

**THE CLIMATE CHANGE ORGANISATION**  
t/a

# **THE °CLIMATE GROUP**

**Annual Report and Accounts 2010/11**  
**12 months to 30 June 2011**

**COMPANY NUMBER: 4964424**  
**CHARITY NUMBER: 1102909**



# Chairman's message

The long-term outlook for dangerous climate change is becoming ever more threatening, but that message is not getting through and spurring urgent action to address the issue. We need a bold, positive vision of a low carbon future, as well as clear evidence that those who are taking decisive steps towards that future are also reaping the rewards.

There is a view that climate action and investment in a low carbon economy should take a back seat until growth picks up. While that is an understandable reaction to the economic downturn, it is wrong to assume that efforts to avoid dangerous climate change must come at the expense of economic growth. There are clear commercial wins to be had in achieving large-scale energy efficiencies, developing competitive renewable energy sources, and securing energy independence. If we decide not to prioritise these opportunities, we will not only delay emissions reductions with serious adverse consequences, but also be missing the opportunity to lead in creating the sustainable industries and jobs needed for a prosperous 21<sup>st</sup> Century in which nine billion people will have a claim on resources.

The Climate Group has for eight years supported business and government leadership to cut emissions and deploy new clean technologies. This year Steve Howard, The Climate Group's co-founder, stepped down as CEO. Steve's vision and energy were critical to The Climate Group's rapid success and I am delighted that Mark Kenber, who was previously the organisation's Deputy CEO, is proving himself to be a worthy successor as CEO. Steve continues to work for sustainable low-carbon growth both as a member of The Climate Group's Board, and as IKEA's Chief Sustainability Officer and member of IKEA's Executive Management Committee. In the latter role he is motivated also by pursuit of the company's commercially viable values-based approach.

The Climate Group and its business and government partners worldwide continue to play an invaluable role in demonstrating that low carbon growth is the way forward for a stable climate. I gratefully acknowledge their efforts, and the critical support of all those individuals and organisations who generously helped to fund The Climate Group's programmes during 2010/2011, as well as our very able and committed team of employees.

Looking forward, Mark and the Board – recognising that the world has changed profoundly over the past year – have refined The Climate Group's strategy to focus sharply on today's challenges and opportunities. We delivered many successful events and reports during 2010/2011, and crafted a global campaign to transform perceptions of the low carbon opportunity among the world's most influential leaders. The Clean Revolution campaign sparked excitement and extensive media coverage on its launch in September 2011. Now our priority for 2011/2012 and beyond must be to harness the goodwill shown by our partners, and deliver a campaign that successfully galvanises new and transformational low carbon leadership.

I believe that The Climate Group is the right organisation with the right strategy to take on one of the most urgent challenges – perhaps the most urgent challenge – of our times

**John R Coomber**

# CEO's message

The year 2010-11 was a difficult one for climate change. With the ongoing global financial crisis, the threat of economic slowdown, especially in the West, and the hangover from the perceived failure of the Copenhagen Summit at the end of 2009, it is not surprising that climate change has slipped down the political and public agenda.

Nevertheless, despite the lack of headlines that characterised previous years, this has not meant that action on the ground to cut emissions has slowed or that investors have moved away from the clean technologies needed for low carbon development.

The UN's Cancun Climate Summit, one year on from Copenhagen quietly delivered far more progress than expected. All major countries reaffirmed the commitments they had made at Copenhagen - with Brazil, China and India in particular setting ambitious carbon reduction and clean energy goals, backed up by domestic policy frameworks - and committed to keep the average global temperature increase to two degrees above pre-industrial levels, the first time such a commitment had been made. And, in terms of the building blocks of a new global agreement, the Green Climate Fund was announced, along with an Adaptation Framework and a Technology Mechanism, and new progress to take 'REDD+' and "Mitigation, Reporting and Verification' forward.

While securing a robust international climate change agreement may take some time, in the meantime it is major businesses and governments (national and sub-national) that are setting the pace towards a low carbon future. Examples of this leadership abound but it is particularly exciting that it is many of our members that are taking a pioneering role. Importantly they are not only doing this for the long-term goal of a stable climate, but because they recognise the immediate economic and political advantages of acting now. That is why global climate revenues grew to a record USD567bn in 2010 and clean energy investment was higher than in any previous year.

The Climate Group again made some outstanding achievements in 2010/11, and this Annual Report highlights many of them. I extend my sincere thanks to all those organisations and individuals who have generously helped to fund our endeavours, and to our staff members around the world who worked tirelessly through the year to inspire new climate leadership commitments and actions, and keep our operations running smoothly.

It has been a year characterised by change. Our business and government stakeholders continue to navigate an uncertain global economy and sometimes turbulent markets, while internally we have evolved our strategy and organisational structure to focus squarely on The Clean Revolution campaign and ensure that we are best-placed to ride out the recession. The fundamental drivers of the Clean Revolution – demand for limited natural resources, energy security, sustainable growth and jobs, and a stable climate - have not changed, and I am confident that The Climate Group is now positioned to make a decisive intervention to speed up new business and government leadership.

Cancun also marked the end of my predecessor Steve Howard's tenure as CEO of The Climate Group. Under his stewardship and that of his co-founders, Alison Lucas and Jim Walker, our organisation has grown to be recognised as one of the leaders in catalysing and inspiring this Clean Revolution, with successes in China and India, Australia and the US as well as in Europe. We all wish Steve every success in his new role at IKEA and are committed to building on the foundations that he laid and to delivering the change that he, our members and partners see as essential as we construct a prosperous low carbon future.

**Mark Kenber**

# Board of Trustees' Report

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# Who we are

The Climate Change Organisation, trading as The Climate Group ([www.theclimategroup.org](http://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.

## 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.*

The Climate Group was founded in 2004 and we have since formed a global coalition of companies, states, regions and cities that recognises the economic and environmental imperatives of taking decisive action now.

Our members as at 30 June 2011 were:

**Government:** Government of the Basque Country, State of Bavaria, Region of Brittany, State of California, Government of Catalunya, Region of Île-de-France, Greater London Authority, Province of Manitoba, City of New York, State of New York, Government of North Rhine-Westphalia, Province of Ontario, Province of Quebec, State of Queensland, Government of Quintana Roo, Region of Rhône-Alpes, State of São Paulo, Government of Scotland, State of South Australia, Province of South Holland, State of Upper Austria, State of Victoria, Welsh Assembly Government.

**Corporate:** Alstom, Arup, Barclays Bank, Better Place, Bloomberg, British Telecommunications, Broad Group, Cathay Pacific Airways, CB Richard Ellis Group, CECEP, China Mobile, Cisco, CLP Holdings Limited, Coca-Cola, Dell, Deutsche Bank, Duke Energy, En+ Group, GE Capital Finance Australasia Pty Ltd, Goldman Sachs, Google, HDR, HP, HSBC, IBM Australia, IWC Schaffhausen, Johnson Controls, JP Morgan Chase, Landsea, Munich Re, MWH, News Corporation, Nike, Origin Energy, PassivSystems, Philips, Procter & Gamble, Skadden, Smith Electric Vehicles, Standard Chartered Bank, Suntech, Suzlon, Swire Pacific, Swire Properties, Swiss Re, Taobao, Tiptop Real Estate, TNT, VantagePoint Venture Partners, Veolia Environment, Visy.

