

THE °CLIMATE GROUP

Annual Report and Accounts 2009/10

12 months to 30 June 2010

COMPANY NUMBER: 4964424

CHARITY NUMBER: 1102909



“The most important report you'll read this year: *Breaking the Climate Deadlock*”: You'll not find a better capsule summary of what we face and what needs to be done for the rest of your life - and your childrens' lives. Honestly. Read the report. The details are gripping.”

John Laumer, environmental blogger, TreeHugger, on The Climate Group's *Breaking the Climate Deadlock* report

“I want to thank The Climate Group ... for bringing together our governor, Governor Granholm, Senator Stabenow, and Minister for Climate and Energy, Connie Hedegaard, from Denmark. And I want to say that we all appreciate that we have a tremendous array of Midwest businesses, corporations, and legislators here to demonstrate that the Midwest is the real leadership for climate change.”

Congressman John Dingell (D-MI/15) at launch of our Midwest Report 'Switching Gears'

“I would like to extend my warmest congratulations on New York's Climate Week”

Su Wei, China Climate Negotiator and speaker at The Climate Group's *Climate Week NYC* series of events

“Thanks to you and all members of The Climate Group for what you have done to move things forwards in the lead-up to COP15 and at COP15.”

J Robert Gibson, Director Sustainable Development; John Swire & Sons (HK) Ltd

“I welcome the efforts of organisations such as The Climate Group to mobilize private sector support and forge the partnerships we need to succeed.”

Ban Ki-Moon, UN Secretary General

“I would like to congratulate The Climate Group for assembling the world's most powerful coalition of state and regional governments committed to tackling climate change and praise the commitments set out by this alliance to deploy specific low carbon technologies necessary to kick-start a clean industrial revolution.”

Felipe Calderón, President of Mexico

“The Climate Group... is one of the most interesting and remarkable organisations that I partner with in the world today. And in particular for those of you who have dealt with The Climate Group, not just in the UK and here in the US, I think their offices in Beijing and in India are as good as anything you will see in this area and on this subject.”

Rt Hon Tony Blair, former UK Prime Minister



Chairman's message

The year to June 2010 was a definitive one in The Climate Group's six year history. It reflected 12 months when the climate change issue was placed at the centre of political, social and economic discourse in most major emitting countries.

Despite enormous expectations leading up to the United Nations climate talks in Copenhagen in December 2009, and subsequent reported "collective failure" to reach a global deal in the media, The Climate Group firmly believes that progress was made.

As CEO Steve Howard was quoted in a White House press release at the time: "If you think back a year or so, imagine the U.S., Brazil, China, India, Australia, and Russia all turning up and making definitive national commitments to significant emissions reductions—and the world committing to \$100 billion a year for developing countries. It would have been inconceivable a year ago."

The well-received series of *Breaking the Climate Deadlock* reports we published with former UK Prime Minister Rt Hon Tony Blair correctly identified three "red-line" issues at the heart of the complex negotiations and where key progress was made: 1) the £30billion fast-start financing over the period 2010-12 and commitment to raise \$100billion a year by 2020; 2) the successful formalising of national positions under the Copenhagen Accord; and 3) discussion on a monitoring and reporting framework to drive trust and confidence between industrialised and developing nations.

The tough atmosphere at the negotiations, financial turmoil in several markets, and assaults on errors in climate science have hardened public perception since Copenhagen but it is encouraging that we are still seeing practical action underway at a sub-national level, new commitments from business and strategic investments in clean technologies.

In this context, I am confident The Climate Group's work streams outlined in this report on finance, practical policy development and commercialisation of the key clean technologies needed to reduce global emissions by mid-century is not only the right approach post-Copenhagen but an essential one. Demonstrating that the necessary clean industrial revolution is both achievable and economically attractive will be the key to unlocking greater international climate policy ambition going forward.

The Climate Group's positive and collaborative approach of presenting well evidenced and well argued reports give much needed confidence to influential business and political leaders that action on climate change not only makes sound business sense but underpins our future jobs and growth. In China, India, the U.S., Europe and Australia, The Climate Group and its public and private partners continue to lead innovative efforts to find practical ways forward, such as the UK-India Business Leaders Climate Group, the '*Climate Principles*' and the Aviation Global Deal Group.

The continued growth, impact and influence of The Climate Group's international coalition of businesses and governments in 2009/10 are testament to the success of this compelling 'can do' approach. We have welcomed many new members during the year including São Paulo who became our first emerging economy regional member.


In the past year, I am delighted to welcome to The Climate Group's Executive Management Team Michael Burychka as Chief Financial Officer, based in our London office, and Amy Davidsen as Executive Director of our U.S. operations, based in our New York office. Both roles are strategically important; Michael brings not only financial rigour but market insight, and Amy brings corporate experience to enhance the U.S. office which is central to our global 'coalition of the willing', to broadening our funding base, and to furthering global consensus on effective low carbon policies.

I would like to thank the Trustees past and present for their commitment over the year: New to the organisation are Andrew Smith, Josh Berger, Zoe Ashcroft and Matt Brittin who joined as Trustees this year. Their collective corporate experience and knowledge will help The Climate Group negotiate future challenges and capitalise on new opportunities. Sadly, we also bid farewell this year to some of our longest serving Trustees – Rachel Crossley, Stuart Archibald and Caroline Heaton – and I thank them on behalf of the entire organisation for their dedicated service and valued contributions.

I would like to thank Steve Howard for his leadership as founder and CEO which has deservedly won him the title of Ernst & Young UK Social Entrepreneur of the Year (2009).

Finally, I also want to acknowledge our funders and employees throughout the world who ensure the continued success of the charity's important work. I commend to your attention the annual report which gives a fuller overview of our activities and achievements in the run up and aftermath of Copenhagen, and our exciting new plans for the future.

**John R Coomber,
Chairman of the Board**

A handwritten signature in blue ink, appearing to read 'John R Coomber', with a long horizontal flourish underneath.



CEO's message

This year's annual report illuminates a dynamic and dramatic year in terms of the global response to climate change. 2009/10 can be seen in two distinct halves: the six months leading to the UN climate talks in Copenhagen and the six months that followed. In both regards, although not without challenges, I am pleased that the past year has been a productive and successful one for The Climate Group.

Our key achievements in the first half of 2009/10 were largely framed by the success of our *Breaking the Climate Deadlock* report series which was led publicly by Rt Hon Tony Blair. These reports and briefing papers not only helped key opinion-formers and decision makers better understand the core building blocks necessary for a global climate deal but helped bridge an information gap that existed - at the highest level - between the science and the politics of climate change.

Thanks to our network of international offices, the reports were supported by a high level engagement strategy which saw the former UK Prime Minister presenting them to most major country leaders. Coordinating these efforts with major United Nations, Major Economies Forum, G8 and G20 meetings drove a huge amount of media interest and did much to show that a deal was politically "do-able", that future jobs and growth would in fact be boosted by action to cut emissions and that, by financing commercialisation of existing clean technologies, a 50% cut in global emissions could be achieved by 2050. These reports deservedly won widespread endorsement from funders, business, government, media and the NGO community ahead of Copenhagen. Our ground-breaking work with partners in the global aviation industry ahead of Copenhagen also won us accolades and advanced the sector's climate ambition.

Additionally we published a key report looking at the low carbon manufacturing opportunity for the American Midwest entitled *American Innovation: Manufacturing Low Carbon Technologies in the Midwest* which demonstrates the potential for green growth. In September 2009 we hosted our first annual Climate Week NYC event alongside the UN General Assembly meeting to support critical US political momentum at a national and international level. Speakers including the UN Secretary General and chief negotiators from China, the United States, India and the EU agreed, 70 days before COP15, that to achieve a positive and practical consensus "we must not let the best be the enemy of the good". We demonstrated at our Climate Leaders Summit in Copenhagen that our influential membership was central to climate leadership and was building confidence at an international level by acting as a global laboratory for low carbon development. More than sixty regional government leaders representing over \$10 trillion combined GDP gathered with us and many of the world's leading businesses to commit to ambitious practical actions to cut emissions.

Going into Copenhagen we were clear about the key elements of success: China, India and the US on board; US \$100 billion in finance from 2020; at least US \$10 billion in finance per year over the next 3 years; a commitment to keeping global temperature increase below 2⁰ Celsius; clarity on institutions and transparency; targets for global emissions reductions and a mandate to form a legally-binding treaty. The Copenhagen Accord delivered on all these areas bar the last two. Copenhagen was far from perfect, but it was the largest gathering of heads of state outside of New York on any issue ever and it may yet prove to have laid down the foundation for international climate action.

Understanding the politics, economics, technologies and finance issues involved in international negotiations has put us in good stead for a nimble organisational response to the post-Copenhagen landscape. Going forward it is clear that the international process will continue to make modest

progress and that most action will take place at national and sub-national level together with business innovation and investment.

We have not rested on our laurels but, in the six months following the Copenhagen Accord, we have put in place a fresh strategy and rapidly restructured our international operations in the US, China, India and Europe to focus on kick-starting a 'Clean Revolution' that will unlock new global markets for the key clean technologies central to meeting the climate challenge.

