

Charity Registration No. 1053988

Company Registration No. 2863827 (England and Wales)

CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
LEGAL AND ADMINISTRATIVE INFORMATION**

Trustees	S Hockman M McIntosh W McIntosh M Robert M Stanley The Honorable E Young P Harvey S Walton B Eno H Jones H Tinsley
Secretary	BWB Secretarial Limited
Charity number	1053988
Company number	2863827
Principal address	The Hothouse 274 Richmond Road London
Registered office	2-6 Cannon Street London EC4M 6YH
Auditors	Arram Berlyn Gardner 30 City Road London EC1Y 2AB

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CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The trustees (who are also the directors of ClientEarth for the purposes of company law) present their report and accounts for the period ended 31 December 2012. The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Companies Act 2006 and the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005.

Objectives and activities

The charity's objects are:

- To promote and encourage the enhancement, restoration, conservation and protection of the environment, including the protection of human health, for the public benefit.
- To advance the education of the public in all matters relating to the law, practice and administration of justice in connection with the environment.
- To relieve poverty through the provision of legal services to those who cannot otherwise afford them.
- To promote, undertake and commission research into the law, practice and administration of justice in connection with the environment and matters relating thereto, including the impact, direct or indirect, of any human activity on the environment and to disseminate the useful results of such research.

We aim to achieve these goals through advocacy, litigation and research consistent with our charitable objects through work divided into five broad programme areas:

Biodiversity
Climate and Energy
Climate and Forests
Environmental Law and Justice
Health and Environment

Alongside projects to educate the public and decision-makers, much of our work focuses on analysing at what points of the lifecycle of the law we can best add our expertise or intervene to achieve systemic change:

'ClientEarth uses law to protect the environment. We work at all stages in the lifecycle of law. We begin by asking what the science tells us. We then craft policy based on the science and our deep understanding of legal systems, creating pragmatic solutions. We next advise law- and policy-makers and civil society, helping to turn policy into law. We then work with companies, governments and all relevant stakeholders to implement the law. And finally we go to court when the law needs to be enforced. This comprehensive approach, working at every stage in the lifecycle of the law, is unique among European organisations. It allows us to facilitate profound systemic change.'

We seek to make a difference by using law to protect the environment for the general public in the EU and the rest of the world, especially those suffering environmental injustice. Our goal is to provide citizens, NGOs, and governments in Europe with the highest calibre of legal advice and service to improve the understanding, use, and effectiveness of environmental law in the EU, member states, and beyond.

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Public benefit

The charity has kept in mind the Charity Commission's guidance on public benefit. The report focuses on the main activities undertaken by the charity to further its charitable purposes for the public benefit. The main aim of the charity – to promote the protection of the environment – is by its very nature of benefit to all sections of the public. The public benefit is further illustrated in this report throughout this and the following sections.

A summary of our activities

In 2012 ClientEarth continued to develop and diversify its legal and educational approaches to key environmental challenges affecting our planet.

Our **Biodiversity** team worked closely on reform of the EU's Common Fisheries Policy, briefing members of the European Parliament (MEPs) and EU Member States to ensure amendments improved the effectiveness of European fisheries legislation. They worked in Poland, France, Spain and the UK with the Fish Fight campaign, to increase public awareness of the shortcomings of the current policy and to place pressure on fisheries ministers to vote for effective protection of our oceans.

The team further developed the Sustainable Seafood Coalition – a unique UK partnership of seafood businesses and other relevant organisations tackling sustainability by using the influence of the seafood industry. The SSC began to draft a code which will harmonise seafood labelling, providing consumers with accurate information on the provenance and sustainability of the fish or seafood they eat.

Our **Climate and Energy** team brought a series of cases challenging the construction or expansion of coal-fired power plants in Poland, as part of efforts to steer the member state towards a cleaner energy mix. We also opposed Poland's attempts to gain free carbon emissions allowances for ineligible power plants, preventing the government from artificially supporting its unabated coal power.

In the UK we worked with Transform UK to advocate for a strong Green Investment Bank – in particular demonstrating why it was important that the bank be afforded borrowing powers.

In Brussels our Climate and Energy team focused on ensuring effective implementation of the Energy Efficiency Directive, including through engagement with the Coalition for Energy Savings. Meanwhile, the European Climate Foundation invited us to be lead authors on the 'Roadmaps to Reality' project. This included exploring routes towards a low-carbon energy system by 2050 and forming a basis for developing the 2030 policy framework.

The **Climate and Forests** programme continued to expand its work not only in Europe but also in Africa and Latin America. The team developed briefings advocating for effective implementation of the new EU Timber Regulation.

We disseminated legal briefings explaining how public procurement can help to advance sustainable development objectives. We responded to the European Parliament's request for our amendments to the Commission's proposed Procurement Directive revisions.

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The Climate and Forests team also developed our work on bioenergy – specifically the implementation and enforcement of existing sustainability standards by the EU and Member States. Through our biofuels work we called for EU policy to account for the indirect land-use change (ILUC) effects of biofuels. Our work on biomass for energy was focused on the role of the zero-emission factor for biomass under the Emissions Trading System as a driver for co-firing woody biomass in coal plants.

In Africa and Latin America we helped communities reliant on the sustainable management of forests to secure their rights, by building their legal capacity. Our Africa work focussed on Voluntary Partnership Agreements (VPAs) negotiated by the EU with Ghana, the Republic of Congo and Gabon, ensuring their effective use as part of the Forest Law, Governance and Trade Action Plan. Our Latin America work was framed around ensuring the effective implementation of safeguards under the Reducing Emissions from Deforestation and forest Degradation (REDD+) initiative.

