,391	—	289,395	373,936
Primary purpose trading		75,748	4,505	—	80,253	182,000
Membership subscriptions		721,893	—	—	721,893	626,129
Other income	2		3,424	—	3,426	—
Total income		2,038,877	1,685,081	—	3,723,958	3,732,526
Expenditure						
Raising funds	6	225,541	8,750	—	234,291	255,325
Charitable activities						
Conservation	7	1,027,461	1,970,101	—	2,997,562	2,882,908
Membership services	8	354,264	—	—	354,264	316,925
Total expenditure		1,607,266	1,978,851	—	3,586,117	3,455,158
Net income (expenditure) before investment (losses) gains						
		431,611	(293,770)	—	137,841	277,368
Net investment (losses) gains		(4,960)	—	(87,752)	(92,712)	322,203
Net income (expenditure)	11	426,651	(293,770)	(87,752)	45,129	599,571
Transfers between funds	20	(503,843)	503,843	—	—	—
Net movement in funds		(77,192)	210,073	(87,752)	45,129	599,571
Reconciliation of funds						
Total funds brought forward at 1 April 2015		5,083,429	1,379,469	4,869,149	11,332,047	10,732,476
Total funds carried forward at 31 March 2016		5,006,237	1,589,542	4,781,397	11,377,176	11,332,047

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

The group has no recognised gains and losses other than those shown in the consolidated statement of financial activities.

Consolidated summary income and expenditure account Year to 31 March 2016

	2016 Total funds £	2015 Total funds £
Total income of continuing operations	3,723,958	3,732,526
Total expenditure of continuing operations	<u>(3,586,117)</u>	<u>(3,455,158)</u>
Net income for the period	137,841	277,368

Total income comprises £2,038,877 (2015 - £2,309,829) for unrestricted funds and £1,685,081 (2015 - £1,422,697) for restricted funds. A detailed analysis of income by source is provided in the consolidated statement of financial activities.

Detailed analyses of the expenditure are provided in the consolidated statement of financial activities and Notes 6, 7 and 8.

The consolidated summary income and expenditure account is derived from the consolidated statement of financial activities on page 55 which, together with the notes to the financial statements on pages 67 to 83, provides full information on the movements during the period on all the funds of the charity.

Group and charity balance sheets 31 March 2016

	Notes	Group		Charity	
		2016 £	2015 £	2016 £	2015 £
Fixed assets					
Tangible assets	14	1,347,775	1,246,180	1,347,775	1,246,180
Investments	15	4,781,397	4,869,149	4,781,398	4,869,150
		6,129,172	6,115,329	6,129,173	6,115,330
Current assets					
Stocks		8,020	8,926	7,496	8,256
Debtors	16	466,818	993,220	485,662	1,003,286
Investments	17	145,101	150,061	145,101	150,061
Cash at bank and in hand					
. Short term deposits and interest bearing accounts		4,014,782	3,528,981	4,014,782	3,528,981
. Current accounts		964,631	937,002	838,485	864,378
		5,599,352	5,618,190	5,491,526	5,554,962
Creditors: amounts falling due within one year	18	(351,348)	(401,472)	(263,523)	(358,245)
Net current assets		5,248,004	5,216,718	5,228,003	5,196,717
Total net assets		11,377,176	11,332,047	11,357,176	11,312,047
The funds of the charity					
Charitable funds					
Capital funds					
Endowment funds	19	4,781,397	4,869,149	4,781,397	4,869,149
Income funds					
Restricted funds	20	1,589,542	1,379,469	1,589,542	1,379,469
Unrestricted funds					
. General fund		1,484,378	1,163,649	1,484,378	1,163,649
. Non-charitable trading funds		20,000	20,000	—	—
. Tangible fixed assets (including freehold nature reserves) fund	21	752,146	688,156	752,146	688,156
. Designated funds	22	2,749,713	3,211,624	2,749,713	3,211,624
Total funds		11,377,176	11,332,047	11,357,176	11,312,047

Approved by the Council of Butterfly Conservation, Company Registration Number 02206468 (England and Wales), and signed on its behalf by:



Dr Jim Asher
Chair

Approved on:

23 July 2016

Consolidated statement of cash flows Year to 31 March 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	A	417,275	(106,119)
Cash flows from investing activities:			
Dividends and interest from investments		201,168	159,759
Purchase of tangible fixed assets		(105,014)	(28,018)
Proceeds from the disposal of investments		—	1,923,314
Purchase of investments		(18,544)	(1,827,483)
Net cash provided by (used in) investing activities		77,610	227,572
Change in cash and cash equivalents in the year		494,885	121,453
Cash and cash equivalents at 1 April 2015	B	4,559,044	4,437,591
Cash and cash equivalents at 31 March 2016	B	5,053,929	4,559,044

Notes to the statement of cash flows for the year to 31 March 2016.