Our international management team identified five clean technologies – smart technologies, electric vehicles (EVs), LED lighting, carbon capture and storage (CCS), and solar power – whose operation at scale over the next ten to twenty years will be essential if we are to achieve the deep emissions cuts required by science. Through our growing international leadership coalition, we have critical leverage to identify the market barriers, policies and financing needed to drive mass market commercialisation of these needed technologies and accelerate their deployment. In short, while 'top-down' negotiations continue to rumble on we will partner and support our members in driving a real clean industrial revolution from the 'bottom-up'.

In the six months to June 2010 we have made solid progress capitalising on the organisation's profile and hard-won credibility and this work will continue into 2011. We have initiated pilot LED projects in major world cities in India, the US and Europe under the HSBC Climate Partnership. We have developed strong partnerships and expertise with some of the world's largest financial institutions through our landmark Climate Principles initiative. We are building an international electric fleet coalition, EV20, of which HSH Prince Albert II of Monaco is the Honorary Chairman. We will continue to publish compelling research in strategic markets and sectors and to host high level events to further dialogue on how to finance the market transformations we need in clean energy technologies.

Our strategic operations and partnerships in China and India have had a great year and proved instrumental to our international low carbon axis. They were described by Rt Hon Tony Blair recently as "good as anything you will see in this area and on this subject". Competition between the EU, US, China and India over the \$3 trillion market for low carbon goods and services will ensure that they will be central to driving The Climate Group's network over coming years. We are beginning to work with the new UK government and India on an important initiative to boost bilateral trade in low carbon goods and services. In China, we have grown the number of national initiatives and partners and continue to publish unique research into clean technologies such as CCS and EVs.

I am pleased that Alan Salzman, Tulsi Tanti, Idan Ofer and Anthony Pratt have joined our International Leadership Council this year. I also extend our Chairman's welcome to our new UK Trustees.

Finally, I would like to thank our members, funders and all The Climate Group directors and staff for an exceptional year which positioned us and our public and private partners well for the substantial challenge that remains ahead. From a management perspective, I am delighted that we delivered an ambitious scope of work within our limited financial resources. We will continue to focus on cost control and fundraising next year mindful of the tougher economic climate in which we operate.

We look forward to the forthcoming year and to continuing our work with all of you to lead the clean industrial revolution.



Steve Howard, CEO



Board of Trustees' Report

Contents

Who we are	8
What we do	9
How we work	11
Work plan for 2009/10	13
Key achievements 2009/10	13
Leadership and Engagement	14
Technology	16
Policy and Finance	18
Financial results	21
What we will do in 2010/11	22
Structure, governance and management	24
UK Board, management team and advisers	25
Financial strategy	27
Trustees' responsibilities in relation to the Financial Statements	28
Independent auditors' report to the Trustees	30
Consolidated financial statements	32
Notes to the consolidated financial statements	35



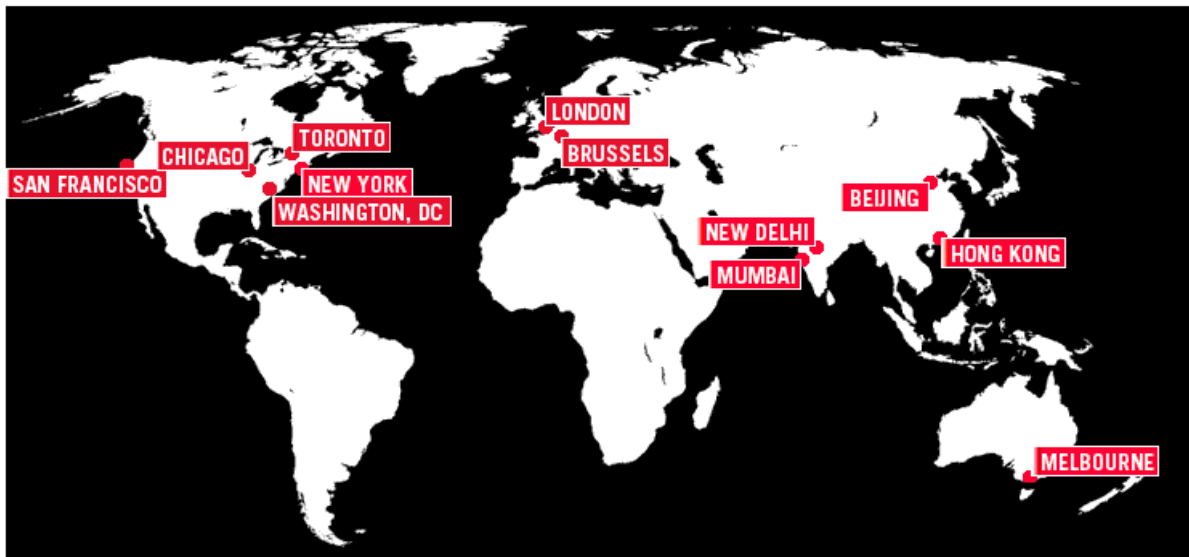
Who we are

The Climate Group (www.theclimategroup.org) is an independent, not-for-profit organisation working internationally with government and business leaders to advance smart policies and technologies to cut global emissions and unlock a clean industrial revolution.

Our global coalition of companies, states, regions and cities around the world recognise the economic and environmental imperatives of taking decisive action now.

The Climate Group was founded in 2004 and has operations in Australia, China, Europe, India and North America.

Global network of offices



We respond to the rapidly evolving climate change agenda in each location, within the framework of our global programmes.

Public Benefit

We take account of the Charity Commission's general guidance on public benefit to ensure that our work programmes contribute to our charitable objects and aims. Our objectives - set out in our governing document - are:

To promote for the benefit of the public the protection of the world's climate systems in such parts of the world and by such charitable means as the Trustees may from time to time think fit.

To advance the education of the public and interested parties in the effective reduction of greenhouse gases and to promote and carry out for the public benefit research into the effects of climate change and to publish and widely disseminate the useful results of such research.



What we do

Our mission is to accelerate the growth of a global low carbon economy; a **clean industrial revolution** that will unleash a new wave of wealth and job creation.

Our strategies are shaped through our team's knowledge — of market transformation, of climate change — and through the collective intelligence of our network.

To deliver, we work through our partners: it is their leadership — of business and government, of NGOs and individuals — that will drive progress. The Climate Group supports and strengthens their leadership. We do so in a particular way:

- **Events, forums and bilateral meetings:** that bring leaders together - freeing knowledge, removing barriers and facilitating new partnerships;
- **Publications and briefings:** that demonstrate the benefits and opportunities of increased action;
- **Media and communications campaigns:** that heighten awareness, reward action and drive commitment; and
- **Coalitions:** that bring leaders together, bridging sectors and regional boundaries.

Our priorities:

Five clean technologies form the heart of our strategy: *LED (light-emitting diode) lighting, Electric Vehicles (EV), Carbon Capture and Storage (CCS), Concentrated Solar Power (CSP), and Smart Technology.*

Based on a BAU (business as usual) projection of **90Gt** in 2050 and the need to cut this to **20Gt** in order to avoid dangerous climate change (i.e. temperatures to rise no more than 2^o Celsius), the full potential of these technologies could account for **one third** (32.5%) of the necessary reduction. The source of this emissions reduction potential is *International Energy Agency (IEA) Energy Technology perspectives: Scenarios and Strategies to 2050 (2008 Report)* and the results are shown below:

Technology	Abatement potential by 2050 (GTCO ₂) i.e. reduction of 70	% of total reduction required
CCS (<i>Fossil fuel</i>)	4.9	6.9
CCS (<i>Industry /fuel transformation</i>)	4.3	6.1
CSP	1.2	1.7
PV (<i>Solar Photovoltaic</i>)	1.3	1.9
ICT (<i>Efficiency in buildings and appliances</i>)	7.0	10.0
ICT (<i>Industrial Motor Systems</i>)	1.4	2.0
LED	0.7	1.0
EV (<i>Electric and plug-in vehicles</i>)	2.0	2.9
Total	22.8 (of 70 required)	32.5%

Each of the technologies is moving towards commercialisation, but not at the speed the world needs. To succeed we must overcome the range of challenges that all new technologies face.

1. **Clean Energy:** starting with **carbon capture and storage (CCS)** and **concentrated solar power (CSP)** we work to share knowledge on the policies and financing mechanisms that will make these clean energy solutions commercially viable on a global scale.

2. **Transport:** we lead a cross-sector coalition of manufacturers, entrepreneurs and financial institutions focused on policy, finance and fleet deployment for **electric vehicles (EVs)**. Together we are exploring how large and small countries can turn the world's 1 billion vehicle fleet electric, and make EVs dominant in the transport sector by 2050.
3. **Smart Technology:** we are raising awareness among leading partners in the ICT industry, with a goal of delivering a 15% saving in global emissions through **ICT-enabled energy and resource efficiency solutions** in transport, buildings, power-grid and industry.
4. **Lighting:** we partner with 10 world cities on major **LED** outdoor lighting trials to verify performance, quantify costs and benefits, and develop scale-up plans. Our objective is for LEDs to capture 2.5% of the global grid-connected, outdoor lighting market by 2013 – 15% by 2020.