ClientEarth's **Environmental Law and Justice** programme continued to support environmental NGOs and citizens through its EU Aarhus Centre. This centre provides legal advice and challenges the decisions of EU institutions before the EU courts to ensure effective implementation and enforcement of the Aarhus Convention, an international convention on access to information, public participation in decision-making and access to justice.

The team's cross-cutting transparency work focused upon on a review of regulations on access to documents held by EU institutions. We worked with other NGOs to prevent the negotiations from being used as an opportunity to undermine EU citizens' right of access to information.

We also continued to put pressure on the European Investment Bank to disclose more environmental information on the projects it funds and to set up a public register of documents as required by access to information laws.

Finally our **Health and Environment** team continued to make legal interventions in the arenas of toxic chemicals and air pollution. The toxics team worked on improving the transparency and accountability of the two primary EU chemicals regulatory bodies – the European Chemicals Agency (ECHA) and the European Food Safety Authority (EFSA). We published a major report reviewing the first five years of ECHA which identified a number of failures and made concrete recommendations for improvement. We conducted research on the shortcomings of regulatory approaches to endocrine disrupting chemicals, nanomaterials and pesticides and worked with a number of UK NGOs to respond to the lacklustre 'business-as-usual' position on pesticides control promulgated by the UK government.

We continued to pursue our judicial review claim against the UK government for its failure to comply with the ambient Air Quality Directive, with our case ultimately granted a hearing by the UK Supreme Court. In a major victory in May 2013, the Supreme Court declared the UK in breach for failing to protect its citizens and the case will be referred to the European courts for determination of important questions of law.

In parallel with our UK air pollution work we began advising other European NGOs on how they can enforce the right to clean air. 2013 has been designated the EU's 'Year of Air', with all current air pollution legislation scheduled for review. ClientEarth secured one of only five NGO seats on the stakeholder expert group which is being consulted on the year of air revision.

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Alongside our legal approaches, in early 2012 ClientEarth took over coordination of the Healthy Air Campaign. This unique coalition of health, education and transport groups shares the common aim of raising awareness of Britain's air quality crisis and demanding action from the Government. We also began work on raising awareness of the particularly acute health impacts of air pollution in London, as a local component of the national campaign.

Achievements and performance

Biodiversity

Fisheries reform

The European Union's Common Fisheries Policy (CFP) is currently being reformed. The importance of this piece of legislation to the management of Europe's seas cannot be overstated – but in its current form it has been disastrous, serving the needs of neither the oceans nor their fishermen. Our biodiversity team recognised the policy's review both as an opportunity to help create truly effective protection for marine life, and as a potential disaster for ocean sustainability should the reforms be ineffective. We have worked with European Parliamentarians (MEPs) and others to achieve amendments on the reform proposal. Our work has been widely embraced in particular by MEPs keen to prioritise the need to sustain both fisheries and other marine life. Our key demands were largely accepted by the European Parliament – no mean feat in a process that saw 2,500 amendments tabled. An event organised by us in the European Parliament together with a partner organisation brought together five highly respected experts on fisheries science and management and was very successful in providing answers for MEPs to a number of common misconceptions on two crucial scientific and management questions. The subsequent Parliamentary vote showed that Parliamentarians' views had significantly shifted in a positive direction on these issues.

We also directed our advocacy on fisheries reform to the EU Ministers and helped to influence the Council Presidency develop a more ambitious common position. In the build-up to a crucial vote on the reforms we worked with the Fish Fight campaign to publish full-page newspaper adverts in four countries, publicly reminding ministers that they were under scrutiny by more than 800,000 campaigners. This significant public support was instrumental in our efforts to ensure the politicians voted with sustainability as their top priority.

We replicated our UK and European success in Poland, using contacts with key policymakers and NGOs to table improvements to the proposed European Maritime and Fisheries Fund. We also collaborated with Fish Fight in Poland, explaining the issues at stake in their documentary and helping them tailor sustainability messages to their Polish audience.

In relation to the fishery reform's proposed financial instrument, we have also been working with key MEPs by providing draft amendments for the Parliamentary process, which is much delayed. We continue to work on this important instrument, as it will be key to funding the development of sustainable fisheries in future, as well as, crucially, improved collection of base data.

Sustainable Seafood Coalition

We united the great majority (67%) of UK food retailers since establishing the Sustainable Seafood Coalition (SSC) in 2011 in a revolutionary bid to save our seas. We have continued to increase membership of the coalition to 27 members, including retailers, suppliers and restaurants. The SSC is the first ever cross-industry group in the UK to tackle seafood sustainability using their influence as seafood businesses. The SSC's vision is for all seafood sold in the UK to be from sustainable sources. To achieve this, the Coalition has been developing voluntary codes of conduct on sourcing

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and environmental labelling of fish and seafood. The labelling code is almost complete by the end of 2012 and will be opened for public feedback before being launched in 2013. At the same time, work on a fish sourcing code is progressing fast, while a code on encouraging consumers to diversify their purchasing choices is planned for 2014.

The SSC has gained significant recognition outside of its membership and work has begun on creating a unique identity for the SSC to increase our public visibility and help us to educate and inform the public on seafood sustainability issues. Our new SSC website will be launched in early 2013.