# What we do

There is a moment when a new idea or technology moves from the margins and becomes mainstream: a tipping point. Once this happens, change is unstoppable. To reach that tipping point, you need to inspire the top 20% of the most influential people – policymakers, business leaders, public figures. If you win over those people, the rest will follow.

**That's what we do.** We pinpoint the most influential people in government, business and society. We offer them a credible, positive, politically neutral and inclusive vision of the low carbon future, arm them with hard research and success stories and spur them into action so we can reach that tipping point where transformation to a low carbon economy becomes inevitable.

The world already has many of the solutions needed to cut greenhouse gas emissions and limit dangerous climate change – clean power generation technologies, and the technologies and behaviour changes that allow us to do more with much less energy. A massive deployment of these technologies will generate returns now and in the future for those who lead and those they touch: jobs, wealth, security, and better quality of life – in short, a Clean Revolution.

We work to inspire the leadership that will make a Clean Revolution inevitable.

# How we work

Our global network is supported by Climate Group offices in North America, Europe, China (Beijing and Hong Kong), India and Australia. Through our network we drive the Clean Revolution message to those people with the power and influence to make the difference on climate change.

To deliver, we work with our partners - it is their leadership that drives progress. We support and strengthen their leadership through:

**Events, forums and bilateral meetings** to share knowledge, remove barriers and facilitate 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.

Four core beliefs run through our work for a Clean Revolution:

**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. So we present solutions professionally and in business terms, making the economic case for their implementation.

**A small community has a big influence.** A small number of organisations have a huge influence on the future economy and its carbon intensity. 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 pursue the economic, strategic, social and environmental benefits of a Clean Revolution, their actions and commitments can be decisive in making it happen.

**Partnerships are more effective than organisations acting alone.** Our active network of governments, business and others enables partnerships to form that would not normally come together to generate original, bold and exciting actions for low carbon growth. We look to partner like-minded organisations to 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 case studies and research in new and compelling ways, and by communicating a positive vision of a low carbon future at the same time as demonstrating that this future is truly achievable.

We draw on the progress that our network members are making to deploy new technologies, policies, financing mechanisms and business strategies for a Clean Revolution future, and we use our in-house communications expertise to show how these advances can become the new normal.

We also support a group of highly influential business leaders through our International Leadership Council (*for a full list of Council members see page 18*), our membership and wider networks in their communications with policymakers.

# Work plan for 2010/11

During 2010/11 we set out to:

- Design a major campaign to marshal The Climate Group organisation and network behind our core objective: inspiring the leadership that will make a Clean Revolution inevitable. We aimed to have **The Clean Revolution campaign** ready to launch at Climate Week NYC 2011.
- Speed **market transformation for 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).
- Inspire **ambitious climate leadership** among our government and corporate stakeholders through a series of reports, meeting and events including a successful Climate Leaders Summit with business and government leaders during COP16.
- In **India** focus on: finance; sectors in which India can gain a low carbon competitive advantage; and the extension and scaling up of LED streetlight pilot projects.
- In **China** focus on: support for the green growth elements of 12th Five Year Plan, and on low carbon leadership by Chinese cities, and in China's power, finance and manufacturing sectors.
- In the **European Union**: support business calls for more ambitious climate policy; extend our clean technologies initiatives focusing on energy efficiency in cities; and support sub-national government climate leadership.
- In **North America**: convene the second annual Climate Week NYC series of events in September 2010 and set preparations in place for Climate Week NYC 2011; support market transformation for LED lighting, electric vehicles, Smart ICT applications and resource efficient packaging; and work for the retention of California's landmark AB32 rule.
- In **Australia**: familiarise regional and city government decision makers and business leaders with key opportunities to deploy Smart ICT applications and electric vehicles; and continue to use the Greenhouse Indicator to build public interest in climate change risks and opportunities.



We are fortunate to be beneficiaries of the **Dutch Postcode Lottery**. Their funding allows us the financial confidence to plan strategically and to respond quickly to breaking news and changes in policy.

# Key achievements 2010/11

## Design the Clean Revolution communications campaign

We successfully designed a three-year communications campaign with a compelling vision of a low carbon future and a strategy to persuade a critical mass of the world's most powerful and influential leaders to support that vision. During 2010/11 we developed Clean Revolution branding and embedded it across the organisation's materials and events, constructed a web site, and reached agreement with the UN and the World Bank to partner in running the campaign.

We launched the campaign and web site in September 2011, with the public support of Tony Blair previous UK Prime Minister and Michael Bloomberg, Mayor of New York City and the Financial Times as media partner. Through 2011/12 we will recruit more Clean Revolution partners and ambassadors, expand the range of online research and case studies and develop regional variants on the Clean Revolution vision.

## Speed market transformation for five clean technologies

### LED lighting

Lighting accounts for nearly 6% of global CO<sub>2</sub> emissions, but LED lamps, combined with smart controls could cut lighting emissions intensity by 50-70%. We launched the LightSavers programme in 2009 to speed market transformation for LEDs by partnering an international coalition of 10 great cities to trial LED outdoor light products and demonstrate how they reduce costs, enhance public safety, minimize light pollution and make public spaces friendlier at night.

This year, pilot trials in New York, Toronto, Hong Kong, and Adelaide were successfully concluded having generated the data needed. Trials in other cities including London, Sydney, Melbourne and Kolkata continued, we launched a new trial in Haldia and will launch a final trial in Thane, Mumbai, early in 2011/12. Trial data will be reported next year, and interim results within the expected range of 50-70% energy and CO<sub>2</sub> reductions.

In May 2011 we collaborated with the China Solid State Alliance to convene a LightSavers Partners' Summit in Shanghai where partner cities shared their experiences, and strategies to scale-up from trials to large general purpose deployment. Scale up has since begun in New York, Toronto and Sydney and Kolkata has announced that, as a direct result of the LightSavers trials, it will deploy 15,000 LED streetlights.

Our LED lighting programme has been made possible by funding from the HSBC Climate Partnership, a partnership which has also supported other areas of our work this year.

### Electric Vehicles

EVs are a viable technology to reduce greenhouse gas emissions, cut air pollution, and break dependence on a few oil-rich regions for ground transport fuel. We remain a long way from an EV mass market, but EV vehicles and infrastructure are emerging to demonstrate a mainstream alternative to the internal combustion engine. A faster transition will require cooperation between car makers, battery manufacturers, utilities, banks, and governments at all scales, and we believe vehicle fleets have a special catalytic role to play.

Our work to accelerate EV commercialisation moved up a gear this year. Of many highlights, probably the most significant in building new momentum was the launch of the EV20 Alliance. The Alliance, chaired by HSH Prince Albert II of Monaco, brings together regional governments, vehicle manufacturers, fleet operators, electric vehicle, battery, finance and energy specialists to identify and address obstacles to commercialisation.

Subsequently we have focused on clarifying the opportunities for fleet electrification in specific countries. In the UK we convened a successful Fleet Consortium Roundtable with Cenex, the Energy Saving Trust (EST), Transport for London and TNT, and a similar US Fleet Coalition Roundtable generated new dialogue among 34 organisations across the EV value chain including public and private fleet managers, vehicle makers, utilities and financiers. We gratefully acknowledge the generous financial support of the Esmée Fairbairn Foundation, which made possible our success in developing our UK EV work.

In Australia projects are underway in Victoria and South Australia, and the Government of Quebec has agreed to second a member of staff to share EV data and policy solutions among our network state and regional governments.

### **ICT applications**

Our Smart 2020 report, published in 2008, remains the definitive work on how ICT can achieve deep cuts in global greenhouse gas emissions (15% by 2020).