A Reconciliation of net income to net cash provided by (used in) operating activities

	2016 £	2015 £
Net income (as per the statement of financial activities)	45,129	599,571
Adjustments for:		
Depreciation charge	3,419	4,267
Losses (gains) on investments	92,712	(322,203)
Investments donated to the charity	—	(28,711)
Dividends and interest from investments	(201,169)	(184,827)
Decrease (increase) in stocks	906	(572)
Decrease (increase) in debtors	526,402	(211,976)
(Decrease) increase in creditors	(50,124)	38,332
Net cash provided by (used in) operating activities	417,275	(106,119)

B Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	964,631	937,002
Notice deposits	4,014,782	3,528,981
Cash held by investment managers	74,516	93,061
Total cash and cash equivalents	5,053,929	4,559,044

Principal accounting policies 31 March 2016

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 March 2016.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of Butterfly Conservation and its wholly owned subsidiary company, Butterfly Conservation Trading Limited, made up at the balance sheet date. The results of the subsidiary undertaking are consolidated on a line-by-line basis.

No separate statement of financial activities has been presented for the charity alone as permitted by Section 408 of the Companies Act 2006.

Reconciliation with previous Generally Accepted Accounting Practice (GAAP)

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. Other than presentational adjustments to reanalyse the expenditure for the year ended 31 March 2015 to accord with the format prescribed in the updated Charities SORP, no further adjustments were required. Specifically, governance costs which were previously reported as a separate line of expenditure within the statement of financial activities are now included as a component of support costs and allocated to the remaining categories of expenditure as described in the expenditure accounting policy below.

Principal accounting policies 31 March 2016

Reconciliation with previous Generally Accepted Accounting Practice (GAAP) (continued)

In accordance with the requirements of FRS 102 a reconciliation of the opening balances and net income for the year is provided with the net income under previous GAAP adjusted for the presentation of investment gains as a component of reported income:

	2015 £
Reconciliation of reported income:	
2015 net income as previously stated	277,368
Adjustment for gains on investments now treated as a component of net income	322,203
2015 net income as restated	599,571

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the members of Council and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ the estimates of the useful economic lives of tangible fixed assets used to determine the annual depreciation charge;
- ◆ the assumptions adopted by the trustees and management in determining the value of any designations required from the charity's general unrestricted funds;
- ◆ the basis on which support costs have been allocated across expenditure headings;
- ◆ the probability of the receipt by the charity of legacy income of which it has been notified of its entitlement; and
- ◆ the consideration of the probability of the charity becoming liable for the repayment of part or all of the £250,000 legacy it received in 2010 as further discussed within note 25 to these financial statements.

Assessment of going concern

Council members have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. Council members have made this assessment in respect to a period of one year from the date of approval of these financial statements.

Assessment of going concern (continued)

The members of Council have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The members of Council are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 March 2017, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy set out in the Report of Council for more information).

Income

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Income comprises donations; legacies; income from fundraising events, royalties and trading activities; investment income and interest receivable; and income from charitable activities including grants receivable, contracts for services, primary purpose trading and membership subscriptions.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

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

Income (continued)

Donated goods are recognised at fair value unless it is impractical to measure this reliably in which case a derived value, being the cost of the item to the donor, is used. An equivalent amount is included as expenditure except where the donated good is a fixed asset in which case the corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the charity's accounting policies.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the charity.

Each year, an amount equivalent to the unrestricted legacies credited to the statement of financial activities is transferred to the Legacy Fund, a designated fund. A transfer is made back to the general fund, equal to one third of the Legacy Fund balance, to finance general expenditure. However, if a legacy has not actually been received this part of the transfer is deferred.

Income from trading activities includes the income from corporate sponsorship and the sale of products of the charity's trading subsidiary. Such income is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Income from fundraising events and income from royalties is recognised when it is probable that the economic benefits will flow to the charity and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable.

Income (continued)

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

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

Income from primary purpose trading is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

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

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. All expenditure is stated inclusive of irrecoverable VAT.

Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees, staff costs associated with fundraising, the direct cost of fundraising activities, expenditure of the charity's subsidiary company and an allocation of support costs.
- ◆ Expenditure on charitable activities comprises expenditure on the charity's primary charitable purposes as described in the Report of Council i.e. conservation and membership services. This includes both costs that can be allocated directly to such activities and an allocation of support costs.

Expenditure (continued)

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of a finance function, human resources function, property management and information technology support.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support staff costs are allocated to the above expenditure headings based on the time expended by the support staff in the relevant areas. Other support and governance costs are allocated to expenditure in the same ratio as the direct costs.

Tangible fixed assets

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

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

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

No depreciation is provided on freehold land.

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

As noted above, one of the financial risks faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Investments (continued)

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value where the investment is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Stocks

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

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund structure

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

Fund structure (continued)

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor imposed conditions. Transfers between restricted funds and the tangible fixed assets fund are explained below. Transfers between restricted and other unrestricted funds are explained in note 20 to the financial statements.

The non-charitable trading funds comprise the profits retained in the trading subsidiary, Butterfly Conservation Trading Limited.

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

The designated funds are monies set aside out of the general fund and designated for specific purposes by Council. The policies for transfers to and from designated funds are explained above under "income and transfers to/from designated funds" or in Note 22 to the financial statements.

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

Contributory Third Party (CTP) and Landfill Community Funds

Funds collected as third party contributions towards projects, which are funded by Landfill Community Funds, are not regarded as income but are shown as a liability on the balance sheet. They will be transferred in due course to the Landfill Operators in order to release further funds under the Landfill Community Funds scheme.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities in equal annual amounts over the lease term.

Pension costs

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

Notes to the financial statements Year to 31 March 2016

1 Income from donations and legacies

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Donations	404,751	323,613	728,364	515,391
Legacies	312,899	1,913	314,812	562,073
2016 Total funds	717,650	325,526	1,043,176	1,077,464
2015 Total funds	944,424	133,040	1,077,464	

2 Income from other trading activities

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Sale of goods/services - non-charitable material	23,266	151	23,417	30,610
Royalties and sponsorship - non primary purpose	26,567	—	26,567	41,222
Fundraising	50,701	—	50,701	33,589
2016 Total funds	100,534	151	100,685	105,421
2015 Total funds	105,414	7	105,421	

3 Income from investments

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
UK equities	—	—	—	14,180
Overseas equities	—	—	—	6,908
UK government stock and fixed interest	—	—	—	8,608
UK common investment funds and unit trusts	172,339	—	172,339	129,278
	172,339	—	172,339	158,974
Bank interest	17,344	11,486	28,830	25,853
2016 Total funds	189,683	11,486	201,169	184,827
2015 Total funds	173,449	11,378	184,827	

4 Income from charitable activities (comparative information)

For the year ended 31 March 2015, income from charitable activities included:

- Grants receivable in respect to conservation activities of £1,182,749 of which £16,372 was unrestricted and £1,166,377 was restricted (see note 5);
- Income from contracts and royalties of £373,936 of which £266,716 was unrestricted and £107,220 was restricted;
- Other primary purpose trading income of £182,000 of which £177,325 was unrestricted and £4,675 was restricted; and
- Membership subscriptions of £626,129 which were wholly unrestricted.