Marine Protected Areas

The Biodiversity Programme has continued its partnership with the Marine Conservation Society in bringing about a change in English law to ban damaging fishing methods in EU protected marine sites. In July, the Government told us that they recognised that the UK had not been fully complying with EU wildlife laws. In consequence, it brought together an implementation group consisting of government and statutory agencies, fisheries regulators, industry representatives, ClientEarth and the Marine Conservation Society. So far, the process is working well, and we expect particularly damaging fishing activities (such as bottom-trawling and scallop dredging) to be prohibited in the most vulnerable protected sites (e.g. reefs) by the end of 2013. This will be a sea change in marine protection in England. Other potentially damaging fishing activities in EU marine protected sites will go through a more detailed site assessment process and will be managed appropriately by the end of 2016. We will keep on monitoring progress.

Whaling

In summer 2012, Greenland (an overseas territory of Denmark) requested an increased whaling quota for humpback whales under the International Whaling Convention. Building on our previous co-operation with Whale and Dolphin Conservation (WDC), we advised EU Member States on the EU rules on voting in international conventions. This led to a situation where, on the fourth day of the international meeting in Panama in July 2012, Greenland's request for an increased whaling quota was rejected, leaving Greenland with no humpback quota at all.

Climate and Energy

If we are to create a sustainable relationship between people and the planet it is fundamental that we develop a clean and resilient energy system. ClientEarth's Climate and Energy team is making strategic interventions at EU and national levels, establishing the legal mechanisms and precedents necessary to make this objective a reality.

Polish energy programme

Our work to decarbonise the European energy system saw real progress this year, starting in Poland where we progressed a series of cases against coal-fired power plants. As a result we have swiftly gained a reputation as a "powerful environmental organisation", according to a leading Polish newspaper. Our work significantly increases the business risk of investing in new coal and makes better, cleaner energy a more attractive choice for investors. One energy company in Poland, Energa, has already announced that it is dropping new coal projects, shifting instead to cleaner investments in renewable energy and improved grid infrastructure.

Our Polish operations have developed at pace through 2012, and our series of successes inside and outside the courts prompted public criticism from Polish Minister of State Mikolaj Budzanowski.

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However, the high value of our contribution was made evident in the robust defence offered by our colleagues in Poland's NGO and farming communities.

Our work on Polish energy operates at both national and EU level, and we are working to prevent billions of Euros in free carbon allowances being used to build a new generation of polluting power stations.

Working with local farmers, we used the courts to stop construction of the biggest planned coal-fired power station in Europe, the 2000 MW Pólnoc plant. Soon after this victory the local authority responsible for another coal-fired plant, Łęczna, demanded investors conduct a more thorough Environmental Impact Assessment. The investors failed to do this so the project was halted. We have delayed environmentally unsound development for at least two and a half years in both cases and have reason to believe the Łęczna project will not be reanimated.

In October, we won our case against the expansion of the Opole power plant. Unfortunately, at appeal the Supreme Administrative Court annulled the judgment and the dispute was returned to the Administrative Court in Warsaw. This case significantly delayed the Polish Energy Group's plans to expand the plant, attracting substantial attention to ClientEarth in Poland. In early 2013 the investor announced its intention to cancel the project, stating that it was no longer economically viable. This confirms our conviction that Poland must promote investment in cleaner energy and greater energy efficiency rather than bolstering its environmentally damaging coal power infrastructure.

Energy efficiency

Efficiency must be the cornerstone of Europe's energy future. With greater energy efficiency we can all be warmer and wealthier. ClientEarth is working to ensure this principle is enshrined in strong, effective legislation. We are a key member of the Coalition for Energy Savings, a unique grouping that brings together businesses, local authorities and civil society organisations. It advocates a European energy policy that places a much greater, more meaningful emphasis on energy efficiency. Recent work has focused on resolving key legal questions in the implementation of the new Energy Efficiency Directive. We aim to ensure the directive achieves real energy savings, reducing the burden on the planet's finite resources. Our analysis has been used to counter attempts to weaken this important law. In 2013 we are expanding our work into Poland with the hire of a new energy efficiency lawyer to work on national-level implementation of energy efficiency rules and funding.

Green Investment Bank

We were a key partner in the UK Green Investment Bank campaign. After two years of work the world's first dedicated green bank is up and running. We played a key role in convincing the Government to establish the GIB in law, ensuring it had permanent status and improving its governance. We then worked closely with the Government and Transform UK to strengthen the law, securing a number of important developments. These include provision for the GIB to receive financial backing; ensuring the GIB's investments reduce greenhouse gas emissions; and achieving a step forward on granting it borrowing capabilities. The establishment of the Green Investment Bank realises a ground-breaking idea. The changes we pushed for were crucial to ensure it really drives the green economy while tackling climate change.

Decarbonisation of the EU power sector

We defended the Commission's reform of the Emissions Trading System, an essential effort to boost the price of carbon and take Europe one step closer to a healthy and sustainable energy mix.

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In a unique contribution to solving the challenge of decarbonising EU energy, we are part of the authors' group on the European Climate Foundation From Roadmaps to Reality project. This pragmatic project is identifying obstacles and solutions in the path to more sustainable power, and fits with our vision of a prosperous, low-carbon Europe.

Climate and Forests

Our forests are being decimated at an unprecedented rate. It is the strong desire of many to reverse this trend. Deforestation is a multi-faceted global challenge, but strong laws enforced both where trees are felled and where timber is sold can effectively manage and reduce the problem. We are working in Europe to support responsible sourcing of timber products. In Africa and Latin America we are helping forest communities maintain a strong seat at the negotiating table so they are involved in decisions that affect their forests.