Our priority in 2010/11 has been to showcase key city-based ICT solutions, and to advocate policies that support scale up and replication.

In Australia we worked with our state government partners to identify new shopping precinct developments where climate and 'smart' solutions can be built in to the original design. We worked with them to produce The Climate Smart Precincts report and identify principles for 'climate smart' development. In 2011, Alstom, IBM, Cisco, Arup and others met in a precinct in Adelaide to discuss ambitious development.

In China, our China Redesign programme, launched in March 2011 (see below), is bringing ICT expertise into city development strategy, and to projects that deliver to China's twelfth Five Year Plan's low carbon objectives.

More generically, we collaborated with cities and corporate partners on 'Rethinking cities', taking as its starting point the objectives of a city leader seeking to match available policy instruments with the best ICT solutions to facilitate or accelerate those development objectives. City leaders reacted positively to the value case approach we presented for technology deployment in different sectors. We will share that learning further in a 'Smart 2020 for Cities' report to be published in 2011/12.

### **Carbon Capture and Storage**

Our work in the CCS sector has been founded on a partnership funded by the Global Carbon Capture and Storage Institute (GCCSI).

In September 2010 we published 'CCS: Mobilising Private Sector Finance', together with GCCSI and the Ecofin Research Foundation. The report, which draws on feedback from 30 private sector capital providers, generated significant interest globally and was recognised as accurately pinpointing the main financial challenges to the deployment of CCS in Europe.

We have subsequently revised our objectives with GCCSI to focus on profiling CCS technology and the GCCSI's progress through The Climate Group's flagship events. We successfully

incorporated this stream into events including Climate Week NYC, The Business Summit on Climate Leadership (Hong Kong) and the Climate Leaders Summit during COP 16 at Cancun.

### **Concentrated Solar Power**

Concentrated Solar Power (CSP) will become a very significant source of clean renewable energy in many solar abundant regions of the world, but industrial-scale CSP projects are major undertakings requiring intensive financial and policy support.

In 2010/11 we set ourselves the objectives of scoping the major opportunities and obstacles to accelerated CSP deployment, assessing whether and how The Climate Group could best contribute, and of planning our interventions accordingly.

Together with our partners we identified three main issues: 1) The lack of a shared vision of CSP as a critical component in planning electricity generation among government, business and non-governmental stakeholders in solar abundant nations such as Australia; 2) Insufficient understanding of, or agreement on effective policy measures and finance incentives; 3) Lack of an infrastructure roadmap.

We did not identify a clear, funded opportunity for The Climate Group to develop a dedicated CSP programme strategy. Going forward, the Clean Revolution campaign's objectives and approach are well positioned to promote the CSP sector and government and corporate leadership towards large scale deployment of this technology.

Intelligent efficient lighting, electric transport, and Smart ICT-enabled cities powered by clean energy generating technologies are all integral to the Clean Revolution vision. We will take the data and learning that our technology programmes have generated and use it to inspire business and government leaders to make that vision real.

## **Inspire ambitious government and business Clean Revolution leadership**

We continued to promote leadership by businesses, and by 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.

Interventions that were designed to reach and connect an **international** audience of government and business leaders included:

- Climate Week NYC (September 2010) – a global forum to mobilise an international public-private response to climate change, hosted by The Climate Group with The United Nations, the City of New York, The United Nations Foundation and The Carbon Disclosure Programme. During a week of numerous affiliated events, we convened the high-profile Opening Ceremony (attended by more than 300 business, government, NGO and media representatives), and sessions with our corporate and government partners to address: risk and resiliency (with Swiss Re); electric vehicle scale up; ICT deployment opportunities in cities, states and regions; and finance to help clean energy technologies to cross the 'valley of death'.
- The Climate Leaders Summit (December 2010, during COP 16) - As negotiators meet for high-level UN climate talks, action by sub-national governments to cut greenhouse gas emissions is gathering momentum. The Climate Leaders Summit brings together members of our international States and Regions Alliance to report on progress against earlier commitments, and announce new commitments for clean energy, energy efficiency and reduced emissions.

Highlights of this year's summit included the opening ceremony, addressed by the regional government premiers and ministers of South Australia, Quebec, Brittany, Upper Austria, Wales, Ile-de-France, Bavaria, Scotland, Hong Kong and Guangdong Province. Other speakers included Achim Steiner, Executive Director, UNEP Andrew Steer, Special Envoy on Climate Change, World Bank and Theodore Roosevelt IV, Managing Director, Barclays Capital'.

The summit was also the first time that a high-level delegation of Chinese city Mayors, provincial leaders and officials attended a COP side event to discuss ways to achieve China's emissions and energy intensity targets with an international group of business and sub-national government leaders.

- Our report 'Delivering Low Carbon Growth – a guide to China's 12<sup>th</sup> Five Year Plan' was written for an international investment audience. In the words of HSBC Group CEO Stuart Gulliver, for the report foreword '*China's global role will no longer be just the world's fastest growing market for climate solutions, or the world's biggest exporter of key clean technologies, but also a source of ideas and experience on how to deliver low carbon growth*'. The report received widespread and positive media coverage in Europe, North America and China.
- The Climate Group continued to act as Secretariat to the Climate Principles group of financial institutions. While these institutions – BNP Paribas, Credit Agricole, F&C Asset Management, HSBC, Standard Chartered Bank and Swiss Re are all headquartered in Europe they are also all very strong international interests. During 2010/2011 our engagement with the Climate Principles Financial Institutions focused on drafting a pragmatic and credible guidance note on finance for new coal fired power plants. The guidance note will be published early in 2011/2012 as a Climate Group Document. We believe that it will be influential in helping banks and other institutions to develop progressive finance policies that will drive significantly lower CO<sub>2</sub> emissions in this very carbon intensive sector.

Other important activities in 2010/2011 included:

In **India**, our clean technology priority has been to trial LED outdoor lighting products with Kolkata as part of the international LightSavers LED programme. The Mayor of Kolkata helped us to launch a number of prominently located pilot trials at the beginning of the year, and we are delighted to report that - as a direct result of those trials - Kolkata has announced the deployment of 15,000 LED luminaires. We have also facilitated the establishment of new LED trials in the Indian cities of Haldia and Thane (Greater Mumbai) with the aim of inspiring large scale deployment.

In March we published 'India's Clean Revolution' – a report showing that enormous potential exists in India to generate new income and jobs by developing domestic renewable energy resources and clean technologies that improve the efficiency of key sectors, such as transport and industry.

In **China** our major intervention of the year has been to launch the 'China Redesign' programme to help rapidly growing cities unlock business and carbon reduction opportunities through de-carbonizing urban development. We work in partnership with cities to build capacity in low carbon development, stimulate interaction between city and business leaders, and initiate replicable demonstration projects. Tony Blair, the former UK Prime Minister spoke at the launch event, ensuring strong international and Chinese media coverage.

Other activities in China included:

- Carbon Treasure - a time-bound campaign to raise awareness among companies in China's finance, manufacturing and power sectors of how best to contribute to China's carbon intensity reduction target. Key activities included sector-specific workshops, and a report that brings

together key learning and recommendations from those workshops. Tony Blair supported the Carbon Treasure launch event, with major Chinese and international companies including IKEA, Tesco China, TaoBao and the China Electricity Council. Carbon Treasure was generously supported by the HSBC Climate Partnership, the Rockefeller Brothers Fund, First Climate and QuMei Furniture.