Financial mechanisms are crucial to the availability of each technology. For this reason we have developed a strategy specific for the finance sector. We partner with a growing number of the world's largest financial institutions including HSBC, Munich Re, Standard Chartered, and Swiss Re, to explore the public-private sector partnerships and financing mechanisms necessary to make the low carbon economy a reality. Similarly, **Policy Incentives** are a powerful factor in market transformation. We have developed a States & Regions Alliance who — with a collective GDP totalling \$10 trillion and commitment to being real-world laboratories for low carbon development — represent the world's most influential group of sub-national governments. State and regional actions could be responsible for up to 80% of the heavy-lifting the world needs to halve global emissions by mid-century (UNDP).

Additional impact:

Using the same organisational capabilities and strengths, we have tailored programmes to specific regional needs:

In Australia: we work with all State Governments through the Council of the Australian Federation and leading businesses on a Climate Smart Precincts project to advance their development in Australia. We also track greenhouse gas emissions from energy in four key States with our unique Weekly Greenhouse Indicator.

In China: we have responded to our business partner needs to develop a ground breaking capacity building programme for the Finance, Power and Manufacturing sectors – '*Carbon Treasure*' – which was launched by former UK Prime Minister Rt Hon Tony Blair in November 2010.

In Europe: we are the secretariat for the 'UK-India Business Leaders Climate Group' that has developed a 'Charter of Principles' recommending practical ways India and the UK can together unlock a new era of green growth and economic collaboration.

In India: we partner with the India Banking Association to review the role and action taken by the Indian banking sector and develop our network of leading financial institutions to support our broader focus on financing low carbon technology.

In North America: we work with the world's leading consumer and beverage brands to develop sustainable solutions for packaging.

Every piece of our work drives our message – of the need for a **clean revolution**.



How we work

Our global network spans four continents, with offices in North America, Europe, China (Beijing and Hong Kong), India and Australia. Through our network we drive the **clean revolution** message. The Climate Group provides vision and leadership to many of the most influential people on the planet: those with the power to make the difference on climate change.

We have four core beliefs underpinning our work to support collaboration between governments and businesses to stop climate change and accelerate the transition to a prosperous low carbon economy:

- **Addressing climate change is an economic issue not just an environmental concern.** Government and business leaders are sensitive to moral imperatives, but they respond best to clear messages and proposals that combine economic, social and environmental benefits. Leaders also respond meaningfully to approaches that enrol and involve people. We therefore present solutions professionally and in business terms, making the economic case for their implementation.
- **A small community has a big influence on climate change.** A small number of organisations have a huge influence on the carbon intensity of the future economy. If the 200+ sector-leading global companies, 50 leading governments (national, regional and city), and most influential individuals within these organisations – CEOs, political leaders, ministers, governors, mayors, senior managers and advisers move decisively to take up the low carbon challenge, there is no doubt that dangerous climate change can be avoided. This is the target of The Climate Group's work.
- **Partnerships are more effective than organisations acting alone.** Our Global Alliance enables partnerships to form that would not normally come together to generate original, bold and exciting approaches to driving low carbon growth. We look to partner with other like-minded organisations that can ensure that the total of our efforts is greater than the sum of their parts.
- **Clear communication of practical success stories drives action.** Information about the science and economics of climate change is extensive and sometimes overwhelming, and is often inaccessible to decision makers and opinion formers. Much can be achieved by presenting research in new and unexpected ways, by communicating a compelling vision of a low carbon future and by demonstrating that this future is truly achievable.

The Climate Group's work is focussed on convening partnerships of leading individuals and organisation that together can design and implement replicable examples of low carbon technology deployment, policies, financing mechanisms and business strategies.

We draw on our strong in-house expertise in communications to run national and international conferences and media events.

We collaborate closely with a group of highly influential business leaders through our International Leadership Council (*for a full list of Council members see page 26*), our membership and wider networks to support these individuals in their communications with policymakers.

State & Regional Members

Basque Country
State of Bavaria
Region of Brittany
Province of British Columbia
State of California
Government of Catalunya
Region of Île de France
Province of Manitoba
State of New South Wales
State of New York
Govt of North Rhine-Westphalia
Province of Ontario
Province of Québec
State of Queensland
State of São Paulo
Government of Scotland
State of South Australia
Province of South Holland
State of Victoria
Welsh Assembly Government
State of Western Australia

City Government Members

Greater London Authority
New York City

Corporate Members & Partners

Alstom
Arup
Baker McKenzie
Barclays Bank
Better Place
Bloomberg
British Sky Broadcasting
British Telecommunications
Broad Air Conditioning
CB Richard Ellis
CECIC
China Mobile
Cisco
Climate Change Capital
The Coca-Cola Company
Dell
Dr Pepper Snapple Group
Duke Energy
Florida Power & Light
GE Energy Europe
Goldman Sachs
Google
HDR
Hewlett Packard
HSBC Holdings
IWC Schaffhausen
Johnson Controls
JP Morgan Chase
Landsea
Man Group
Marks & Spencer
Muckle LLP
Munich Re
MWH
Nestlé Waters NA
News Corporation
Nike
PepsiCo
Pratt Industries
Scottish Power
Skadden
Standard Chartered Bank
Suntech
Swire Group
Swiss Re Group
TaoBao
Tesco
Timberland
Tip Top
Veolia
Virgin Group
Winston & Strawn LLP



Work plan for 2009/10

In last year's Annual Report our key objectives were identified as follows:

- **Leadership & Engagement** – particularly to help obtain a strong new deal on climate change (including the post-Copenhagen Conference of the Parties (COP 15) negotiations).
- **Technology** – gear up our technologies programmes beyond their preparatory stages to embark on funded, target-driven work plans. We have selected key technologies that we believe we are well placed to influence their scale up and success. Together these have the potential to bring about dramatic cuts in greenhouse gas emissions:

LED (light-emitting diode) lighting

Electric Vehicles (**EV**)

Clean Energy focusing on Carbon Capture and Storage (**CCS**) and Concentrated Solar Power (**CSP**)

'SMART' Technology for buildings and grids (**ICT** – Information and Communications Technologies)

If they become mainstream based on International Energy Agency (IEA) projections these technologies could transform global energy systems, delivering up to one third of the emissions reductions required by 2050 to avoid the most dangerous effects of climate change.

For example, there is a potential for ICT to lead the transition to a low carbon economy by saving 15% of global emissions by 2020.

- **Policy & Finance** – develop and promote enabling policy and finance for key technologies. This includes viable financing models and government policy incentives.

Our key achievements in meeting the above objectives are discussed in the next section of the report.



We are fortunate to be beneficiaries of the Dutch and Swedish Postcode Lotteries. Their funding has contributed significantly to the delivery of our work, including our *Breaking the Climate Deadlock* and States and Regions programmes.



Key achievements 2009/10

Leadership and Engagement

We continue to promote leadership by businesses, and local, regional, and national governments, using our international reach to facilitate better inter-regional understanding of economic opportunities and actions to cut emissions. Some of our more important activities are listed below.

In **Australia**, through research and high-level engagement, we worked to inform the development of key government policies. We played a key role in the federal policy to support the rollout of solar photovoltaic panels. We are also working to ensure that national policies enable both businesses and individuals to take additional action on climate change and published business guides to the low carbon economy.

In **Europe** we held four conferences in Zaragoza (October 2009), Barcelona (November 2009), Paris (March 2010) and Bonn (June 2010) to bring together business and government to accelerate the achievement of a low carbon society. We also gained nine EU sub-national governments as full members over the past year.

The Climate Group held our annual Climate Leaders Summit in **Copenhagen** in December 2009 during COP 15. The Climate Leaders Summit is a forum for the exchange of practical policy advice between government leader and CEOs of some of the world's leading low carbon technology companies and financial institutions.

In February 2010, we became secretariat for the newly formed UK-India Business Leaders Group launched by then Opposition Leader and now UK Prime Minister the Rt Hon David Cameron. The group of businesses, collectively valued at over £200bn, has 16 members, 8 from each country, co-chaired by Sir Stuart Rose and Mr Rajan Mittal. The aim of the group is to explore the opportunities for creating green jobs and achieving prosperous low carbon economies in India and the UK. Since June 2010, The Climate Group helped the group launch a report and Charter of Principles to boost low carbon trade between the two countries in November 2010.

In **China (Hong Kong)**, we are helping over 5000 Hong Kong employees to take action on climate change. We published a series of books for home owners, individuals and businesses on actions people can take to reduce greenhouse gas emissions. Also, our Pearl River Delta Programme focuses on helping national and provincial governments implement low carbon policies and technologies in one of China's most developed industrial regions. We developed and issued a policy paper and convened key stakeholders' dialogue and discussion on Hong Kong's role in the Pearl River Delta Region, as a developed city. We co-organised the China Low Carbon City Forum with Guiyang municipal government during the Guiyang International Eco-City Conference.

Our **China** office has launched a number of green campaigns. Our 1000 Village Project is a partnership with the Jet Li Foundation and Office of Tony Blair, and it aims to install solar-powered LED lighting across 400 villages in China, and 600 more in China, Africa and India. Our Million Forest Project aims to help farmers in north-western China plant over a million sea-buckthorn trees. And our Hong Kong Pearl River Delta Regional Office has worked closely with the HK government to develop a low carbon book series that target young people, employees, family life, and companies.

Our team has been providing policy recommendations to the national government on such key issues as low carbon development in China at the national and local level, as well as sector-focused priorities such as EV, CCS, energy efficiency financing, and LED lighting.