EU Timber Regulation

Until now, those selling timber in Europe were not accountable for the legality of the wood they sold. Estimates suggest up to one-third of timber is illegally logged, with devastating economic, social and environmental consequences. The EU Timber Regulation (EUTR) could address this, as traders first placing timber on the EU market now bear the burden of ensuring it has been legally harvested. This novel approach works in combination with other EU laws and, if well implemented, could make timber trade fairer and more sustainable. In the long run it could also be adapted to other natural resources. ClientEarth is working to give it the best possible chance of success.

We have supported the EUTR at every stage with analyses and advocacy to governments, civil society and traders in the EU and timber-producing countries. Our work in 2013, including workshops in West Africa and supporting proper implementation in the EU, will be instrumental in protecting forests and human rights while giving consumers confidence that the wood they buy protects people and the planet.

Sustainable public procurement

Government buying accounts for 19% of the EU's annual GDP, amounting to trillions of Euros every year. Making the environment a priority for those holding the purse strings has extraordinary possibilities for the fight to protect the planet. Policymakers and civil society are beginning to realise this potential, and our work will ensure the revised Public Procurement Directive enshrines it. Our expertise was requested by the European Parliament's Rapporteur on the revision and much of it is reflected in the most recent report to their fellow MEPs.

It is not only the European Parliament that acts on our recommendations. The influence of our legal briefings is seen across the EU political spectrum, with many of our recommendations adopted by MEPs from diverse parties.

Bioenergy

Biofuels and biomass are often billed as integral the EU's low-emission energy future. ClientEarth is working to ensure they really do achieve their intended outcomes: in reality, current policy risks substantially raising CO2 emissions compared to traditional fossil fuels. Our advocacy was instrumental in getting the Commission to recognise this and propose a fix for the damaging side-effects of biomass production, a major driver of CO2 emissions.

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We also highlighted faulty assumptions about the 'carbon neutrality' of biomass, the wrongheaded driving force behind mass switching to biomass use in coal power stations. In fact, making this move under current policies would again raise CO2 emissions. We highlighted this critical risk and policymakers and NGOs have listened.

Biofuels have the potential to green Europe's energy mix, but sustainability standards are essential. In 2013 we will ensure these are developed and implemented correctly while using our legal and scientific expertise to improve current policies and inform new ones.

Forest rights and governance

Forests in Africa and Latin America account for almost one-third of the world's tree cover. The people living in and near these forests have a critical role to play in protecting them and cutting the huge carbon emissions caused by deforestation. At 20% of global carbon emissions, deforestation accounts for more CO2 release than the whole transport sector. We are helping forest-dependent communities strengthen their negotiating position in law and policy, supporting forest rights and governance with a mixture of advice, advocacy and mediation. From indigenous groups to international policymakers, we work with stakeholders at every level to ensure the sustainable management of forests and natural resources.

In West Africa we have analysed weaknesses in the laws protecting forests and forest communities. Our local partners are using this data to establish networks of lawyers, academics and civil society activists, all of whom are working to influence law and policy reform. We also work on trade deals which will ensure only legally logged timber is sold in the EU, ending the flood of money in lost taxes which flows away from developing countries every year.

In Latin America, the aim of our work was to improve forest governance by making sure safeguards are in place for the carbon emissions reduction scheme REDD+. Such safeguards need committed buy-in from local stakeholders if they are to work in harmony with existing forest protection plans. Our advocacy takes forest protection one step closer to success and we are collaborating with governments, indigenous people and civil society, as well as speaking on behalf of other NGOs at the international climate negotiations in Doha.

Environmental law and justice

Without access to information, civil society is powerless. We have been working to preserve the access we have and increase it, giving citizens the tools they need to uphold environmental law. In 2012, we protected access to information by standing shoulder to shoulder with policymakers and civil society, working with the Danish Presidency of the EU Council, the European Parliament's Rapporteur and Member States to ensure a major review of the EU's access to documents regulation did not erase earlier gains.

Collaborating with civil society, we took a leading role on the regulation's review, brokering negotiations between NGOs and policymakers. We worked with international financial watchdog Bankwatch to improve access to information at the European Investment Bank (EIB). We challenged attempts by the EIB, the European Central Bank and the EU Court of Justice to be excluded from the regulation on access to information; their request was subsequently quashed by the EU Presidency.

The EU consistently fails to provide access to justice for NGOs and citizens, as legal evaluation by our environmental justice team has shown. In June our campaigning was vindicated when the EU General Court agreed and ordered the Commission to improve access. Rather than accepting this

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ruling the Commission has appealed. We continue to push the Commission to comply, arguing that its appeal at best delays citizens' right of access to justice and, at worst, denies it all together.

Health and Environment

Toxics

Daily exposure to industrial chemicals is inevitable: from the food we eat, to the clothes we wear and the pillows we sleep on. ClientEarth is working to ensure that citizens are afforded their rightful access to information about the hazards and uses of chemicals in products so they can make informed buying choices and require decision makers to stop exposure to harmful chemicals. Our successful litigation and advocacy has forced the European Commission, the chemicals regulator, ECHA, and food safety regulator, EFSA, to become more transparent and accountable. Following our report in ECHA's shortcomings, we are now working directly with senior staff at the Agency to improve certain procedures and to address the perceived bias of ECHA in favour of the chemicals industry.