Notes to the financial statements Year to 31 March 2016

5 Conservation activities – grants receivable

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Arnside & Silverdale AONB Partnership	—	76	76	33,950
Biffa Award	—	30,642	30,642	43,246
Blackdown Hills AONB Partnership	—	—	—	1,039
Brecon Beacons National Park Authority	—	205,031	205,031	—
British Entomological and Natural History Society	—	—	—	310
British Science Association	—	350	350	—
Cannock Chase AONB Partnership	—	—	—	1,194
Carmarthenshire County Council	1,750	7,731	9,481	8,365
Cemex Community Fund	—	14,450	14,450	—
Cemex UK Materials Limited	—	829	829	640
Ceredigion County Council	650	—	650	650
Cornwall AONB Partnership	—	—	—	5,000
Cumbria County Council	—	10,000	10,000	—
Dartmoor National Park Authority	—	5,000	5,000	5,500
Defence Infrastructure Organisation	—	829	829	803
Dorset AONB Sustainable Development Fund	—	—	—	2,000
Dorset County Council	—	1,000	1,000	—
EcoCo Life	—	6,024	6,024	—
Environment Agency	—	5,000	5,000	5,000
Esmée Fairbairn Foundation	—	38,103	38,103	36,993
Exmoor National Park Authority	—	500	500	6,218
Forestry Commission	1,350	71,500	72,850	75,440
Freedom Civil Asset Management	—	829	829	804
Gloucestershire Environmental Trust	—	14,845	14,845	5,155
Grantscape (Coastal Recycling Community Fund)	—	—	—	14,065
Grantscape (CWM Community & Environmental Fund)	—	4,102	4,102	3,405
Grantscape (Mick George Community Fund)	—	—	—	1,786
Hampshire & Isle of Wight Wildlife Trust Limited	—	—	—	2,400
Hampshire County Council	—	—	—	2,074
Heritage Lottery Fund	—	195,314	195,314	95,756
John Ellerman Foundation	—	—	—	30,000
Lantra	—	—	—	90
Learning Through Landscapes	—	11,239	11,239	—
Magnox Limited	—	829	829	804
National Museums	873	—	873	—
Natural England	5,000	210,000	215,000	216,000
Natural Resources Wales	—	73,442	73,442	101,041
Northern Ireland Environment Agency	—	53,623	53,623	67,122
Northern Ireland Environmental Link Challenge Fund	—	—	—	6,840
Pembrokeshire County Council	750	—	750	—
Portsmouth City Council	—	—	—	150
Balance carried forward	10,373	961,288	971,661	773,840

Notes to the financial statements Year to 31 March 2016

5 Conservation activities – grants receivable (continued)

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Balance brought forward	10,373	961,288	971,661	773,840
Rhondda Cynon Taf Environment Improvement Partnership	—	—	—	434
Robert Kiln Charitable Trust	300	—	300	—
Royal Society for the Protection of Birds	—	18,128	18,128	13,114
Rural Payments Agency	—	22,136	22,136	—
Scottish Natural Heritage	—	57,858	57,858	103,748
SITA Trust	—	9,632	9,632	140,309
Southam Town Council	—	500	500	—
South Downs National Park Authority	—	—	—	1,700
Staffordshire County Council	—	500	500	—
Sussex Wildlife Trust	—	—	—	90
The Bat Conservation Trust	—	18,155	18,155	—
The Conservation Foundation (Wessex Water)	—	—	—	750
The Patsy Wood Trust	—	30,000	30,000	30,000
University of York	2,500	5,500	8,000	5,000
Vale of Glamorgan County Borough Council	—	—	—	1,200
Veolia Environmental Trust	—	62,124	62,124	18,990
Warwick Natural History Society	500	—	500	—
Waste Recycling Environmental Limited	—	76,219	76,219	93,251
Worcestershire Wildlife Trust	2,690	—	2,690	323
Yorventure	—	5,558	5,558	—
2016 Total funds	16,363	1,267,598	1,283,961	1,182,749
2015 Total funds	16,372	1,166,377	1,182,749	

6 Expenditure on raising funds

Group	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Staff costs (including support) (note 12)	143,664	—	143,664	143,784
Fundraising costs	18,966	8,750	27,716	42,563
Trading costs	29,729	—	29,729	36,170
Investment management charges	26,243	—	26,243	22,574
Other support costs (note 9)	6,939	—	6,939	10,234
2016 Total funds	225,541	8,750	234,291	255,325
2015 Total funds	255,218	107	255,325	

Notes to the financial statements Year to 31 March 2016

7 Expenditure on charitable activities: Conservation

	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Staff costs (including support) (note 12)	917,304	905,539	1,822,843	1,623,062
Marketing and publicity	25,740	342	26,082	18,304
Management conservation	231,832	404,982	636,814	722,514
Information and education	32,806	465	33,271	75,051
Legal and professional	42	328	370	59
Other support costs (note 9)	(180,263)	658,445	478,182	443,918
2016 Total funds	1,027,461	1,970,101	2,997,562	2,882,908
2015 Total funds	948,554	1,934,354	2,882,908	

8 Expenditure on charitable activities: Membership services

	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Staff costs (including support) (note 12)	163,689	—	163,689	132,862
Membership recruitment	16,329	—	16,329	24,548
Newsletter production and distribution	120,439	—	120,439	121,315
Membership servicing	42,912	—	42,912	25,492
Other support costs (note 9)	10,895	—	10,895	12,708
2016 Total funds	354,264	—	354,264	316,925
2015 Total funds	316,925	—	316,925	