- China's Clean Revolution III - the third in our annual series of flagship reports in China -looked at the role cities will need to play if China's ambitious low carbon targets are to be met in a period of huge and rapid urbanization and industrial restructuring (published in Mandarin with English language summary available).
- The Business for Climate Leadership conference has become Hong Kong's premier 'climate business' event. In 2010 the conference, sponsored by HSBC AP, attracted over 150 senior international, mainland Chinese and Hong Kong business leaders and officials, and speakers including Edward Yau, Secretary for the Environment of the HKSAR Government, Peter Wong CEO of HSBC AP, Jinlin Yang, Deputy Director-General of the Asia-Pacific Finance and Development Centre of China's Ministry of Finance, and Professor Junfeng Li, Deputy Director General of the Energy Research Institute of China's National Development and Reform Commission.

In the **European Union** we pursued a range of objectives, from raising high-level policy ambitions to localised clean technology initiatives.

On the policy front, we led the 'Joint Business Declaration' in partnership with the Cambridge Programme for Sustainability Leadership and WWF Climate Savers. The Declaration provides a platform for major companies to call on the European Union to raise its emissions reduction target to 30% by 2020, from the current 20% target. Signatories include: Acciona, Alstom, Asda, Atkins, Barilla, BNP Paribas, BSkyB, Capgemini, Centrica plc, Climate Change Capital, Crédit Agricole, DHV Group, Elopak, Eneco, F&C Asset Management, GE Energy, Johnson Controls Inc, Kingfisher, Google, Marks and Spencer, Nike, Philips Lighting, SKAI Group of Companies, Sony Europe, SPIE, Standard Life, Swiss Re, Tryg, Thames Water, Unilever and Vodafone.

The Climate Group's corporate network is particularly strong in the financial sector. In Europe, the Climate Principles group of financial institutions and the International Investors Group on Climate Change together hosted a meeting for international leaders from the finance and energy sectors at the World Economic Forum in Davos. The discussion, addressed by Andrew Steer, Special Envoy for Climate Change at the World Bank centred on ways to work together to tackle the opportunities and challenges in financing a clean energy future, exploring Public-private partnerships aimed at unlocking fast-start funding for clean energy projects in developing countries and means of incorporating risks and opportunities of climate change into project finance.

In May, we collaborated with Johnson Controls and the Prince Albert II of Monaco Foundation to convene the second Euro-Mediterranean Energy Efficiency Forum. The forum, addressed by HSH Prince Albert II of Monaco, explored integrated ways to promote efficiency in manufacturing, buildings and cities in Europe and the Mediterranean Basin, and the need for an approach that encompasses policy, funding, technology, business value and communication to achieve European's climate and energy objectives.

Technology programme activities included an on-going agreement with Transport for London to include London trials of LED street lighting in the international LightSavers programme, inclusion of European cities in the development of a Smart Cities ICT value case analysis, and the formation of a UK electric vehicle fleet coalition – discussed above under 'Speed market transformation for five clean technologies'.

In **North America** we concentrated much of our effort on delivering two major events that have been reported above as 'international' initiatives – Climate Week NYC and the Climate Leaders Summit. These events also succeeded in engaging our corporate and government stakeholders in productive dialogue around opportunities for low carbon growth opportunities specifically in North America, and in raising awareness among our North American partners of key opportunities elsewhere in the world.

The Climate Group's Fourth Annual North American Members Meeting - hosted by Nike at their global headquarters near Portland, Oregon in May - stands out for the strength of business and government representation and the very positive participant feedback on the quality of discussion and networking opportunities. Participants were senior representatives of Arup, Bloomberg LP, Brightsource Energy, BT Americas, Inc., Cathay Pacific Airways Limited representing Swire, CB Richard Ellis Group, CLP Holdings Limited, Coca Cola Company, Dell Inc., Duke Energy, Government of British Columbia, Government of Manitoba, Government of Québec, Hartford Steam Boiler Inspection and Insurance Company (subsidiary of Munich Re), HDR, Hewlett-Packard Company, HSBC North America, Johnson Controls, Inc., News Corporation, Nike, Standard Chartered Bank, Suntech, and Swiss Re.

We also worked to mobilise sub-national government leadership in North America by profiling the innovative and effective policies that three of our members in the region are pioneering. 'Leading The Way: Policy Design For A Clean Revolution' highlights California's investment in small-scale solar electric power systems through its California Solar initiative, New York's investment in clean energy, energy efficiency and building their green economy and Manitoba Hydro's Power Smart programme – are pioneering to drive low carbon growth.

In California, we helped to counter a move to suspend the state's landmark AB32 'Global Warming Solutions' Act by facilitating a strong positive message of support for the Act by Richard Branson. Richard Branson was one of 15 business leaders whose public support for AB32 at a Climate Group event in 2006 proved crucial in getting it signed into law.

In **Australia**, our strong focus on market transformation for target clean technologies has been reported above – namely the Smart Precincts ICT programme, LightSavers LED trials underway or completed in Adelaide, Melbourne and Sydney and EV projects in Victoria and South Australia.

The Greenhouse Indicator - which we believe to be a world first – was developed by The Climate Group some years ago as a real-time tool to track and report on weekly greenhouse gas emission from energy use, originally for Melbourne and Victoria. It is now also active for New South Wales, Queensland, South Australia.

This year Rupert Posner, previously Australia Country Director, become our Global Director of Energy based in New York. Caroline Bayliss took over as Australia Country Director, from RMIT University in Melbourne where she was Director of Global Sustainability.

### **Our philanthropic supporters**

As a charity with no regular government funding, we look for financial support from like-minded individuals, companies and grant-makers. Our achievements above have only been possible with the support of the following philanthropic supporters during the year: the **Dutch Postcode Lottery**, **Zennström Philanthropies**, **Esmée Fairbairn Foundation**, **The Prince Albert II of Monaco Foundation** and a number of private donors.

# What we will do in 2011/12

Our top line objectives for the current financial year are to:

- Launch The Clean Revolution communications campaign during Climate Week NYC 2011 (September 2011).
- Complete the Clean Revolution campaign plan, budgets and basic external materials.
- Recruit the UN, World Bank and C40 organisations, and sector leading corporations, to fund and help deliver the Clean Revolution campaign over three years. These key partnerships should be in place by the Rio+ 20 Conference in June 2012.
- Recruit 20 Clean Revolution Ambassadors – leading figures from the public and private sectors to act as advocates for the Clean Revolution as members of our International Leadership Council.
- Develop variations of the Clean Revolution vision to reflect the main opportunities for low carbon growth that exist in different regions of the world.
- Work with the campaign partners to produce a series of powerful case studies which together demonstrate that the actions needed to make a Clean Revolution happen are already being taken by governments and corporations, help identify the key drivers and actions underpinning successful low carbon leadership and can be emulated and scaled up by others.
- Promote the Clean Revolution message, and profile leadership actions to members of our business and government leaders network through events, reports, and the Clean Revolution web site. Messaging and case studies will be tailored to the particular opportunities that prevail in different regions and will be designed to inspire others to act.
- Monitor, evaluate and report on the campaign's effectiveness, and refine the campaign plan where necessary.
- Integrate current work streams and staff structure with The Clean Revolution campaign. Work streams that do not have a clear fit with the campaign's specific objectives and approach will be brought to a managed conclusion or spun off to an alternative institutional home.
- Ensure The Climate Group's long-term financial stability. In order to do so, we will:
  - Continue to develop our operational and financial systems to control and manage down cost further and ensure that we deliver maximum value to our funders.
  - Build our fundraising capacity and capability to increase income streams.
  - Create a strategic financial model to ensure that the Clean Revolution is fully resourced, and opportunities can be exploited. As part of this, we will increase liquidity to manage down financial risk.