In **India** we launched a key report with the Indian Banks' Association (including HSBC and the State Bank of India) with help from PricewaterhouseCoopers. The report outlined best practice in the finance industry in India and recommended action for banks to accelerate to a low carbon economy.

In **North America** we organised Climate Week NYC in September 2009, a series of more than 60 high-level meetings, forums and public-facing events to underscore the urgent need to address climate change. UN Secretary-General Ban Ki-moon said the event had done “a great deal to raise awareness of the need for broad action”.

In order to support progress towards an international climate change agreement, we have worked to strengthen understanding and relationships between key countries and regions. In particular, we have facilitated dialogue between the EU and China with the support of the blue moon fund.

ZENNSTRÖM PHILANTHROPIES

As a charity with no regular government funding, we look for financial support from like-minded individuals, companies and grant-makers. Zennström Philanthropies shares our belief that strong leadership and collaborative partnerships can drive faster action on climate change. Their unrestricted funding helped us to deliver our core mission, and to support many important actions on policy and technology deployment by influential decision-makers.

Technology

Our work on **LEDs** is one of our most significant achievements over the past year. Under The Climate Group's global LightSavers initiative we work with 10 international cities to evidence the efficacy and commercial benefits of LED street lighting by running a series of 12 month pilot projects. The findings will be presented in a global report in 2011/12.

In **India** we initiated a Kolkata LED pilot project with the Bureau of Energy Efficiency (Government of India) and other partners sharing the investment costs. In the **United States** we launched a pilot in New York City's Central Park and FDR Drive in support of the Mayor's PlaNYC ambition to reduce emissions in the city by 30% by 2017. In **Hong Kong** we have established three trial projects at the Hong Kong University of Science and Technology, The University of Hong Kong and Hong Kong International Airport. The trials aim to assess the potential of LEDs and smart controls to curb greenhouse gas emission and cut energy costs, while making cities brighter and safer at night. A launch ceremony was held on 28 April 2010 to kick-start the pilot projects. Our involvement in all city LED pilot projects was made possible by generous support from the HSBC Climate Partnership.

Worldwide we continue to gear up our technologies programmes beyond their preparatory stages to embark on funded, target-driven work plans. Some of the highlights in the year from our other programmes are noted below:

EV High-level roundtable in September 2009 discussing the technologies, financing and policies to accelerate the transition to electrified transport. The Prince Albert II of Monaco Foundation provided funding and support for an opening event at the Shanghai Expo in May 2010 (when our China office released our China's EV Market Transformation report) as well as earlier support for a private roundtable in December 2009. Our EV20 Working Group has developed a strategy focusing on policy, finance and fleet deployment. The aim is to explore how large and small countries can turn the world's 1 billion vehicle fleet electric.

Clean Energy Our CCS Task Force commenced formally in August 2009 initially focussing on the specific barriers to CCS deployment. We are working with Ecofin Research Foundation on research that will help understand what barriers and opportunities exist for the private sector in funding CCS and how policy can encourage further investment. We presented the preliminary findings of a study of financial institutions' readiness to fund industrial scale CCS projects to the Global CCS Institute (GCCSI) members meeting in May 2010. GCCSI have granted us multi-year funding. Our China office, in partnership with Ministry of Science and Technology, released China CCS market transformation report in July 2010. We also worked with IEA for a China CCS needs assessment where we identified the major barriers and potential opportunities to further develop and demonstrate CCS technology in China.

SMART Technology We launched a series of online case studies on the largest areas of carbon abatement opportunity identified within our SMART 2020 report. We actively support industry in taking up these opportunities and communicating policy analysis to government through working groups and industry associations, and unique links within the ICT industry through our members BT, Cisco, Dell,



The HSBC Climate Partnership is a \$100 million five-year partnership between HSBC, The Climate Group, Earthwatch, The Smithsonian Tropical Research Institute and WWF to combat the urgent threat of climate change.

Under the partnership The Climate Group works with government and corporations in China, India, USA and UK to create cleaner, greener cities and to promote them as models for the world. As such, The HSBC Climate Partnership is a natural fit with our work and supports our international projects on LED lighting and electric vehicles amongst other city-focused initiatives.

HP, Lenovo, Google and China Mobile. A three year programme plan will bring ICT companies, adjacent sector companies and states or cities into partnerships on proof-of-concept project development.

In June 2010 we formally announced the incorporation of the Connected Urban Development (CUD) Alliance of cities (founded by Cisco Systems in partnership with cities Amsterdam, Seoul, San Francisco, Madrid, Lisbon, Hamburg and Birmingham) into our SMART 2020 programme. Steve Howard and Cisco's John Chambers formally announced the partnership with Cisco, Metropolis and The Climate Group at the Shanghai Expo in June 2010. Cisco provided a grant in support of this project.

We are now engaging additional corporate and city partners from our network to form the SMART 2020 initiative.

Policy and Finance

Our policy and finance work – which cuts across all of our work on technology, engagement and communications – is designed to support our leadership coalition in making the right practical choices to advance the low carbon transformation of our economy. This includes supporting political leaders involved in international policy negotiations, sub-national and city governments in designing their low carbon development plans and the incentives needed to implement them, and partnerships we convene to deploy and scale up low carbon technology solutions. The main finance and policy projects we advanced during 2009/10 are described below.

Supporting a global climate agreement:

During the second half of 2009, the *Breaking the Climate Deadlock* Initiative – launched in 2008 with former UK Prime Minister Rt Hon Tony Blair – released three reports to support world leaders and help build momentum towards the landmark UN climate summit in Copenhagen in 2009.

The first of these, “*Technology for a Low Carbon Future*”, prepared in collaboration with E3G, showed that fully 70% of the emission reductions needed by 2020 could be achieved by investing in energy efficiency (through lighting, vehicles, buildings and motors), renewable energy and reducing deforestation. In addition, these cuts could be made by deploying existing technologies and implementing policies that have already been used successfully around the world. The report was widely covered in the press, commended by a range of governments and presented – at the request of Danish Minister Connie Hedegaard – by Rt Hon Tony Blair to the Greenland Dialogue ministerial meeting in New York.

A second report, “*Cutting the Cost: the Economic Benefits of Collaborative Climate Action*”, was launched in September 2009 during Climate Week NYC and the UN General Assembly. Based on economic modelling by the world renowned Cambridge Econometrics, it showed that action to cut CO2 emissions can increase both GDP and employment in all major economies, with global collaboration significantly cutting the cost of climate change mitigation. The report built on previous economic analysis by Lord Stern and the Intergovernmental Panel on Climate Change (IPCC) but showed for the first time that a concerted global effort on climate change yields greater benefits for all major economies than if nations go it alone. It also showed there would be additional “first mover” advantages for nations that take the lead, regardless of action by others. Given the difficult economic conditions in the months preceding the Copenhagen summit, the report contributed to dispelling concerns that a global climate agreement would undermine economic recovery.

The final report produced by the *Breaking the Climate Deadlock* initiative, “*Doing the Deal: Key elements for a Copenhagen Climate Agreement*”, drew on our previous work and presented a simple package that could be adopted by governments attending the Copenhagen summit. Its main recommendations – consolidating the mitigation commitments and targets set by major emitting countries, mobilising additional financing to support adaptation and low carbon development and establishing a monitoring and framework that would give confidence to governments and the private sector alike – formed the core of the Copenhagen Accord that emerged from the summit.

Key funders who have made valuable contributions to the *Breaking the Climate Deadlock* initiative during the year include DOEN Foundation; Pratt Industries; The Rockefeller Foundation; and the Swedish Postcode Lottery.

In supporting the international negotiations, we also acted as secretariat for the Aviation Global Deal (AGD) Group – a coalition of progressive airlines seeking an international solution to reducing aviation emissions. Members included Air France-KLM, BAA, British Airways, Cathay Pacific, Finnair, Qatar

Airways, Virgin Atlantic, Virgin Blue Airlines Group, LOT Polish Airlines. The Climate Group played a key role in shifting the debate on aviation and climate change in 2009. The AGD Group's proposal for a global agreement for aviation helped shape a more progressive pan-industry position last year and was also fed into negotiations in the UNFCCC and discussions in the International Civil Aviation Organisation (ICAO). The proposal continues to influence international climate finance discussions, with the UN Secretary General's Advisory Group on Finance considering it as part of its mandate to identify innovative sources of funding for climate action in developing countries. We are grateful to Zennström Philanthropies for their support for this work.

National Policy

In the US, we launched a report called '*American Innovation: Manufacturing Low Carbon Technologies in the Midwest*' which demonstrated how the manufacture of three low-carbon technologies would create new, clean energy jobs.

In Europe we participated in a series of policy events, focussing on making the case for greater policy ambition as a driver of business growth. As part of this, towards the end of the year, The Climate Group published a report that presented results of a survey of European companies on the competitiveness impacts of climate policy. The fact that in almost every sector these impacts have been negligible to date has helped support calls for tougher emissions targets.

Financing the Low Carbon economy and the Climate Principles

Globally we have an active and growing group of financial institutions dedicated to better understanding the risks and opportunities associated with a transition to a low carbon economy. Seven of these have adopted the '*Climate Principles*' which we developed with the finance sector last year to provide a consistent international framework for leadership on addressing climate change through their core activities. We also developed guidance for reporting against the *Climate Principles* for insurance and reinsurance, corporate banking and project finance. This was used as the basis for the first annual Climate Principles progress report, launched at the World Economic Forum in Davos with speakers including Stephen Green, Group Chairman of HSBC.