We work with NGOs and scientists to investigate the underpinnings of chemicals legislation in order to push for solutions which are in the public interest. We have provided a possible solution for the regulation of substances of new concern, such as nanomaterials. We have developed a legal strategy to support increasing calls for tighter regulation of endocrine disrupting chemicals through scientific and legal analysis of key information which underpins the regulatory treatment of five chemicals that are used in everyday products.

In addition, we have provided legal support for campaigners who are seeking a ban on the use of neonicotinoids, a type of pesticide which has been found to have significant adverse effects on bees and other pollinators. In collaboration with Pesticides Action Network Europe, we have started legal proceedings relating to a particularly noxious pesticide known as bifenthrin, by challenging the Commission to reconsider the authorisation of its use. This case intersects with our wider environmental justice work, demanding that the Commission observes access to justice laws put in place to protect people and the environment.

Clean air litigation

In late 2011, our case against the UK Government forced it to admit it was breaking air quality laws. However, the court did not order the Government to take action. In a fundamental misunderstanding of the law, the court ruled that it was for the European Commission to enforce EU environmental legislation. After a similar result in the Court of Appeal, the case was eventually referred to the Supreme Court – the highest court in the UK, which hears only cases of the greatest public or constitutional importance. The Supreme Court hearing took place in spring 2013. In May 2013, the Supreme Court declared that the Government is failing in its legal duty to protect people from the harmful effects of air pollution. This landmark decision in ClientEarth's case is a departure from the judgments of the lower courts and paves the way for the European Commission to take legal action against the UK. The Supreme Court confirmed that because the Government is in breach of the EU Air Quality Directive "the way is open to immediate enforcement action at national or European level". However, before deciding whether to take further action to enforce the law, it has referred a number of legal questions to the Court of Justice of the European Union.

In a coup for ClientEarth, the European Commission supported our interpretation of the law, confirming the UK must comply with air quality laws by 2015 at the latest. We are now working to cut air pollution in EU cities in partnership with NGOs, empowering them to bring cases before their national courts.

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2013: the 'Year of Air'

2013 has been designated the 'Year of Air', with all EU air quality laws planned for review. We are concerned that the UK will use this window to push for weaker air pollution controls. We are one of just five European NGOs included in a group of experts, otherwise mostly drawn from government and industry, which is being consulted by the European Commission on this crucial review. This puts us in a prime position to put forward proposals for stronger air quality laws and challenge any efforts to weaken them.

Awareness raising and campaigning

In early 2012 we took over coordination of the Healthy Air Campaign, a coalition of health, education and transport groups focused on cleaning up our air. The coalition pushes for greater awareness of Britain's air quality crisis and for strong government action to tackle the problem. Under our guidance the coalition has expanded and we are now looking to develop a national campaign to back our advocacy efforts in 2013.

In London, we are raising air pollution awareness by working directly with those groups most in danger, helping them demand stronger protection from the Government. We have mobilised older people, cyclists and families with young children, directing their outrage at policymakers and health authorities to demand action against this silent menace which prematurely kills 29,000 people every year in the UK.

Plans for future periods

During 2013 we intend to continue to develop our work within our five established programme areas of Biodiversity, Climate and Energy, Climate and Forests, Environmental Law and Justice, and Health and Environment. We will expand and deepen our educational and advocacy work, while interrogating environmental law and other legal frameworks to identify opportunities to effect systemic change.

Our objectives will be, among others:

- To ensure effective reform of the EU Common Fisheries Policy to protect our fisheries, and to coordinate efforts of the Sustainable Seafood Coalition to make substantial progress on responsible fish sourcing in the UK
- To continue opposing new, unabated coal power in Europe and to continue to support the EU's efforts to work towards a cleaner energy future
- To ensure effective use of legal frameworks to protect the planet's forests, in particular by continuing to improve the legal capacity of forest-dependent communities, and to engage with on-going efforts locally and internationally to ensure effective governance of forest use.
- To continue to scrutinise the actions of the EU institutions to ensure the full realisation of access to information and the courts in environmental matters.
- To ensure the EU's Year of Air serves as an opportunity to reinforce the need for strong regulation of air pollution and to challenge efforts to weaken current obligations.

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Structure, governance and management

The charity is a company limited by guarantee and is governed by its memorandum and articles of association. The trustees, who are also the directors for the purpose of company law, who served during the period, were:

Winsome McIntosh (chair)
Martin Stanley (treasurer)
Michael McIntosh
Stephen Hockman QC
The Honourable Emily Young
Mary Robert
Philip Harvey
Stewart Walton
Henry Tinsley
Brian Eno
Harvey Jones (appointed 24/05/2012)

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

New Trustees are identified and invited to join the Board of Trustees by the Chief Executive Officer and the Chair of the Board of Trustees. They are selected on the basis of their sympathy with ClientEarth's charitable objects, and their ability to further them as a Trustee. New Trustees are elected by resolution, approved by a majority of Trustees where a quorum is present.

New Trustees are provided with an induction pack containing relevant information regarding the charity, including the governing document, latest management reports and financials, together with charity commission guidance on the role and responsibilities of Trustees.

Trustees are eligible to remain on the Board of Trustees until the second annual retirement meeting following their appointment, after which time they become eligible to be reappointed by election.