# 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, Melbourne and Brussels. 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 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.

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 finance, 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 & Audit Committee strengthens oversight of our finances, budgeting and fundraising performance, 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 & Audit Committee.

The Climate Group is represented by legal entities in the US, Australia, mainland China, Hong Kong, Belgium 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 and International Programmes and Strategy Director sit on the corporation boards of the US, Australian, Chinese, Hong Kong, and Belgian 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.

**Carbon Management Policy**

According to organisational policy The Climate Group's operations and activities are (certified) carbon neutral. As well as endeavouring to keep our emissions as low as possible by using telepresence and eliminating unnecessary travel, we have offset the unavoidable emissions using carbon credits that have been certified under the Voluntary Carbon Standard or the Gold Standard. The Climate Group's CO<sub>2</sub> equivalent emissions during the accounting period were 331 tonnes (2009/10: 301 tonnes).

The Climate Group's Carbon Footprint report has been produced using Greenstone Carbon Management's Acco<sub>2</sub>nterprise solution.

# UK Board, management team and advisers

<b>Registered name</b>	<b>The Climate Change Organisation</b>
<b>Trading name</b>	<b>The °Climate Group</b>
<b>Charity number</b>	<b>1102909</b>
<b>Company number</b>	<b>4964424</b>

## **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 (Chairman)  
Matthew Anderson – *resigned 13 October 2011*  
Zoë Ashcroft  
Josh Berger  
Matt Brittin  
Vivienne Cox – *appointed 15 December 2010*  
David Gregson – *resigned 25 May 2011*  
Steve Howard – *appointed 1 January 2011*  
Andrew Smith  
Dominic Waughray – *appointed 25 May 2011*

## **Company Secretary**

Michael Burychka – *in role to 30 September 2010*  
Ian McLintock – *appointed 23 November 2011*

## **Chief Executive Officer**

Steve Howard – *in role to 31 December 2010*  
Mark Kenber – *appointed to role 1 January 2011*

## **International Leadership Council**

Rt Hon Tony Blair (Former Prime Minister)	Mr Idan Ofer (Better Place, Israel)
Lord Browne of Madingley (Riverstone)	Mr Boudewijn Poelman (Novomedia, Europe)
Dr Sultan Al Jaber (Masdar, Abu Dhabi)	Mr Anthony Pratt (Pratt Industries, Australia)
Mr Clésio Antonio Balbo (Usina Santo Antonio, Brazil)	Mr Jim Rogers (Duke Energy, USA)
Mr Thor Björgólfsson (Novator, Europe)	Mr Alan Salzman (VantagePoint, USA)
Sir Richard Branson (Virgin Group, Europe)	Mr Vinod Sekhar (Petra Group, Malaysia)
Mr John Coomber (Swiss Re, Europe)	Dr SHI Zhengrong (Suntech, China)
Dr Susan Hockfield (MIT, USA)	Mr Tulsi Tanti (Suzlon, India)
Dr JJ Irani (Tata Sons, India)	Mr WANG Jianzhou (China Mobile, China)
Lady Barbara Judge (UKAEA, Europe)	Mr Steve Westly (The Westly Group, USA)
Mr Sunil Bharti Mittal (Bharti Group, India)	Mr ZHANG Yue (Broad, China)
Mr James Murdoch (NewsCorp, Europe)	Mr Niklas Zennström (Atomico, Europe)

**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 results

The Statement of Financial Activities (page 24) and the following show our full financial results for the year. Financial information on this report relates to both the UK charity (indicated by “Charity” in the accounts) and the consolidated reports of the UK, the US, Australia, China, Hong Kong and India (indicated by “Group”). Figures in this section reflect the consolidated Group figures.

## Income

Our total income for the 2010/11 financial year was £6,306,871 (2009/10: £9,247,431), which consists of voluntary income of £6,018,292 (2009/10: £8,073,016), income from activities for generating funds of £286,499 (2009/10: £1,169,442) and investment income of £2,080 (2009/10: £4,973).

## Development

We continued to develop our programmes with a diverse group of funders, but giving from individuals, foundations, government grants and corporate philanthropy remains challenging. This reflects the continuing economic down turn and a move away from giving to organisations working on the climate change agenda.

We directed 7% (2009/10: 8%) of our budget to towards generating funds, with most allocated to staff costs.

Our new strategy makes a compelling fundraising case and we have also invested in our fundraising capability and, consequently, are confident that we shall substantively increase our fundraising income over the coming year and beyond.

## Expenditure

During the accounting period we spent a total of £7,845,382 (2009/10: £7,704,326), including £2,033,147 on research activities (2009/10: £908,068) which represents a significant investment in transformational technologies which will form case studies for the Clean Revolution, £2,574,373 (2009/10: £3,530,401) on raising awareness of climate change and its solutions, and £2,554,977 on education of business and government partners on leadership opportunities associated with ‘low carbon’ policy and strategy (2009/10: £2,217,016). The remainder was the cost of generating funds £514,714 (2009/10: £650,823) and governance costs £168,171 (2009/10: £398,018).

## Financial position at year end

We made a deficit of £1,538,511 (2009/10: surplus £1,453,105). This partly reflects lower income than expected and planned utilisation of prior year reserves. We closed the reporting period with a positive position of £1,727,373 (2009/10: £3,239,206) comprising a restricted position of £1,170,261 (2009/10: £1,369,731) and an unrestricted funds position of £557,112 (2009/10: £1,869,475). The result included a gain on revaluation of foreign currency subsidiaries of £26,678 (2009/10: £61,387). The closing position is in line with our financial strategy (outlined on page 21).

# 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 to the forecasts for the year ending 30 June 2012, the required level of reserves would be approximately £1.4 million, versus actual reported reserves of £1.7 million.

## Financial Risk

In common with many charities, the principle risk facing The Climate Group is the short term impact on fundraising and liquidity due to the negative effect of the economic downturn on funders.

In response to this, The Climate Group carried out an extensive restructuring in September 2011. TCG's restructuring will ensure that it has the right staff capacity and skills to deliver the new Clean Revolution strategy, including building substantially its financial management and fundraising capabilities. In carrying out this restructuring, TCG has achieved substantive cost savings and is continuing to manage costs down without compromising its operational or income generating capability. Substantial on-going work to develop further TCG's financial and business planning, management and reporting systems will significantly enhance our capability to deliver this.

TCG has no loans and remains cash positive. Nonetheless, the restructuring led to one-off costs incurred in September 2011 that depleted our reserves and, inevitably, it will take time to deliver full cost savings and new income. As at 1 March 2012, TCG needed to generate £6.9m of funding in order to remain cash positive to year end 2012/13 (30 June 2013). The forecast income projection was for funding of £8.8m, of which £3.24m was contracted. Although Climate Change has slipped down the international agenda post Copenhagen, it remains a massive global challenge and our work at a regional and sub national level is being well received. Additionally, our strategy of bringing together high level leaders to deliver sustainable technologies in a way that will create both wealth and employment is highly attractive to our donors, particularly in the current economic climate. Consequently, the trustees are confident that TCG shall remain a successful and viable organisation over the coming year and beyond.