9 Support costs

	Staff costs £	Other support costs £	2016 Total £	2015 Total £
Staff costs	880,193	—	880,193	809,879
Governance costs (note 10)	—	56,175	56,175	70,879
Other	—	439,841	439,841	395,981
	880,193	496,016	1,376,209	1,276,739
Attributed to:				
Expenditure on raising funds (note 6)	143,664	6,939	150,603	154,017
Expenditure on charitable activities				
. Conservation (note 7)	662,333	478,182	1,140,515	1,046,227
. Membership services (note 8)	74,196	10,895	85,091	76,495
	880,193	496,016	1,376,209	1,276,739

Notes to the financial statements Year to 31 March 2016

9 Support costs (continued)

Support staff costs are allocated to expenditure based on the time expended by support staff in the relevant areas of charitable activities.

Other support costs are allocated to expenditure on the same ratio as the direct costs associated with the relevant areas of charitable activity.

10 Governance costs

	2016 Total £	2015 Total £
Information and education	21,876	31,794
Legal and professional	23,286	26,054
Governance expenses	11,013	13,031
	56,175	70,879

11 Net income (expenditure)

This is stated after charging:

Group	2016 Total £	2015 Total £
Staff costs (note 12)	2,130,196	1,899,707
Auditor's remuneration		
· Statutory audit services	12,400	12,100
· Other services	2,290	2,630
Depreciation	3,419	4,267
Operating lease rentals	89,281	83,444

12 Employees, staff costs and remuneration of key management personnel

Group	2016 Total £	2015 Total £
Staff costs during the period were as follows:		
Wages and salaries	1,867,909	1,666,008
Social security costs	166,244	141,703
Other pension costs	94,174	82,477
	2,128,327	1,890,188
Agency staff costs	1,869	9,519
Total staff costs	2,130,196	1,899,707
Staff costs by function (after the allocation of those deemed support costs) were as follows:		
Raising funds	143,664	143,783
Conservation	1,822,843	1,623,062
Membership service	163,689	132,862
	2,130,196	1,899,707

12 Employees, staff costs and remuneration of key management personnel
(continued)

Two employees earned between £60,000 and £70,000 per annum (including taxable benefits but excluding employer pension contributions) during the period (2015 – two employees earned between £60,000 and £70,000 per annum). Pension contributions of £8,123 (2015 - £7,939) were paid into personal pension schemes in respect of these individuals during the year.

The average number of employees, analysed by function after allocating support costs, was as follows:

Group	2016 Total	2015 Total
Raising funds	7.00	6.00
Conservation	60.00	57.50
Membership services	5.00	4.50
	72.00	68.00

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the members of Council and the Senior Management Team. The total remuneration (including taxable benefits but excluding employer's pension contributions) of the key management personnel for the year was £252,870 (2014/15 - £243,785).

A total of £13,660 was paid to two members of staff for redundancy payments in the year to 31 March 2016 (2015: £nil).

No Council member received any remuneration in respect of their services as members of Council during the year (2015 - £nil). However:

- ◆ A total of £4,613 (2015 - £7,959) was reimbursed to (or paid by the charity on behalf of) 17 (2015 - 17) Council members for personal expenditure incurred on behalf of the charity.
- ◆ The charity has purchased insurance to protect the charity from any loss arising from the neglect or default of its trustees, employees and agents and to indemnify the members of Council or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity during the year totalled £826 (2015 - £760) and provides cover up to a maximum of £500,000 (2015 - £500,000).

No members of Council had any beneficial interest in any contract with the charity during the year (2015 – none).

13 Taxation

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

14 Tangible fixed assets

Group and charity	Freehold land £	Office equipment, plant and machinery £	Total £
Cost			
At 1 April 2015	1,239,611	21,335	1,260,946
Additions	102,946	2,068	105,014
Elimination of obsolete items	—	(6,309)	(6,309)
At 31 March 2016	1,342,557	17,094	1,359,651
Depreciation			
At 1 April 2015	—	14,766	14,766
Charge for year	—	3,419	3,419
On obsolete items eliminated	—	(6,309)	(6,309)
At 31 March 2016	—	11,876	11,876
Net book values			
At 31 March 2016	1,342,557	5,218	1,347,775
At 31 March 2015	1,239,611	6,569	1,246,180

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

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

15 Fixed asset investments

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Listed investments (note a)	4,781,397	4,869,149	4,781,397	4,869,149
Investment in subsidiary company (note b)	—	—	1	1
	4,781,397	4,869,149	4,781,398	4,869,150