Swiss Re hosted our biannual meeting of the Climate Principles Steering Group in February 2010 which focused on the decarbonisation of the power sector. The group met to assess and discuss the financing needs for the expansion of low carbon power generation, including renewable energy and CCS, with expert inputs provided by analysts, technology providers and energy companies.

We regularly host round table discussions between this group of financial institutions, policy makers and technology providers to break down misconceptions about the cost or feasibility of low carbon technologies and to discuss policy barriers and incentives for growth. To date, we have hosted meetings on electric vehicles, carbon capture and storage, renewable energy and energy efficiency in the US, Europe and India.

Country specific work on finance has taken place in all the regions where we have a presence. Examples include: roundtables on leveraging private sector investment in Brussels and Washington DC, hosted by the Chairman of our International Leadership Council, Lord Browne; and a report on the low carbon performance of banks in India, launched at a conference we co-hosted with the Indian Banks Association and WWF.

We continue to develop and promote enabling policy and finance for key technologies. Although the international climate negotiations in Copenhagen (COP15) in December 2009 can at best only be

considered a partial success, we will continue to focus on individual countries' ability to put ambitious policies in place and the influential stakeholders who can make this happen. We also continue to participate in a number of high-level discussions on climate financing and engage our financial sector partners in the run up to COP16 in Cancun in December 2010.



Financial results

The Statement of Financial Activities (page 32) and the following notes show our full financial results for the year. Financial information in this report relates both to the UK charity (indicated by “Charity” in the accounts) and the consolidated accounts of the UK, the US, Australia, China and Hong Kong (indicated by “Group”). Figures in this section reflect the consolidated Group figures.

Income

Our total income for the 2009/10 financial year was £9,247,431 (2008/9: £8,075,566), which consists of voluntary income of £8,073,016 (2008/9: £6,418,240), income from activities for generating funds of £1,169,442 (2008/9: £1,613,343) and investment income of £4,973 (2008/9: £43,983). Income is recognised in accordance with the policies set out in the Accounting Policies Notes on pages 35 and 36.

As in previous years, our network – and particularly our members and funders – strongly supported our work as we built our capacity and international reach while maintaining effectiveness and management focus.

Development

Individual giving, charitable foundations, government grants, corporate philanthropy, sponsorship and membership contributions were all important sources of financial support for us. We will continue to develop our programmes with a diverse group of funders to keep our independence and manage risk. We directed 8% (2008/9: 10%) of our budget towards generating funds, with most allocated to staff costs.

We closed the year in a positive financial position (see below). This has been improved on considerably compared to 2008/9 which was deliberate as we expect fund-raising to be challenging throughout 2010/11 and we wanted a secure financial footing to start the new financial year.

Expenditure

During the accounting period we spent a total of £7,704,326 (2008/9: £8,007,570), including £908,068 on research activities (2008/9: £892,982), £3,530,401 on raising awareness of climate change and its solutions (2008/9: £3,175,570), and £2,217,016 on education of business and government partners on leadership opportunities associated with ‘low carbon’ policy and strategy solutions (2008/9: £2,742,827). The remainder was the cost of generating funds was £650,823 (2008/9: £805,939) and governance costs £398,018 (2008/9: £390,252).

Overall expenditure decreased by 3.8% between 2008/9 and 2009/10.

Financial position at year end

We closed the reporting period with a positive position of £3,239,206 (2008/9: £1,634,714) comprising a restricted funds position of £1,369,731 (2008/9: £1,067,909) and an unrestricted funds position of £1,869,475 (2007/8: £566,805). This result included a gain on revaluation of foreign currency subsidiaries of £61,387 (2008/9: £179,657). The closing position is in line with our financial strategy (outlined on page 27).



What we will do in 2010/11

During 2010/11 we will continue to focus on **five clean technologies** that are not yet fully commercialised: LED lighting; Electric Vehicles (EV); SMART Technologies (ICT); concentrated solar power (CSP) and carbon capture and storage (CCS).

We will host our annual Climate Leaders Summit with business and government leaders at COP16 in Cancun in December 2010 to lend support momentum for agreement around a politically 'balanced package' of decisions with more pragmatic expectations than COP15. We will help achieve this by holding events such as a closed session for States and Regions government leaders, EV breakfast roundtable to accelerate deployment and the Climate Leaders Summit which will include a day focused specifically on activities in China.

We will re-structure our organisation and management reporting to reflect our purpose and goals. A revised process to monitor programme implementation will include a quarterly review of progress against key deliverables which are determined in line with budget allocations.

Some of our planned regional activities are listed below:

In **India** we will put particular effort on financing and the sectors in which India can gain a low carbon competitive advantage. We will hold a roundtable on leveraging public and private finance in the energy efficiency sector and continue to act as secretariat for the UK-India Business Leaders Climate Group. Outputs from this group will include influencing and monitoring progress on the concrete actions set out in the agreed Charter of Principles. Our Kolkata LED streetlight pilot will continue to be monitored and we will work to help scale this up to city level and ensure there is technology/financing to deliver it. We will launch our India Clean Revolution report and develop a MOU with Government of Gujarat. In November 2010 our fifth Members' meeting in Mumbai will take place.

In **China** we will support the 12th five year plan (2011-2015) which has a focus on supporting green growth and transformation. Our next China Clean Revolution report, focusing on low carbon growth in Chinese cities, will be launched at COP16 in December 2010. We will also launch *Carbon Treasure* – China's Corporate Carbon Strategy Programme, supported by Rockefeller Brothers Fund, Energy Foundation, and some leading companies, including IKEA and CLP. This is a leadership-focused programme to support Chinese companies to develop and adopt low carbon strategies and solutions. We will launch a city-focused leadership platform – China Redesign – in partnership with the Administration Centre of Agenda 12 of the Ministry of Science and Technology and other partners to enhance city managers' capability in executing low carbon growth plan. Our Million Forests Project, after successfully completing its mission for the first year, has smoothly evolved into its second year when we will further strengthen our partnership with China Green Foundation and UNEP, as well as many other supporters, to deepen the public's knowledge, experience, and participation in tackling climate change in China.

In the **EU** we will continue to support business calls for greater policy ambition; further roll out our SMART 2020 work in European cities and our discussions with fleet owners on electric vehicle procurement; support our network of state and regional governments and co-organise a major energy efficiency forum with Johnson Controls and the Prince Albert II of Monaco Foundation in Monaco in May 2011.

In the **US** we held our second annual Climate Week in NYC (September 2010) with over 30 events including a forum on financing the clean revolution and a seminar on how to finance smart cities. We will support the rejection of Proposition 23 that would suspend California's AB32 rule (placing emissions caps). We held an LED safari event in Los Angeles as part of our global LightSavers initiative, and convene multiple events to transform the markets of our key technologies, particularly EVs. In addition we will continue to develop ways to reduce emissions by bridging the front end design of packaging with the back end recovery.

Finally in **Australia** we will hold a SMART 2020 workshop for senior government officials and business leaders on smart city opportunities; an EV20 roundtable with Australian regional governments and continue with our Greenhouse Indicator that provides real-time information on GHG emissions.



Structure, governance and management

The Climate Group is an international not-for-profit organisation with offices in London, New York, Beijing, Hong Kong, New Delhi and Melbourne, with representatives stationed in Washington D.C., Chicago, San Francisco, Brussels, Mumbai, and Toronto. This report is produced by our international headquarters, which is a UK charitable company limited by guarantee and registered under the legal name of The Climate Change Organisation. Our statutory objects and powers are established in a Memorandum of Association, and the company is governed under its Articles of Association.

Our Trustees are elected to serve for three years and can be re-elected for a second term. After six years, Trustees must take a minimum of 12 months' break before being eligible for re-appointment. Trustees meet quarterly, with additional meetings if required, and delegate the day-to-day operations of the organisation to the executive management team headed by the Chief Executive. All Trustees give of their time freely and no remuneration or expenses were paid in the year. Any related party transactions are disclosed in Note 12 in the accounts.

The Trustees look for a range of skills for representation on the board when recruiting and appointing new Trustees, including familiarity with the ways that leading businesses and governments should respond to climate change. Our current Board includes members with communications, business and legal expertise.

The induction of new Trustees is tailored to the skills, knowledge and expertise of each individual. Our Chairman and CEO brief new Trustees on recent progress, future plans, legal structure and finances, as well as Trustees' obligations in their role. We also encourage prospective Trustees to observe one or two Trustee Board meetings to familiarise themselves with our work before formal election.

The Board is supported by two committees. The Finance Committee strengthens oversight of our finances, budgeting and fundraising performance and acts as an Audit Committee, meeting with and obtaining reports from the organisation's auditors. The Remunerations and Appointments Committee recommends remuneration strategies and policies and advises on matters pertaining to the appointment of trustees. The committees meet quarterly in addition to the regular Trustee meetings.