Whilst the launch of our new strategy and supporting development work offers a very exciting future for TCG, and we are building on our success and considerable expertise in this field, this is a new strategy, which inevitably brings a degree of uncertainty. Nonetheless, strategic financial projections for the 3 years to financial year 2014/15 have been created and indicate that we will achieve appropriate surpluses in each year.

# 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 18.

**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 26 March 2012 and signed on its behalf by:



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

# Independent auditors' report to the Trustees

We have audited the financial statements of The Climate Change Organisation for the year ended 30 June 2011 set out pages 26 to 40.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 30 June 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we draw attention to the disclosures in note 1(a) of the financial statements concerning the charitable company's ability to continue as a going concern.

The Climate Change Organisation, like many charities, is dependent on voluntary income to fund its activities and therefore does not have adequate committed funding in place to meet its future commitments. The Climate Change Organisation has developed a new strategy to generate income and is dependent on the success of this strategy in order to continue as a going concern. The trustees therefore consider that a material uncertainty exists that may cast doubt on the entity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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



Pesh Framjee FCA

**Senior Statutory Auditor**

for and on behalf of

**Crowe Clark Whitehill LLP**

Statutory auditor

*28 March 2012*

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 2011

## Consolidated financial statements

	Notes	Restricted	Unrestricted	Year ended 30 June 2011	Year ended 30 June 2010
		£	£	£	£
<b>Incoming resources</b>					
Incoming resources from generated funds					
<i>Voluntary income</i>					
Donations & similar funding		159,169	18,757	<b>177,926</b>	816,486
Grants	2	3,700,025	990,444	<b>4,690,469</b>	6,015,810
Membership		767,251	382,646	<b>1,149,897</b>	1,240,720
		<u>4,626,445</u>	<u>1,391,847</u>	<b>6,018,292</b>	<u>8,073,016</u>
<i>Activities for generating funds</i>					
Together campaign		-	-	-	247,623
Other		188,331	98,168	<b>286,499</b>	921,819
		<u>188,331</u>	<u>98,168</u>	<b>286,499</b>	<u>1,169,442</u>
<i>Investment income</i>		2,064	16	<b>2,080</b>	4,973
		<u>4,816,840</u>	<u>1,490,031</u>	<b>6,306,871</b>	<u>9,247,431</u>
<b>Total incoming resources</b>					
<b>Resources expended</b>					
<i>Costs of generating funds</i>					
Costs of generating voluntary income		407,679	107,035	<b>514,714</b>	650,823
<i>Charitable activities</i>					
Research		1,320,908	712,239	<b>2,033,147</b>	908,068
Communications		1,423,801	1,150,572	<b>2,574,373</b>	3,530,401
Education & engagement		1,856,821	698,156	<b>2,554,977</b>	2,217,016
		<u>4,601,530</u>	<u>2,560,967</u>	<b>7,162,497</b>	<u>6,655,485</u>
<i>Governance costs</i>		63,735	104,436	<b>168,171</b>	398,018
		<u>5,072,944</u>	<u>2,772,438</u>	<b>7,845,382</b>	<u>7,704,326</u>
<b>Total resources expended</b>	3				
<b>Net (outgoing)/incoming resources for the period (being the net (loss)/ income) before other recognised gains and losses</b>	4	(256,104)	(1,282,407)	<b>(1,538,511)</b>	1,453,105
<b>Other recognised gains and losses and transfers between funds</b>					
Gain on revaluation of foreign currency subsidiaries		26,678	-	<b>26,678</b>	61,387
Transfers between funds		29,956	(29,956)	-	-
		<u>(229,426)</u>	<u>(1,282,407)</u>	<b>(1,511,833)</b>	<u>1,604,492</u>
<b>Net movement in funds</b>					
Funds at start of year		1,369,731	1,869,475	<b>3,239,206</b>	1,634,714
		<u>1,170,261</u>	<u>557,112</u>	<b>1,727,373</b>	<u>3,239,206</u>
<b>Funds at end of year</b>	10				

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 2011

	Notes	Group 30 June 2011 £	Group 30 June 2010 £	Charity 30 June 2011 £	Charity 30 June 2010 £
<b>Fixed assets</b>					
Tangible fixed assets	6	<b>121,656</b>	166,638	<b>82,663</b>	100,570
<b>Current assets</b>					
Debtors	7	<b>447,852</b>	568,392	<b>738,690</b>	1,612,413
Short term deposits		<b>609,873</b>	2,171,492	<b>359,483</b>	1,688,095
Cash at bank & in hand		<b>1,254,571</b>	1,721,655	<b>216,408</b>	96,692
		<b>2,312,296</b>	4,461,539	<b>1,314,581</b>	3,397,200
<b>Creditors:</b> amounts falling due within one year	8	<b>(706,579)</b>	(1,388,971)	<b>(459,861)</b>	(1,023,079)
<b>Net current assets</b>		<b>1,605,717</b>	3,072,568	<b>854,720</b>	2,374,121
<b>Net assets</b>	9	<b>1,727,373</b>	3,239,206	<b>937,383</b>	2,474,691
<b>Represented by</b>					
Restricted funds		<b>1,170,261</b>	1,369,731	<b>380,271</b>	149,244
Unrestricted funds		<b>557,112</b>	1,869,475	<b>557,112</b>	2,325,447
<b>Total funds</b>	10	<b>1,727,373</b>	3,239,206	<b>937,383</b>	2,474,691

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

The accounts on pages 26 to 40 were approved by the Board of trustees and authorised for issue on 26 March 2012 and signed on its behalf by:

John R Coomber  
Chairman



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<b>Net cash (outflow)/inflow from operating activities (Note a)</b>	<b>(2,002,610)</b>	106,015
<b>Returns on investment and servicing of finance</b>		
Bank interest received	2,080	4,974
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(28,173)	(127,468)
<b>Decrease in cash</b>	<b><u>(2,028,703)</u></b>	<b><u>(16,479)</u></b>
<b>Net cash at start of the year</b>	<b><u>3,893,147</u></b>	<b><u>3,909,626</u></b>
<b>Net cash at end of the year</b>	<b><u>1,864,444</u></b>	<b><u>3,893,147</u></b>

### NOTES TO THE CASH FLOW STATEMENT

**a) Reconciliation of net incoming resources to net cash inflow from operating activities**

	2011 £	2010 £
Net (outgoing)/incoming resources for the year	<b>(1,538,511)</b>	1,543,105
Bank interest received	<b>(2,080)</b>	(4,974)
Depreciation	<b>70,703</b>	73,674
Foreign exchange differences, excluding gains arising on revaluation of fixed assets	<b>29,130</b>	53,885
Decrease in debtors	<b>120,540</b>	525,117
Decrease in creditors	<b>(682,392)</b>	(2,084,792)
<b>Net cash (outflow)/inflow from operating activities</b>	<b><u>(2,002,610)</u></b>	<b><u>106,015</u></b>

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2011

# 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 charity and its five 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.

### *Going concern*

The Climate Change Organisation, like many charities is dependent on voluntary income to meet its future commitments. The Climate Change Organisation's ability to generate voluntary income going forward is significantly dependent on the charity's new strategy and planned income generation from strategic partners and trusts. As discussed in more detail in the trustees' report, as at March 2012 there was not sufficient committed funding in place to allow the charity to meet its forecast liabilities to 30 June 2013. If income generation targets are not met then the charity would be unable to continue as a going concern

The trustees have considered the charity's new strategic plan and current income forecasts to 30 June 2013 and beyond. The trustees are confident that the charity's strategy for future income generation will be successful. They have therefore prepared the financial statements on the going concern basis.