The organisation is managed by the Trustees who meet twice a year during the spring and autumn. A finance committee is established which meets prior to each Board of Trustees meeting, and on an *ad hoc* basis between these meetings as required. Further sub-committees are in the process of being established, including communications and remuneration committees.

The Trustees are responsible for setting the overall programmatic and financial strategy of the charity and for approving the annual budget, but delegate the day-to-day management to the Chief Executive Officer, James Thornton, who is supported by a management team comprising Directors of Programmes, Development and Finance.

ClientEarth has three operational offices in London, Brussels and Warsaw. The London headquarters accommodates the majority of the core functions of the charity such as the CEO's office, finance, development, communications, human resources and administration teams. The charitable work of the organisation is structured by programme, which are led by Programme leaders in most instances, with larger programmes also incorporating Project leaders. This programme-centric structure is distributed across the three offices without reference to geographical location, so that teams may be dispersed in more than one office.

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The charity has a registered branch in Belgium.

ClientEarth's subsidiary undertaking, Fundacja ClientEarth Poland, is entirely controlled and funded by ClientEarth UK; the Board of Trustees comprise founders Winsome and Michael McIntosh and James Thornton, while the management board includes members of ClientEarth UK's management team and our Polish staff. Fundacja ClientEarth Poland's income is derived wholly from grants received from ClientEarth UK to carry out its charitable activities, primarily furthering the Climate and Energy Programme as described elsewhere in this report.

The charity has another subsidiary undertaking – a French foundation called ClientEarth France – which is also wholly controlled by ClientEarth UK. It remained dormant during 2012, undertaking no activity during the year and making no financial transactions.

Risk management

The Trustees confirm that they have examined the major strategic, business and operational risks which the organisation faces, and confirm that systems have been established to enable necessary steps to be taken to minimise these risks.

During 2012 significant advances were made in developing a comprehensive travel policy which is appropriate to the charity's new operations in the developing world. Furthermore, staff working in developing world countries undertook compulsory travel safety training provided by REDR.

The Trustees are committed to developing a more structured approach to risk management over the coming year. Following the Charity Commission Guidance CC26, the Trustees intend to develop a full risk management policy. This will allow the Trustees to better manage risks and to implement procedures designed to minimise any potential impact on the Charity should these risks materialise. It will also include a risk assessment process to be carried out around any new programmatic or operational endeavour.

Financial review

During the year ended 31 December 2012 the charity received total income of £3,276,402, which represents a 25% increase on 2011 (£2,624,442). Total expenditure also increased accordingly during the year to £3,172,042.

At the balance sheet date, the total funds held by the charity were £480,517, which represents a 28% increase on 31 December 2011 (£376,157). Restricted funds held at the year end grew by 66% to £378,428 (2011: £227,489). The unrestricted funds fell by 31% to £102,089 (2011: 148,668).

The charity's main source of income continues to be grants to fund our charitable activities. The grants are from charitable foundations and trusts in the UK, Europe and the USA, and from the UK and EU governments. The bulk of these grants are restricted to specific programmes of work, the details of which may be found in note 13 to the accounts.

While the encouraging pattern of year on year income growth continued during 2012, the charity experienced considerable financial changes during the year. In March 2012 the charity learned that its largest grant, an unrestricted operating grant from the European Commission's LIFE+ programme, had not been renewed. This represented a significant blow to unrestricted income, and therefore the core functions of the organisation. At the same time the charity successfully secured a large restricted grant from the UK Government's Department for International Development (DFID) for work in our Climate and Forests Programme. The upshot has been that while the general pattern

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
TRUSTEES' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2012

of income growth continued, the proportion of the charity's income that is unrestricted reduced by 71% to £465,157 (2011: £1,577,793). This has presented management challenges in terms of financing the core support functions of the organisation.

During the year, a major overhaul of the charity's internal financial systems was conducted, leading to significant improvements. The accuracy of organisational budgeting, the precision and timeliness of management accounts, and the ease of producing financial reports for grantors have all improved immensely. In the early autumn, the Trustees carried out a mid-term systems review, conducted by our Auditors, to ensure that the new systems were effective and running smoothly.

The Trustees are pleased to report that the difficulties the charity experienced with cash flow during 2010 and 2011 faded during the second half of 2012. The issue was primarily caused by the payment in arrears of the charity's largest grant from the European Commission, which was not renewed in 2012. The charity has now started to repay the programme-related loan made by The McIntosh Foundation to cover cash flow shortfalls. The balance outstanding at the year end was £191,480 (2011: £297,620).

Reserve policy

Accumulating an appropriate level of free reserves continues to be a major challenge for the charity. The Trustees adopted a reserves policy on 19 November 2009 which, in consideration of the financial risks to which the charity is exposed, sets the target level of free reserves at 4-6 months operating costs (which equates to £1,057,347 - £1,586,021 in 2012).

As mentioned above, 2012 saw the charity lose a significant proportion of its unrestricted income. This eventuality is one of the contingencies specified in the reserves policy as potentially requiring the charity to draw on its reserves. In light of these circumstances, the Trustees are satisfied that at the balance sheet date the free reserves held by the charity had only reduced by 9.5% in 2012, to £102,089 (2011: £112,852).


The current level of free reserves falls well short of the 4-6 months' operating costs target. The Trustees are giving serious consideration to possible strategies to grow the free reserves in the coming years so that they begin to approach the target level. This will allow the organisation to operate with greater financial security.

Auditors

A resolution proposing that Arram Berlyn Gardner be reappointed as auditors of the company will be put to the members.