The Trustees are responsible for ensuring that major risks facing The Climate Group are appropriately managed. The major risks identified are regularly reviewed and their potential impact assessed. Strategies and controls to manage each risk appropriately are in place, with some subject to continuous improvement. In those areas of our work where a degree of risk is inevitable, appropriate steps have been taken to mitigate that risk where possible. Updates to the register and key risks are reported to the Finance Committee.

The Climate Group is represented by legal entities in the US, Australia, mainland China, Hong Kong, Belgium, Canada, and India which enable us to hire staff and raise and direct funds towards our work internationally (see Note 15 of the accounts for further details). They work closely with the UK charity, with local board positions for members of our executive management team strengthening international relationships (our CEO, COO and/or Policy Director sit on the corporation boards of the US, Australian, Chinese, Hong Kong, Belgian and Canadian companies). Our head office's relationship with the regional offices is underpinned by legal contracts. These contracts cover co-ordination of work programmes and licensing of the name and trademarks to the regional representatives. Our UK trading subsidiary (The Climate Change Organisation Services Limited), carries out any trading or service activities of the charity, such as the *Together* campaign.



UK Board, management team and advisers

Registered name	The Climate Change Organisation
Trading name	The °Climate Group
Charity number	1102909
Company number	4964424

Incorporation

14 November 2003 and registered as a UK charity on 26 March 2004

Principal office & Registered office

Second Floor, Riverside Building
County Hall
Belvedere Road
London SE1 7PB

Charity Trustees & Company Directors

John R Coomber (Chair)
David Gregson
Matthew Anderson
Rachel Crossley – *tenure ended 31 March 2010*
Stuart Archibald – *tenure ended 31 March 2010*
Caroline Heaton – *resigned 30 June 2010*
Andrew Smith – *elected 10 December 2009*
Josh Berger – *elected 10 December 2009*
Zoe Ashcroft – *elected 31 March 2010*
Matt Brittin – *elected 31 March 2010*

Company Secretary

Michael Burychka

Executive Management Team (EMT)

Steve Howard	CEO
Michael Burychka*	CFO
Amy Davidsen*	US Director
Emily Farnworth**	Global Alliance Director
Mark Kenber	Deputy CEO
Alison Lucas	International Communications and Operations Director
Jim Walker	International Programmes and Strategy Director
Changhua Wu	Greater China Director

* *appointed in November 2009*

** *appointed after 30 June 2010*

International Leadership Council

The Lord Browne of Madingley (Chair) (Riverstone)
Dr Sultan Al Jaber (Masdar, Abu Dhabi)
Clésio Antonio Balbo (Balbo Group, Brazil)
Thor Björgólfsson (Novator, Europe)
Sir Richard Branson (Virgin, Europe)
John R Coomber (Swiss Re, Europe)
Stephen Green (HSBC, Europe)
Susan Hockfield (MIT, USA)
Dr JJ Irani (Tata Sons, India)
Sunil Bharti Mittal (Bharti Group, India)
James Murdoch (NewsCorp, Europe)
Idan Ofer (Better Place, Israel)

Boudewijn Poelman (Novomedia, Europe)
Anthony Pratt (Pratt Industries, Australia)
Jim Rogers (Duke Energy, USA)
Alan Salzman (VantagePoint, USA)
Datuk Vinod Sekhar (Petra Group, Malaysia)
Dr SHI Zhengrong (Suntech, China)
Jeff Swartz (Timberland, USA)
Tulsi Tanti (Suzlon, India)
WANG Jianzhou (China Mobile, China)
Niklas Zennström (Atomico/Joost, Europe)
ZHANG Yue (Broad Air Conditioning, China)

Accountants

JS2 Limited
One Crown Square
Woking
Surrey GU21 6HR

Solicitors

Winston & Strawn London
99 Gresham Street
London EC2V 7NG

Bankers

HSBC Bank plc
34 High Street
Walton-on-Thames
Surrey KT12 1DD

Auditors

Crowe Clark Whitehill LLP
St. Brides House
10 Salisbury Square,
London EC4Y 8EH



Financial strategy

Reserves policy

The Trustees are of the opinion that to safeguard our continuing work and commitments, the target level of total reserves at the balance sheet date should normally equate to 25% of projected total global consolidated resources due to be expended from total funds in the following 12 months, and that unrestricted reserves should never be less than zero.

The Trustees recognise that it may be appropriate to allow the level of reserves to rise above, or drop below, this benchmark at times as a result of short-term cash inflows, the nature of funding restrictions or in order to ensure our programmes' continuity.

Applying this ratio for the year to 30 June 2011, the required level of reserves would be approximately £2.25 million, versus actual reported reserves of £3.24 million.

The principle risk facing The Climate Group continues to be the effect on donations as a result of the continued downturn in the UK and global economy. However, the Trustees consider that there is a reasonable expectation that The Climate Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, the Trustees continue to adopt the 'going concern' basis in preparing the accounts.

The financial statements have been prepared on a going-concern basis.

Grant making policy

Our headquarters makes grant awards through The Climate Change Organisation to affiliated regional Climate Group entities. These grants allow the international delivery of our programmes and objectives, and allow us to fulfil our donor grant objectives. We monitor all such grants to make sure that grant objectives are met and that appropriate governance and oversight is maintained.

We only made grants to affiliated organisations during the accounting period, so all grant awards are consolidated within the group's financial statements.



Trustees' responsibilities in relation to the Financial Statements

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its net profit/loss for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue on that basis.

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

Provision of information to auditors

Each of the persons who are a Trustee at the date of approval of this report confirms that:

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

Members of the Board of Trustees who are directors for the purpose of company law and Trustees for the purpose of charity law, who served during the period and up to the date of this report are set out on page 25.

Auditors

A resolution to re-appoint Crowe Clark Whitehill LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005).

Approved by the Board of Trustees on 15 December 2010 and signed on its behalf by:



**John R Coomber
Chairman of the Board**



Independent auditors' report to the Trustees

We have audited the group and parent company financial statements of The Climate Change Organisation for the year ended 30 June 2010 set out pages 32 to 46. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees' (who are also the directors of The Climate Change Organisation for the purpose of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under the Companies Act 2006 and report to you in accordance with that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you if in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with those records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustees' remuneration specified by law are not made.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's message, the CEO's message and the Trustees' Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the

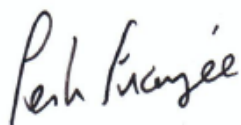
financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.



Pesh Framjee FCA
Senior Statutory Auditor
for and on behalf of
Crowe Clark Whitehill LLP
Chartered Accountants and Statutory Auditor

5 January 2011

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE GROUP
(INCLUDING AN INCOME & EXPENDITURE ACCOUNT)

For the year ended 30 June 2010



Consolidated financial statements

	Notes	Restricted	Unrestricted	Year ended 30 June 2010	Year ended 30 June 2009
		£	£	£	£
Incoming resources					
Incoming resources from generated funds					
<i>Voluntary income</i>					
Donations & similar funding		472,738	343,748	816,486	255,574
Grants	2	5,078,813	936,997	6,015,810	5,252,892
Membership		659,349	581,371	1,240,720	909,774
		<u>6,210,900</u>	<u>1,862,116</u>	8,073,016	6,418,240
<i>Activities for generating funds</i>					
Together campaign		17,311	230,312	247,623	1,135,542
Other		813,211	108,608	921,819	477,801
		<u>830,522</u>	<u>338,920</u>	1,169,442	1,613,343
<i>Investment income</i>					
		<u>1,336</u>	<u>3,637</u>	4,973	43,983
Total incoming resources		<u>7,042,758</u>	<u>2,204,673</u>	9,247,431	8,075,566
Resources expended					
<i>Costs of generating funds</i>					
Costs of generating voluntary income		298,501	352,322	650,823	805,939
<i>Charitable activities</i>					
Research		729,450	178,618	908,068	892,982
Communications		3,393,164	137,237	3,530,401	3,175,570
Education & engagement		2,175,094	41,922	2,217,016	2,742,827
		<u>6,297,708</u>	<u>357,777</u>	6,655,485	6,811,379
<i>Governance costs</i>					
		<u>206,114</u>	<u>191,904</u>	398,018	390,252
Total resources expended	3	<u>6,802,323</u>	<u>902,033</u>	7,704,326	8,007,570
Net incoming resources for the period (being the net income) before other recognised gains and losses	4	240,435	1,302,670	1,543,105	67,996
Other recognised gains and losses					
Gain on revaluation of foreign currency subsidiaries		61,387	-	61,387	179,657
Net movement in funds		301,822	1,302,670	1,604,492	247,653
Funds at 30 June 2009		1,067,909	566,805	1,634,714	1,387,061
Funds at 30 June 2010	10	<u>1,369,731</u>	<u>1,869,475</u>	3,239,206	1,634,714

All of the above results derive from continuing activities. There are no gains and losses other than those disclosed above. Movements in funds are disclosed in Note 10 to the financial statements.