### 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 brought in at their value to the charity as income and the appropriate expenditure.

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

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

### 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 each activity.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### *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 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 those incurred in the governance of the charity and its assets and are primarily associated with 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.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 2 Grants

	Restricted £	Unrestricted £	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Corporations	2,223,526	159,415	<b>2,382,941</b>	2,981,628
Government	397,862	-	<b>397,862</b>	1,229,276
Foundations & NGOs	1,078,637	831,029	<b>1,909,666</b>	1,804,906
	<u>3,700,025</u>	<u>990,444</u>	<u><b>4,690,469</b></u>	<u>6,015,810</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 2011 £	Year ended 30 June 2010 £
Cost of generating funds	314,658	74,481	<b>389,139</b>	35,859	89,716	<b>125,575</b>	<b>514,714</b>	650,823
Research	1,037,824	424,683	<b>1,462,507</b>	176,556	394,084	<b>570,640</b>	<b>2,033,147</b>	908,068
Communications	1,154,746	656,529	<b>1,811,275</b>	238,446	524,652	<b>763,098</b>	<b>2,574,773</b>	3,530,401
Education & Engagement	1,087,210	751,906	<b>1,839,116</b>	219,314	496,547	<b>715,861</b>	<b>2,554,977</b>	2,217,016
Governance	69,998	44,692	<b>114,690</b>	16,789	36,692	<b>53,481</b>	<b>168,171</b>	398,018
<b>Total 2011</b>	<u>3,664,436</u>	<u>1,952,291</u>	<u><b>5,616,727</b></u>	<u>686,964</u>	<u>1,541,691</u>	<u><b>2,228,655</b></u>	<u><b>7,845,382</b></u>	<u>7,704,326</u>
Total 2010	<u>3,574,677</u>	<u>2,030,532</u>	<u><b>5,605,209</b></u>	<u>990,302</u>	<u>1,108,815</u>	<u><b>2,099,117</b></u>	<u><b>7,704,326</b></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.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 4 Net incoming/(outgoing) resources

is stated after charging:

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Operating lease rentals – buildings	317,366	263,127
Depreciation	70,703	73,674
Fees payable to charity auditors: audit of the charity's annual accounts	22,200	18,500
Fees payable to charity auditors: audit of the charity's trading subsidiary pursuant to legislation	2,100	2,000
	<hr/>	<hr/>

The trustees received neither remuneration nor reimbursed expenses during either period.

### 5 Employees

Staff costs during the period amounted to:

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Wages & salaries	3,622,479	3,129,421
Social security costs	250,805	267,132
Employer's pension contributions	289,772	247,572
Other staff costs	39,553	327,192
	<hr/>	<hr/>
	4,202,609	3,971,317
Freelance staff	7,338	450,989
Temporary staff	141,453	142,673
	<hr/>	<hr/>
	4,351,400	4,564,979

Number of employees with emoluments exceeding £60,000

	2011 Number	2010 Number
£60,000 - £70,000 p.a.	1	1
£70,001 - £80,000 p.a.	1	1
£80,001 - £90,000 p.a.	2	5
£90,001 - £100,000 p.a.	4	2
£100,001 - £110,000 p.a.	1	2
£110,001 - £120,000 p.a.	-	-
£120,001 - £130,000 p.a.	4	2

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 5 Employees (continued)

Retirement benefits are accruing to the thirteen higher paid staff under defined contribution schemes. Employer contributions of £64,190 (2010: £89,683) were made during the year.

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

	Year ended 30 June 2011	Year ended 30 June 2010
Fundraising & publicity	7.5	6.8
Research	3.0	3.9
Communications	13.1	17.0
Education & engagement	30.1	38.9
Support	12.8	12.8
Governance	4.5	2.5
	71.0	81.9

### 6 Tangible fixed assets (Group)

	Office Equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 July 2010	399,513	9,208	<b>408,721</b>
Revaluation on consolidation	(7,290)	(546)	<b>(7,836)</b>
Additions	24,138	4,035	<b>28,173</b>
Disposals	(44,752)	-	<b>(44,752)</b>
<b>At 30 June 2011</b>	<b>371,609</b>	<b>8,662</b>	<b>384,306</b>
<b>Depreciation</b>			
At 1 July 2010	238,624	3,459	<b>242,083</b>
Revaluation on consolidation	(4,838)	(546)	<b>(5,384)</b>
Charge for the period	69,358	1,345	<b>70,703</b>
Disposals	(44,752)	-	<b>(44,752)</b>
<b>At 30 June 2011</b>	<b>258,392</b>	<b>4,258</b>	<b>262,650</b>
<b>Net book value</b>			
<b>At 30 June 2011</b>	<b>113,217</b>	<b>8,439</b>	<b>121,656</b>
At 1 July 2010	160,889	5,749	166,638

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 6 Tangible fixed assets (Continued) (Charity)

	Office equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
1 July 2010	226,544	-	<b>226,544</b>
Additions	21,118	4,035	<b>25,153</b>
Disposals	(44,752)	-	<b>(44,752)</b>
<b>30 June 2011</b>	<b>202,910</b>	<b>4,035</b>	<b>206,945</b>
<b>Depreciation</b>			
1 July 2010	125,974	-	<b>125,974</b>
Charge for the period	41,715	1,345	<b>43,060</b>
Disposals	(44,752)	-	<b>(44,752)</b>
<b>30 June 2011</b>	<b>122,937</b>	<b>1,345</b>	<b>124,282</b>
<b>Net book value</b>			
<b>30 June 2011</b>	<b>79,973</b>	<b>2,690</b>	<b>82,663</b>
1 July 2010	100,570	-	100,570

### 7 Debtors

	<b>Group</b> <b>30 June</b> <b>2011</b> £	Group 30 June 2010 £	<b>Charity</b> <b>30 June</b> <b>2011</b> £	Charity 30 June 2010 £
Trade debtors	<b>282,353</b>	274,989	<b>165,003</b>	63,908
Other debtors	<b>33,312</b>	75,875	<b>5,665</b>	43,567
Due from subsidiary companies	-	-	<b>486,078</b>	1,328,032
Prepayments	<b>111,804</b>	85,347	<b>81,944</b>	44,755
Accrued income	<b>20,383</b>	132,181	-	132,151
	<b>447,852</b>	568,392	<b>738,690</b>	1,612,413

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 8 Creditors: amounts falling due within one year

	<b>Group</b> <b>30 June</b> <b>2011</b> £	Group 30 June 2010 £	<b>Charity</b> <b>30 June</b> <b>2011</b> £	Charity 30 June 2010 £
Trade creditors	<b>124,495</b>	119,286	<b>102,445</b>	95,881
Taxation & social security	<b>88,399</b>	75,818	<b>68,058</b>	51,596
Other creditors	<b>33,205</b>	29,475	-	10,734
Accruals	<b>148,323</b>	275,284	<b>80,121</b>	136,189
Deferred income	<b>312,157</b>	889,108	<b>209,237</b>	728,679
	<b>706,579</b>	1,388,971	<b>459,861</b>	1,023,079