15 Fixed asset investments (continued)

a) Listed investments and cash held for re-investment

Group and charity	Total £
Listed investments	
Market value at 1 April 2015	4,776,089
Additions at cost	18,544
Net unrealised investment losses	(87,752)
Market value at 31 March 2016	<u>4,706,881</u>
Cash held by investment managers for re-investment	<u>74,516</u>
	<u>4,781,397</u>
Cost of listed investments at 31 March 2016	<u>4,057,972</u>

Listed investments held at 31 March 2016 wholly comprised holdings in unit trusts. Individual holdings of listed fixed asset investments which, at 31 March 2016, represented a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Market value £	Proportion %
Trojan Income Fund Class S	1,174,067	24.6
Schroder Charity Equity Fund	1,102,788	23.1
Schroder QEP Global Active Value Fund	970,965	20.3
M&G Strategic Corporate Bond Fund	508,111	10.6
Charities Property Fund	485,238	10.1

b) Investment in subsidiary company

The charity holds 100% of the issued share capital of Butterfly Conservation Trading Limited. This holding was acquired on incorporation of the company on 23 February 2010.

Notes to the financial statements Year to 31 March 2016

15 Fixed asset investments (continued)

b) Investment in subsidiary company (continued)

The following is a summary of the financial statements of Butterfly Conservation Trading Limited for the year ended 31 March 2016, which have been included in the consolidated financial statements.

	2016 £	2015 £
Turnover	83,284	186,887
Cost of sales	(46,349)	(60,591)
Gross profit	36,935	126,296
Operating costs	(25,754)	(36,015)
Net profit for the year before Gift Aid and taxation	11,181	90,281
Gift Aid	(11,181)	(79,878)
Taxation	—	—
Profit for the financial period	—	10,403
Retained earnings at 31 March 2015	20,000	9,597
Retained earnings at 31 March 2016	20,000	20,000

At 31 March 2016 the company had a total called up share capital and retained earnings of £20,001 (2015 - £20,001).

16 Debtors

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Grants and other funding receivable	173,083	280,741	173,083	280,741
Prepayments and other accrued income	132,798	88,869	129,637	87,337
Legacies receivable	89,597	447,797	89,597	447,797
VAT recoverable	—	16,102	—	16,102
Amounts due from Butterfly Conservation Trading Limited	—	—	24,996	94,780
Investment income receivable	51,103	49,883	51,103	49,883
Primary purpose trading income receivable	2,598	48,000	—	—
Sundry debtors	17,639	61,828	17,246	26,646
	466,818	993,220	485,662	1,003,286

17 Current asset investments

Group and charity	Total £
Listed investments	
Market value at 1 April 2015	150,061
Net unrealised investment losses	(4,960)
Market value at 31 March 2016	145,101
 Cost of listed investments at 31 March 2016	 119,573

Notes to the financial statements Year to 31 March 2016

17 Current asset investments (continued)

Current asset investments held at 31 March 2016 comprised the following:

	Total £
UK common investment funds	145,101

Individual holdings of current asset investments which, at 31 March 2016, represented a material proportion of the total value of the current asset investment portfolio were as follows:

	Market value £	Proportion %
Common investment funds		
. COIF Charities Fixed Interest Fund	75,287	51.9
. COIF Charities Investment Fund	69,814	48.1

18 Creditors: amounts falling due within one year

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Social security and other taxes	58,491	45,680	58,491	45,680
Expense creditors	119,827	173,823	119,539	173,875
Accruals and deferred income	173,030	181,969	85,493	138,690
	351,348	401,472	263,523	358,245

The main deferred income relates to £40,000 received from Marks & Spencer plc for the Pollinator Indicator project, £10,000 from Waitrose Limited for sponsorship of Big Butterfly Count and £8,576 from Hampshire County Council for a service contract.

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Opening balance	78,903	104,572	38,903	64,572
Cash received in the year	58,576	92,323	8,576	52,322
Amounts released	(77,152)	(117,991)	(37,152)	(77,991)
	60,327	78,904	10,327	38,903

19 Endowment funds

Group and charity	At 1 April 2015 £	Net investment gains/ losses £	Transfers £	At 31 March 2016 £
The VWT Fund	4,869,149	(87,752)	-	4,781,397

The Charity, Butterfly Conservation, acts as trustee for an Endowment Fund called the VWT Fund. It is a capital restricted fund whereby the charity is entitled to apply only the income. The charity was appointed trustee of the Appointed Fund by a Deed dated 10 December 1991, amended by a Deed dated 31 January 2011, and was appointed trustee of the VWT Fund by a Charity Commission Scheme dated 28 May 2010. In 2014/15 the Appointed Fund was closed and the funds transferred to the VWT Fund. Income arising from the investments of this fund is credited in the statement of financial activities (unrestricted funds) and may be applied towards the charity's charitable objectives at the discretion of the Council.