On behalf of the board of trustees.

Trustee:
Dated:


15/05/2013

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
STATEMENT OF TRUSTEES' RESPONSIBILITIES**

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as the trustees are aware:

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

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

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLIENTEARTH**

We have audited the financial statements of ClientEarth for the year ended 31 December 2012 which comprise the consolidated Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets. 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 charity's Members, as a body, in accordance with Chapter 3 of Part 16 of The Companies Act 2006 and to the charity's trustees, as a body, in accordance with Section 151 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of ClientEarth for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

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

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2012 and of its 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 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

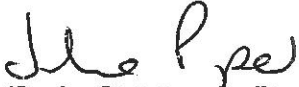
In our opinion the information given in the Trustees' Report for the financial year for which the accounts are prepared is consistent with the accounts.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF CLIENTEARTH**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.



**Julie Piper (Senior Statutory Auditor)
for and on behalf of Arram Berlyn Gardner**

Chartered Accountants

Statutory Auditor

30 City Road
London
EC1Y 2AB

Dated: 21 May 2013

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2012

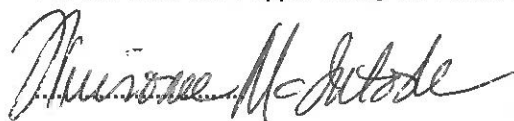
CONSOLIDATED SOFA		Unrestricted funds	Restricted funds	Total 2012	Total 2011
	Notes	£	£	£	£
<u>Incoming resources from generated funds</u>					
Voluntary income	2	408,740	489,452	898,192	347,246
Investment income	3	27	-	27	15
Charitable activities					
Biodiversity Programme		-	360,311	360,311	-
Climate & Energy Programme		28,989	349,610	378,599	-
Climate & Forests Programme		-	1,272,973	1,272,973	-
Health & Environment Programme		15,387	263,899	279,286	-
Environmental Law & Justice Programme		-	75,000	75,000	-
Charitable activities		-	-	-	2,271,185
Charitable activities	4	44,376	2,321,793	2,366,169	2,271,185
Other incoming resources	5	12,014	-	12,014	5,996
Total incoming resources		465,157	2,811,245	3,276,402	2,624,442
<u>Resources expended</u>					
6					
Costs of generating funds					
Costs of generating grants		80,886	65,422	146,308	224,592
Charitable activities					
Biodiversity Programme		78,645	593,937	672,582	-
Climate & Energy Programme		66,598	396,644	463,242	-
Climate & Forests Programme		181,429	1,254,226	1,435,655	-
Health & Environment Programme		47,498	261,309	308,807	-
Environmental Law & Justice Programme		19,101	82,768	101,869	-
Charitable activities		-	-	-	2,252,043
Total charitable expenditure		393,271	2,588,884	2,982,155	2,252,043
Governance costs		37,579	6,000	43,579	6,002
Total resources expended		511,736	2,660,306	3,172,042	2,482,637
Net (expenditure)/income for the year/ Net movement in funds		(46,579)	150,939	104,360	141,805
Fund balances at 1 January 2012		148,668	227,489	376,157	234,352
Fund balances at 31 December 2012		102,089	378,428	480,517	376,157

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
BALANCE SHEET
AS AT 31 DECEMBER 2012**

CONSOLIDATED BALANCE SHEET		2012		2011	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		-		35,816
Current assets					
Debtors	11	730,672		486,471	
Cash at bank and in hand		194,141		270,812	
		<u>924,813</u>		<u>757,283</u>	
Creditors: amounts falling due within one year	12	<u>(444,296)</u>		<u>(416,942)</u>	
Net current assets			<u>480,517</u>		<u>340,341</u>
Total assets less current liabilities			<u>480,517</u>		<u>376,157</u>
Income funds					
Restricted funds	13		378,428		227,489
Unrestricted funds	14		102,089		148,668
			<u>480,517</u>		<u>376,157</u>

The accounts were approved by the Board on 15th May 2013



Trustee

Company Registration No. 2863827

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Notes	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	10		-		35,816
Current assets					
Debtors	11	730,672		484,323	
Cash at bank and in hand		187,655		265,904	
		<u>918,327</u>		<u>750,227</u>	
Creditors: amounts falling due within one year	12	<u>(444,296)</u>		<u>(416,594)</u>	
Net current assets			<u>474,031</u>		<u>333,633</u>
Total assets less current liabilities			<u>474,031</u>		<u>369,449</u>
Income funds					
Restricted funds	13		378,428		227,489
Unrestricted funds	14		95,603		141,960
			<u>474,031</u>		<u>369,449</u>

The accounts were approved by the Board on 15th May 2013



Trustee

Company Registration No. 02863827

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

The charity has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small charity.

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 and the Companies Act 2006.

1.2 Basis of consolidation

The financial statements consolidate the results of ClientEarth and its wholly-owned subsidiary Client Earth Poland on a line by line basis. The Charity's wholly-owned subsidiary ClientEarth France has remained dormant since incorporation.

The results of subsidiaries sold or acquired are included in the Income & Expenditure account up to, or from the date control passes. Intergroup transactions are eliminated fully on consolidation.

A separate statement of the financial activities and Income & Expenditure account are not presented for the charity itself following the exemptions permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The total incoming resources for the charity for the year ended 31 December 2012 were £3,276,402 (2011: £2,623,161) with the positive movements in funds being £104,582 (2011: £140,280).