### Deferred income

	At 1 July 2010 £	Released to incoming resources £	Deferred in the year £	<b>At 30 June</b> <b>2011</b> £
Membership	111,581	(111,581)	200,904	<b>200,904</b>
Grants	617,098	(617,098)	8,333	<b>8,333</b>
<b>Charity total</b>	728,679	(728,679)	209,237	<b>209,237</b>
The Climate Group Inc	41,470	(41,470)	9,364	<b>9,364</b>
The Climate Group Limited	94,465	(94,465)	39,460	<b>39,460</b>
The Climate Group (Hong Kong) Limited	24,494	(24,494)		
The Climate Group (India) Limited	-	-	10,000	<b>10,000</b>
The Climate Group (China) Limited	-	-	44,096	<b>44,096</b>
<b>Consolidated total</b>	889,108	(889,108)	312,157	<b>312,157</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 9 Analysis of net assets between funds (Group)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	38,993	82,663	<b>121,656</b>
Current assets	1,377,986	934,310	<b>2,312,296</b>
Current liabilities	(246,718)	(459,861)	<b>(706,579)</b>
<b>Net assets</b>	<b>1,170,261</b>	<b>557,112</b>	<b>1,727,373</b>

### Analysis of net assets between funds (Charity)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	82,663	<b>82,663</b>
Current assets	380,271	934,310	<b>1,314,581</b>
Current liabilities	-	(459,861)	<b>(459,861)</b>
<b>Net assets</b>	<b>380,271</b>	<b>557,112</b>	<b>937,383</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 10 Movement in funds (Group)

	At 1 July 2010	Incoming resources	Outgoing Resources	Transfers and Exchange differences	At 30 June 2011
	£	£	£	£	£
<b>Restricted Funds</b>					
States & Regions	50,615	-	(50,615)	-	-
Carbon Capture and Storage (CCS)	98,628	484,402	(296,920)	-	<b>286,110</b>
HSBC Climate Partnership	-	1,510,852	(1,510,852)	-	-
Global Alliance	-	215,741	(215,741)	-	-
China Programme	-	63,788	(63,788)	-	-
Conference of the Parties (COP 16)	-	8,608	(8,608)	-	-
Smart 2020	-	132,696	(132,696)	-	-
Clean Revolution Campaign	-	62,000	(62,000)	-	-
IIGCC	-	214,537	(181,332)	29,956	<b>63,161</b>
Electric Vehicles	-	70,000	(39,000)	-	<b>31,000</b>
Other	-	971	(971)	-	-
	149,243	2,763,595	(2,562,523)	29,956	<b>380,271</b>
China Programme	58,481	595,323	(530,556)	2,733	<b>125,981</b>
Hong Kong Programme	22,441	316,119	(262,146)	(6,731)	<b>69,683</b>
US Programme	859,667	867,874	(1,411,517)	(25,343)	<b>290,681</b>
Australia Programme	279,899	196,845	(259,948)	56,019	<b>272,815</b>
India Programme	-	77,084	(46,254)	-	<b>30,830</b>
<b>Total restricted funds</b>	<b>1,369,731</b>	<b>4,816,840</b>	<b>(5,072,944)</b>	<b>56,634</b>	<b>1,170,261</b>
<b>Unrestricted funds</b>	<b>1,869,475</b>	<b>1,490,031</b>	<b>(2,772,438)</b>	<b>(29,956)</b>	<b>557,112</b>
<b>Total funds</b>	<b>3,239,206</b>	<b>6,306,871</b>	<b>(7,846,582)</b>	<b>26,678</b>	<b>1,727,373</b>

Total incoming resources for the charity were £4,253,571 (2010: £7,094,798): and the deficit for the year was £1,545,944 (2010: £1,377,791 surplus).

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2011

### 10 Movement in funds of the Group (continued)

#### *Purpose of funds*

<b>States &amp; Regions</b>	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.
<b>Carbon Capture and Storage (CCS)</b>	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.
<b>HSBC Climate Partnership</b>	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.
<b>Global Alliance</b>	Funding to mobilise our global alliance of leading governments, businesses and opinion formers towards low-carbon leadership, and to engage them in our market transformation, research and communications projects.
<b>Conference of the Parties (COP 16)</b>	Funding to demonstrate, inspire and inform business and sub-national government about low carbon leadership at the 2010 United Nations Climate Change Conference held in Cancun, Mexico.
<b>Smart 2020</b>	Funding to showcase key city-based ICT solutions, and to advocate policies that support scale up and replication.
<b>Clean Revolution Campaign</b>	Funding for a three year, global communications campaign with a compelling vision of a low carbon future and a strategy to persuade a critical mass of the world's most powerful and influential leaders to support that vision.
<b>IIGCC</b>	Funding for a forum for collaboration on climate change for European investors.
<b>Electric Vehicles (EVs)</b>	Funding to speed up the deployment of electric vehicles as part of our sustainable mobility future.
<b>China Programme</b>	Funding to engage China's government, cities and businesses.
<b>India Programme</b>	Funding to engage India's government, cities and businesses.
<b>Hong Kong Programme</b>	Funding to engage Hong Kong's government, cities and businesses.
<b>US Programme</b>	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.
<b>Australia Programme</b>	Funding to engage Australia's government, cities and businesses.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 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 2011.

### 13 Leasing commitments

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

	<b>2011</b>	2010
	<b>Land and Buildings</b>	Land and Buildings
	<b>£</b>	£
Expiring within 1 year	45,000	181,159
Expiring between 1 and 2 years	63,250	84,834
Expiring between 2 and 5 years	101,800	-
	<u>          </u>	<u>          </u>

### 14 Subsidiaries

Advantage has been taken of the exemptions available under FRS8 from 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***

	<b>2011</b>	2010
Net assets as at 1 July 2010	£342,023	£288,277
Income for the year to 30 June 2011	£1,728,021	£2,179,772
Net (deficit)/surplus for the year to 30 June 2011	£(51,342)	£53,746
Net assets as at 30 June 2011	£290,681	£342,023

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2011

### 14 Subsidiaries (continued)

#### *Australia – The Climate Group Limited*

	<b>2011</b>	2010
Net assets as at 1 July 2010	£286,291	£266,967
Income for the year to 30 June 2011	£262,980	£215,140
Net (deficit)/surplus for the year to 30 June 2011	£(9,476)	£19,324
Net assets as at 30 June 2011	£276,815	£286,291

#### *China – The Climate Group (China) Limited*

	<b>2011</b>	2010
Net assets as at 1 July 2010	£133,336	£75,024
Income for the year to 30 June 2011	£1,110,310	£948,259
Net (deficit)/surplus for the year to 30 June 2011	£(6,499)	£58,312
Net assets as at 30 June 2011	£126,837	£133,336

#### *Hong Kong – The Climate Group (Hong Kong) Limited*

	<b>2011</b>	2010
Net assets as at 1 July 2010	£6,857	£(8,541)
Income for the year to 30 June 2011	£476,519	£329,379
Net surplus for the year to 30 June 2011	£62,825	£15,398
Net assets as at 30 June 2011	£69,683	£6,857

#### *UK – The Climate Change Organisation Services Limited*

	<b>2011</b>	2010
Net assets as at 1 July 2010	£100	£100
Income for the year to 30 June 2011	£98,184	£339,438
Net surplus for the year to 30 June 2011	-	-
Net assets as at 30 June 2011	£100	£100

#### *India – The Climate Group (India) Limited*

	<b>2011</b>	2010
Income for the year to 30 June 2011	£77,084	-
Net surplus for the year to 30 June 2011	£40,831	-
Net assets as at 30 June 2011	£40,831	-