Notes to the financial statements Year to 31 March 2016

20 Restricted funds

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

Group and charity	At 1 April 2015 £	Income £	Expenditure £	Fund transfers £	At 31 March 2016 £
Action for Threatened Moths	31,479	104,355	(137,566)	41,200	39,468
Biodiversity Action Plans – Butterflies	1,580	145,945	(190,286)	51,000	8,239
Conservation Office – Wales	10,562	77,399	(173,045)	94,550	9,466
Development in Scotland	172,840	174,820	(245,745)	21,083	122,998
Environparks Marsh Fritillary mitigation	—	206,134	—	—	206,134
Fritillaries for the Future	44,772	26,290	(33,618)	4,000	41,444
Head of Regions Fund	67,529	38,103	(159,232)	64,000	10,400
Marsh Fritillaries Landscape Area	38,484	594	—	(10,000)	29,078
New Forest Fritillaries project	—	11,229	—	—	11,229
Pant Quarry reserve	10,832	167	—	(3,000)	7,999
Prees Heath Fund	253,906	9,888	(6,612)	—	257,182
Regional Funds – Northern Ireland	837	92,373	(63,211)	—	29,999
Regional Funds - North of England	23,485	55,067	(94,664)	26,300	10,188
Reserve Acquisition and Management Fund	311,656	242,572	(71,414)	(31,160)	451,654
Reserve purchase	164,200	—	—	(32,840)	131,360
Restricted Legacies Fund	119,177	3,835	—	(15,555)	107,457
Ryton Wood Meadow Project	11,585	—	(8,370)	3,426	6,641
Surrey Small Blue Project	7,297	4,134	(4,211)	—	7,220
Warwickshire Small Blue Project	—	74,880	(52,456)	—	22,424
West Midlands Wood White project	—	51,334	(291)	—	51,043
Head Office Restricted Funds < £5,000	95,058	365,428	(736,020)	290,839	15,305
Branch Restricted Funds < £5,000	14,190	534	(2,110)	—	12,614
	1,379,469	1,685,081	(1,978,851)	503,843	1,589,542

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

- ◆ Action for Threatened Moths
To initiate, develop and implement our conservation programmes on the most threatened moths (priority species) in England.

20 Restricted funds (continued)

- ◆ Biodiversity Action Plans - Butterflies
To initiate, develop and implement our conservation programmes on the most threatened butterflies (priority species) in England.
- ◆ Conservation Office - Wales
To initiate, develop and implement our conservation work in Wales.
- ◆ Development in Scotland
To initiate, develop and implement our conservation programmes in Scotland.
- ◆ Environparks Marsh Fritillary mitigation
To restore and maintain marshy grassland for the Marsh Fritillary Butterfly in Wales.
- ◆ Fritillaries for the Future
The conservation of Sussex's two rarest butterflies, the Pearl-bordered Fritillary and Small Pearl-bordered Fritillary
- ◆ Head of Regions Fund
To manage the development of our conservation and education work in the regions.
- ◆ Marsh Fritillaries Landscape Area
Restoring the Rhos pasture on the South Wales Coal Measures.
- ◆ New Forest Fritillaries project
To restore suitable breeding habitat for the Pearl-bordered Fritillary and Small Pearl-bordered Fritillary in the New Forest.
- ◆ Pant Quarry Reserve
Management of the Alun Valley for the High Brown Fritillary.
- ◆ Prees Heath Fund
The safeguarding of the Silver-studded Blue butterflies at Prees Heath.
- ◆ Regional Funds – various regions of England & Northern Ireland
To develop our conservation and education work in the respective regions.
- ◆ Reserve Acquisition and Management Fund
To purchase and manage nature reserves.