BALANCE SHEETS

As at 30 June 2010

	Notes	Group 30 June 2010 £	Group 30 June 2009 £	Charity 30 June 2010 £	Charity 30 June 2009 £
Fixed assets					
Tangible fixed assets	6	<u>166,638</u>	<u>105,342</u>	<u>100,570</u>	<u>29,701</u>
Current assets					
Debtors	7	<u>568,392</u>	1,093,509	<u>1,612,413</u>	936,399
Short term deposits		<u>2,171,492</u>	2,284,457	<u>1,688,095</u>	2,284,457
Cash at bank & in hand		<u>1,721,655</u>	1,625,169	<u>96,692</u>	81,077
		<u>4,461,539</u>	<u>5,003,135</u>	<u>3,397,200</u>	<u>3,301,933</u>
Creditors: amounts falling due within one year	8	<u>(1,388,971)</u>	<u>(3,473,763)</u>	<u>(1,023,079)</u>	<u>(2,234,734)</u>
Net current assets		<u>3,072,568</u>	<u>1,529,372</u>	<u>2,374,121</u>	<u>1,067,199</u>
Net assets	9	<u>3,239,206</u>	<u>1,634,714</u>	<u>2,474,691</u>	<u>1,096,900</u>
Represented by					
Restricted funds		<u>1,369,731</u>	1,067,909	<u>149,244</u>	251,163
Unrestricted funds		<u>1,869,475</u>	566,805	<u>2,325,447</u>	845,737
Total funds	10	<u>3,239,206</u>	<u>1,634,714</u>	<u>2,474,691</u>	<u>1,096,900</u>

The accompanying notes form an integral part of these financial statements.

The accounts on pages 32 to 46 were approved by the Board of Trustees and authorised for issue on 15 December 2010 and signed on its behalf by:

John R Coomber
Chairman of the Board

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Net cash (outflow)/inflow from operating activities (Note a)	106,015	896,497
Returns on investment and servicing of finance		
Bank interest received	4,974	43,983
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	<u>(127,468)</u>	<u>(13,392)</u>
(Decrease)/Increase in cash	<u>(16,479)</u>	<u>927,088</u>
Net cash at start of the year	<u>3,909,626</u>	<u>2,982,538</u>
Net cash at end of the year	<u>3,893,147</u>	<u>3,909,626</u>

NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net incoming resources to net cash inflow from operating activities	2010 £	2009 £
Net incoming resources for the year	1,543,105	67,996
Bank interest received	(4,973)	(43,983)
Depreciation	73,674	88,086
Loss on disposal of fixed assets	-	511
Foreign exchange differences, excluding gains arising on revaluation of fixed assets	53,885	161,516
Decrease/(Increase) in debtors	525,116	(361,479)
(Decrease)/Increase in creditors	<u>(2,084,792)</u>	<u>983,850</u>
Net cash inflow from operating activities	<u>106,015</u>	<u>896,497</u>



Notes to the consolidated financial statements

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and follow the recommendations in Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) and the Companies Act 2006.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings (see Note 15). The results of the subsidiaries are consolidated on a line-by-line basis. No separate SOFA has been prepared for the charity alone as permitted by Section 408 of the Companies Act 2006.

The financial statements have been prepared on a going-concern basis as discussed in the Trustees' report on page 27.

b) Income

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Donated services and gifts in kind are included within income and expenditure at the estimated value to the charity of the service or asset received.

Income is credited to incoming resources when the conditions of entitlement, certainty and measurement have been met, unless it relates to a specific future period, in which case it is deferred.

Membership income is recognised in the financial statements evenly over the period to which the fee relates.

Legacies, if received, are credited to the Statement of Financial Activities when the entitlement has been established, the amount receivable is known and the likely date of receipt has been fixed.

Grants for the purchase of fixed assets are credited to restricted incoming resources when received or receivable whichever is earlier. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

c) Expenditure

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.

Resources expended are allocated to a particular activity where the cost relates directly to that activity. Remaining support costs are apportioned to activities based on staff time, which is an estimate of the amount attributable to each activity. Note 3 shows how support costs have been allocated to the projects.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

1 Accounting policies (continued)

d) *Fixed assets and depreciation*

Fixed assets are stated at cost and such items of equipment are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value on a straight line basis as follows:

Office equipment	- 3 years
Furniture and fixtures	- 3 years

e) *Fund accounting*

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund together with a fair allocation of management and support costs.

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity.

f) *Governance costs*

Governance costs include the management of the charitable company's assets, central, non-project and organisational management and compliance with constitutional and statutory requirements.

g) *Pension costs*

Contributions to the defined contribution scheme are charged to the statement of financial activities as incurred.

h) *Operating leases*

Rental costs under operating leases are charged to the SOFA on a straight line basis over the lease life.

i) *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Foreign currency balances have been translated at the rates of exchange ruling at the balance sheet date. The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

j) *Group financial statements*

These financial statements consolidate the results of the charity and its five subsidiaries on a line by line basis.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

2 Grants

	Restricted £	Unrestricted £	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Corporations	2,981,628	-	2,981,628	2,816,321
Governments	1,229,276	-	1,229,276	614,261
Foundations & NGOs	867,909	936,997	1,804,906	1,822,310
	<u>5,078,813</u>	<u>936,997</u>	<u>6,015,810</u>	<u>5,252,892</u>

3 Analysis of total resources expended

	Direct staff costs £	Other direct costs £	Total direct costs £	Support staff costs £	Other support costs £	Total support costs £	Year ended 30 June 2010 Total £	Year ended 30 June 2009 Total £
Cost of generating funds	353,348	106,272	459,620	84,927	106,276	191,203	650,823	805,939
Research	401,066	266,262	667,328	113,274	127,466	240,740	908,068	892,982
Communications	1,598,552	981,443	2,579,995	454,045	496,361	950,406	3,530,401	3,175,570
Education & Engagement	1,040,126	561,262	1,601,388	293,315	322,313	615,628	2,217,016	2,742,827
Governance	181,585	115,293	296,878	44,741	56,399	101,140	398,018	390,252
Total 2010	<u>3,574,677</u>	<u>2,030,532</u>	<u>5,605,209</u>	<u>990,302</u>	<u>1,108,815</u>	<u>2,099,117</u>	<u>7,704,326</u>	<u>8,007,570</u>
Total 2009	<u>3,875,177</u>	<u>2,141,437</u>	<u>6,016,614</u>	<u>1,112,573</u>	<u>878,383</u>	<u>1,990,956</u>	<u>8,007,570</u>	

Support costs are apportioned to activities based on staff time, which is an estimate of the amount of effort attributable to each activity. Support costs include such expenditure as rent, office running costs and financial and legal services.

The prior year comparative figures for Direct staff costs and Support staff costs have been re-stated to reflect a change in some apportionment in the current year to allow a like for like comparison.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

4 Net incoming/(outgoing) resources

is stated after charging/(crediting):

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Operating lease rentals – buildings	263,127	270,967
Depreciation	73,674	88,086
Fees payable to charity auditors: audit of the charity's annual accounts	18,500	18,000
Fees payable to charity auditors: audit of the charity's subsidiaries pursuant to legislation	2,000	1,500
Donated services income (expenditure has been increased accordingly)	<u>(187,802)</u>	<u>(113,170)</u>

The Trustees received neither remuneration nor expenses during either period.

5 Employees

Staff costs during the period amounted to:

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Wages & salaries	3,129,421	3,401,799
Social security costs	267,132	330,127
Employer's pension contributions	247,572	304,522
Other staff costs	<u>327,192</u>	<u>270,141</u>
	3,971,317	4,306,589
Freelance staff	<u>450,989</u>	<u>585,574</u>
Temporary staff	<u>142,673</u>	<u>95,589</u>
	<u>4,564,979</u>	<u>4,987,752</u>

Number of employees with emoluments exceeding £60,000

	2009 Number	2008 Number
£60,000 - £70,000 p.a.	1	4
£70,001 - £80,000 p.a.	1	6
£80,001 - £90,000 p.a.	5	-
£90,001 - £100,000 p.a.	2	-
£100,001 - £110,000 p.a.	2	-
£110,001 - £120,000 p.a.	-	1
£120,001 - £130,000 p.a.	2	1

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

5. Employees (continued)

Retirement benefits are accruing to the thirteen higher paid staff under defined contribution schemes. Employer contributions of £89,683 (2009: £94,200) were made during the year.