20 Restricted funds (continued)

- ◆ Reserve Purchase
The purchase of a butterfly reserve.
- ◆ Restricted Legacies Fund
Legacies received for a specific purpose.
- ◆ Ryton Wood Meadow Project
Habitat restoration and maintenance at Ryton Wood Meadow.
- ◆ Surrey Small Blue Project
Habitat restoration to secure the future of the Small Blue Butterfly in Surrey.
- ◆ Warwickshire Small Blue project
Habitat restoration to secure the future of the Small Blue Butterfly in Warwickshire.
- ◆ West Midlands Wood White project
Habitat restoration to secure the future of the Wood White Butterfly in the West Midlands.
- ◆ Head Office Restricted Funds <£5,000
All Head Office Restricted Funds with a balance less than £5,000.
- ◆ Branch Restricted Funds <£5,000
All Branch Restricted Funds with a balance less than £5,000.

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

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

21 Tangible fixed assets (including freehold nature reserves) fund

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

22 Designated funds

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

Group and charity	At 1 April 2015 £	New designations £	Utilised/ released £	At 31 March 2016 £
Branch Fund	348,211	32,717	(80,918)	300,010
Commitments to Conservation Projects	1,392,592	162,011	(565,811)	988,792
Legacy Fund	1,150,919	307,299	(457,440)	1,000,778
Match Pot Appeal Fund	319,902	177,376	(37,145)	460,133
	<u>3,211,624</u>	<u>679,403</u>	<u>(1,141,314)</u>	<u>2,749,713</u>

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

- **Branch Fund**
The Branch Fund comprises monies that Council has committed for work undertaken by the charity's Branches.
- **Commitments to Conservation Projects**
A fund to support commitments made by Butterfly Conservation to conservation projects.
- **Legacy Fund**
The Legacy Fund comprises unrestricted legacies received by Head Office. Each year an amount equal to one third of the balance will be released to General Funds.
- **Match Pot Appeal Fund**
This fund is used across a broad range of the charity's conservation activities to provide either the contributory third party or match funding required for landfill community and other funded projects.

23 Analysis of net assets between funds

Group	Unrestricted funds £	Restricted funds £	Endowment funds £	2016 Total £
Fund balances at 31 March 2016 are represented by:				
Tangible fixed assets	752,146	595,629	—	1,347,775
Fixed asset investments	—	—	4,781,397	4,781,397
Net current assets	4,254,091	993,913	—	5,248,004
Total net assets	5,006,237	1,589,542	4,781,397	11,377,176

Charity	Unrestricted funds £	Restricted funds £	Endowment funds £	2016 Total £
Fund balances at 31 March 2016 are represented by:				
Tangible fixed assets	752,146	595,629	—	1,347,775
Fixed asset investments	1	—	4,781,397	4,781,398
Net current assets	4,234,090	993,913	—	5,228,003
Total net assets	4,986,237	1,589,542	4,781,397	11,357,176

Unrealised gains on investments included above are as follows:

Group and charity	Unrestricted funds £	Restricted funds £	Endowment funds £	2016 Total £
Reconciliation of movements in unrealised gains on investments				
Unrealised gains at 1 April 2015	30,488	—	736,661	767,149
Less: net unrealised losses in period	(4,960)	—	(87,752)	(92,712)
Unrealised gains at 31 March 2016	25,528	—	648,909	674,437

24 Leasing commitments

Operating leases

At 31 March 2016 the group and charity had total future minimum lease payments under non-cancellable operating leases as follows:

Group and charity	Land and buildings		Other	
	2016 £	2015 £	2016 £	2015 £
Within one year	2,750	32,255	—	—
Within two to five years	59,030	46,381	18,642	14,604
After five years	268,834	41,066	—	—
	330,614	119,702	18,642	14,604

25 Contingent liability

In 2010 the charity was one of six charities named as a residuary beneficiary in a Will under which it received a legacy following the disposal of a property by the executors of the estate of the deceased. The legacy received by the charity was approximately £250,000. During the year ended 31 March 2014, the charity was informed of a legal challenge against the executors of the estate, a consequence of which may be that the Courts may direct that any legal costs in respect to the challenge should be met by the estate. As a consequence, a requirement to repay some or all of the legacy to cover such costs may arise. However, at the date of signing these financial statements it is not clear what the outcome of the challenge will be or whether any costs will be recouped out of the legacy received by the charity.

26 Related party transactions

During the year ended 31 March 2016, the charity received subscriptions from Council members and the Senior Management team totalling £751 (2015 - £1,708).

During the year ended 31 March 2016, the charity received unrestricted donations from Council members and the Senior Management team totalling £3,825 (2015 - £3,312) and restricted donations totalling £1,290 (2015 - £nil).

27 Members' liability

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