The average weekly number of employees (full time equivalents) during the period was as follows:

	Year ended 30 June 2010	Year ended 30 June 2009
Fundraising & publicity	6.8	9.5
Research	3.9	5.5
Communications	17.0	18.3
Education & engagement	38.9	37.3
Support	12.8	16.4
Governance	2.5	3.5
	<u>81.9</u>	<u>90.5</u>

6 Tangible fixed assets (Group)

	Office Equipment £	Leasehold improvements £	Total £
Cost			
1 July 2009	279,736	40,321	320,057
Revaluation on consolidation	13,374	808	14,182
Additions	127,468	-	127,468
Disposals	(21,065)	(31,921)	(52,986)
30 June 2010	<u>399,513</u>	<u>9,208</u>	<u>408,721</u>
Depreciation			
1 July 2009	182,794	31,921	214,715
Revaluation on consolidation	5,911	769	6,680
Charge for the period	70,984	2,690	73,674
Disposals	(21,065)	(31,921)	(52,986)
30 June 2010	<u>238,624</u>	<u>3,459</u>	<u>242,083</u>
Net book value			
30 June 2010	<u>160,889</u>	<u>5,749</u>	<u>166,638</u>
1 July 2009	<u>96,942</u>	<u>8,400</u>	<u>105,342</u>

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

6 Tangible fixed assets (Continued) (Charity)

	Office equipment £	Leasehold improvements £	Total £
Cost			
1 July 2009	144,768	31,921	176,689
Additions	102,841	-	102,841
Disposals	(21,065)	(31,921)	(52,986)
30 June 2010	226,544	-	226,544
Depreciation			
1 July 2009	115,067	31,921	146,988
Charge for the period	31,972	-	31,972
Disposals	(21,065)	(31,921)	(52,986)
30 June 2010	125,974	-	125,974
Net book value			
30 June 2010	100,570	-	100,570
1 July 2009	29,701	-	29,701

7 Debtors

	Group 30 June 2010 £	Group 30 June 2009 £	Charity 30 June 2010 £	Charity 30 June 2009 £
Trade debtors	274,989	899,619	63,908	329,888
Other debtors	75,875	41,647	43,567	26,270
Due from subsidiary companies	-	-	1,328,032	452,689
Prepayments	85,347	74,743	44,755	50,052
Accrued income	132,181	77,500	132,151	77,500
	568,392	1,093,509	1,612,413	936,399

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

8 Creditors: amounts falling due within one year

	Group 30 June 2010 £	Group 30 June 2009 £	Charity 30 June 2010 £	Charity 30 June 2009 £
Trade creditors	119,286	309,596	95,881	192,641
Taxation & social security	75,818	101,163	51,596	93,293
Other creditors	29,475	119,982	10,734	12,207
Accruals	275,284	234,538	136,189	191,173
Deferred income	889,108	2,708,484	728,679	1,745,420
	<u>1,388,971</u>	<u>3,473,763</u>	<u>1,023,079</u>	<u>2,234,734</u>

Deferred income

	At 1 July 2009 £	Released to incoming resources £	Deferred in the year £	At 30 June 2010 £
Membership	350,010	(350,010)	111,581	111,581
Grants	1,395,410	(1,395,410)	617,098	617,098
Charity total	1,745,420	(1,745,420)	728,679	728,679
The Climate Change Organisation Services Limited	298,122	(298,122)	-	-
The Climate Group Inc	605,105	(605,105)	41,470	41,470
The Climate Group Limited	43,653	(43,653)	94,465	94,465
The Climate Group (Hong Kong) Limited	16,184	(16,184)	24,494	24,494
Consolidated total	<u>2,708,484</u>	<u>(2,708,484)</u>	<u>889,108</u>	<u>889,108</u>

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

9 Analysis of net assets between funds (Group)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	166,638	166,638
Current assets	1,369,731	3,091,808	4,461,539
Current liabilities	-	(1,388,971)	(1,388,971)
Net assets	1,369,731	1,869,475	3,239,206

Analysis of net assets between funds (Charity)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	100,570	100,570
Current assets	149,244	3,247,956	3,397,200
Current liabilities	-	(1,023,079)	(1,023,079)
Net assets	149,244	2,325,447	2,474,691

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

10 Movement in funds (Group)

	At 1 July 2009 £	Incoming resources £	(Outgoing Resources) £	Exchange differences £	At 30 June 2010 £
Restricted Funds					
<i>Breaking the Climate Deadlock</i>	232,126	399,411	(631,537)	-	-
<i>Together</i>	16,000		(16,000)	-	-
States & Regions	3,037	411,569	(363,991)	-	50,615
HSBC Climate Partnership	-	2,511,811	(2,511,811)	-	-
Conference of the Parties (COP 15)	-	221,599	(221,599)	-	-
Power including Carbon Capture and Storage (CCS)	-	615,430	(516,802)	-	98,628
Connected Urban Development (CUD)	-	147,450	(147,450)	-	-
Aviation Global Deal (AGD) Group	-	88,097	(88,097)	-	-
Electric Vehicle	-	81,566	(81,566)	-	-
Other	-	177,200	(177,200)	-	-
	251,163	4,654,133	(4,756,053)	-	149,243
China programme	(50,925)	531,929	(412,643)	(9,880)	58,481
Hong Kong Programme	(17,993)	162,626	(121,415)	(777)	22,441
US Programme	621,003	1,534,752	(1,323,804)	27,716	859,667
Australia Programme	264,661	158,318	(187,408)	44,328	279,899
<i>Together</i>	-	1,000	(1,000)	-	-
Total restricted funds	1,067,909	7,042,758	(6,802,323)	61,387	1,369,731
Unrestricted funds	566,805	2,204,673	(902,003)	-	1,869,475
Total funds	1,634,714	9,247,431	(7,704,326)	61,387	3,239,206

Total incoming resources for the charity were £7,094,798 (2009: £6,397,463): and the surplus for the year was £1,377,791 (2009: £270,281).

NOTES TO THE ACCOUNTS

For the year ended 30 June 2010

10 Movement in funds (Group) (continued)

Purpose of funds

<i>Breaking the Climate Deadlock</i>	To deliver an international climate change initiative led by former UK Prime Minister Tony Blair, in partnership with The Climate Group.
<i>Together</i>	Funding to launch and implement the <i>Together</i> campaign in the UK and USA, and to develop it elsewhere.
States & Regions	To allow The Climate Group to work with sub-national governments to exchange best practices, to improve access to low carbon technologies, and to build partnerships between regional leaders and business and national governments.
HSBC Climate Partnership	To promote low carbon solutions and practices in five world cities: Hong Kong, London, Mumbai, New York and Shanghai, engaging businesses, governments and consumers in carbon emissions reduction.
Conference of the Parties (COP 15)	Funding to participate and influence decision-making at the 2009 United Nations Climate Change Conference, commonly known as the Copenhagen Summit.
Power including Carbon Capture and Storage (CCS)	Funding to accelerate the global adaptation of safe, commercially and environmentally sustainable CCS in order to reduce greenhouse gas emissions/
Connected Urban Development (CUD)	Funding to demonstrate how to reduce carbon emissions by introducing fundamental improvements in the efficiency of urban infrastructure through information and communications technology (ICT).
Aviation Global Deal (AGD) Group	Funding an industry coalition that brings together leading international airlines, aviation sector companies and The Climate Group. The goal is to contribute to a pragmatic, fair and effective policy solution that incorporates international aviation CO ₂ emissions into a new global climate change deal.
China Programme	Funding to engage China's government, cities and businesses.
Hong Kong Programme	Funding to engage Hong Kong's government, cities and businesses.
US Programme	Funding to develop The Climate Group's outreach to US state governments and businesses. The programme includes the development of relationships with key US states and corporations.
Australia Programme	Funding to engage Australia's government, cities and businesses.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

11 Taxation

The Climate Change Organisation has charitable status and as such is partially exempt from tax on its income and gains to the extent that they are applied to its charitable objects.

12 Related party transactions

There were no related party transactions during the 12 month period to 30 June 2010. Zoe Ashcroft, a trustee of the charity (as of 31 March 2010) and a partner of Winston & Strawn London, has provided pro-bono legal services during the financial period.

13 Cash flow statement

Advantage of the exemption to small companies not to publish a charity cash flow statement has been taken.

14 Leasing commitments

The annual commitments under non cancellable operating leases are as follows:

	2010	2009
	Land and	Land and
	Buildings	Buildings
	£	£
Expiring within 1 year	181,159	192,105
Expiring between 1 and 2 years	<u>84,834</u>	<u>29,654</u>

15 Subsidiaries

Advantage has been taken under FRS8 of the disclosure of certain intra group transactions. The charity is represented by legal entities incorporated in the United States (registered on 5 March 2004), Australia (registered on 19 May 2005), China (registered on 7 December 2007) and Hong Kong (registered on 10 January 2008). The charity also has a trading subsidiary in the UK called The Climate Change Organisation Services Ltd (registered on 1 May 2007). These entities operate in close conjunction with the UK charity with a relationship maintained via places on the boards for members of the charity's management team. All of these entities have a year-end date of 30 June except for the Chinese entity which has a 31 December year end due to local regulations.

United States – The Climate Group Inc

	2010	2009
	£	£
Net assets as at 1 July	288,277	374,916
Income for the year to 30 June	2,179,772	2,308,189
Net surplus/(deficit) for the year to 30 June	53,746	(86,639)
Net assets as at 30 June	342,023	288,277

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2010

15 Subsidiaries (continued)

Australia – The Climate Group Limited

	2010	2009
	£	£
Net assets as at 1 July	266,967	126,724
Income for the year to 30 June	215,140	375,187
Net surplus for the year to 30 June	19,324	140,243
Net assets as at 30 June	286,291	266,967

China – The Climate Group (China) Limited

	2010	2009
	£	£
Net assets as at 1 July	75,024	45,309
Income for the year to 30 June	948,259	535,109
Net surplus for the year to 30 June	58,312	29,715
Net assets as at 30 June	133,336	75,024

Hong Kong – The Climate Group (Hong Kong) Limited

	2010	2009
	£	£
Net (liabilities)/assets as at 1 July	(8,541)	15,253
Income for the year to 30 June	329,379	275,338
Net surplus/(deficit) for the year to 30 June	15,398	(23,794)
Net assets/(liabilities) as at 30 June	6,857	(8,541)

UK – The Climate Change Organisation Services Limited

	2010	2009
	£	£
Net assets as at 1 July	100	100
Income for the year to 30 June	339,438	694,704
Net surplus for the year to 30 June	-	-
Net assets as at 30 June	100	100