1.3 Incoming resources

Donations, legacies and other forms of voluntary income are recognised as incoming resources when received by the charity. All income is shown gross, with associated costs analysed under the relevant cost headings.

Gifts in kind are recognised in the accounts as a donation received and expenditure incurred. These gifts are recorded at their market value of the service or goods provided.

Value added tax is not recoverable by the charity, and as such is included in the relevant costs in the Statement of Financial Activities.

Grants received with both a restricted and unrestricted purpose are allocated on receipt directly into the correct fund and are not transferred between restricted and unrestricted funds. Grants due in the year, but not received are recognised based on the charity's entitlement to the grant.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

1 Accounting Policies

(continued)

1.4 Resources expended

Resources expended are recognised in the period in which they are incurred.

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

Support costs comprising the salary and overheads costs of the central function are apportioned to each activity on the following per capita basis:

Costs of generating funds	5.20%
Biodiversity	20.20%
Climate and energy	17.10%
Climate and Forests	40.36%
Health and environment	12.08%
Environmental law and justice	5.06%

Governance costs include all costs of compliance with constitutional and statutory requirements, including legal, audit fees and the costs of board meetings.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment over 3 years on a straight line basis

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.

1.6 Pensions

The charity operates a defined contributions pension scheme. Contributions are charged in the accounts as they become payable in accordance with the rules of the scheme.

1.7 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in net outgoing resources.

1.8 Accumulated funds

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Donations and gifts	199,067	247,152	446,219	223,925
Grants receivable for core activities	209,673	242,300	451,973	123,321
	<u>408,740</u>	<u>489,452</u>	<u>898,192</u>	<u>347,246</u>

3 Investment income

	2012 £	2011 £
Interest receivable	<u>27</u>	<u>15</u>

4 Incoming resources from charitable activities

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Grants and project work	<u>44,376</u>	<u>2,321,793</u>	<u>2,366,169</u>	<u>2,271,185</u>

2012 Income has been analysed on the SOFA by programme for clarity. The 2011 figures are not restated.

5 Other incoming resources

	2012 £	2011 £
Other income	<u>12,014</u>	<u>5,996</u>

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

6 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2012 £	Total 2011 £
Costs of generating funds					
Costs of generating grants	117,649	1,487	27,172	146,308	224,592
Charitable activities					
<u>Charitable activities</u>					
Activities undertaken directly	1,674,635	-	1,014,094	2,688,729	1,883,540
Support costs	287,107	6,319	-	293,426	368,503
Total	1,961,742	6,319	1,014,094	2,982,155	2,252,043
Governance costs	-	-	43,579	43,579	6,002
	2,079,391	7,806	1,084,845	3,172,042	2,482,637

Audit fees (including VAT) charged to the Income and Expenditure account amounted to £8,000 (2011: £6,000) and fees paid/accrued to the auditors for non-audit services amounted to £19,780 (2011: £28,800). 2012 costs have been analysed on the SOFA by programme for clarity. The 2011 figures are not restated.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

Total resources expended - by programme

	Costs of generating funds	Biodiversity Programme	Climate & Energy Programme	Climate & Forests Programme	Health & Environment Programme	Health & Environment Programme	Law & Justice Programme	Support Costs	Governance costs	Total
Expenditure										
Personnel and recruitment	118,299	368,314	237,449	753,968	183,487	70,971	296,744	-	2,029,232	
Consultants and external assistance	3,911	28,449	35,856	74,456	27,673	3,911	16,621	-	190,877	
Travel, events and meetings	4,603	34,506	21,945	117,601	10,526	3,227	6,380	23,137	221,925	
Publications, subscriptions, memberships and trainings	1,729	71,634	6,265	22,754	5,636	1,880	4,090	-	113,988	
Premises and office running costs	8,734	75,417	95,329	217,802	26,540	9,098	37,124	421	470,465	
Accounting and professional fees	814	4,761	4,145	8,513	2,036	814	3,463	20,021	44,567	
Bank charges	106	449	370	991	264	106	449	-	2,735	
Exchange rate gains/(losses)	1,598	6,793	5,595	13,587	3,996	1,598	6,793	-	39,960	
Depreciation	1,487	6,319	5,204	12,638	3,717	1,487	6,319	-	37,171	
Bad debts	-	-	-	21,100	-	-	-	-	-	21,100
Overhead recharge	(11,441)	10,068	(4,907)	57,208	5,409	(7,691)	(48,624)	-	22	
	129,840	606,710	407,251	1,300,618	269,284	85,401	329,359	43,579	3,172,042	
Support Costs allocated to activities	16,468	65,872	55,991	135,037	39,523	16,468	(329,359)	-	-	
Total	146,308	672,582	463,242	1,435,655	308,807	101,869	-	43,579	3,172,042	

CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

7 Governance costs

	2012	2011
	£	£
Statutory accounts and audit	13,200	6,000
Mid-year accounting system review	4,200	-
Statutory accounting fees Poland	1,557	-
Trustees' travel costs	14,309	-
Board meetings costs	8,828	-
Trustees' liability insurance	1,032	-
Other costs	453	2
	<u>43,579</u>	<u>6,002</u>

The Marked increase in governance costs in 2012 compared with 2011 is largely down to a more accurate assignment of expenditure to this category, rather than a material increase in the amount the charity expended on governance. A breakdown of expenditures allocated to governance costs is therefore provided for clarity.

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £14,309 (2011: £18,034) of expenses were reimbursed to M McIntosh and W McIntosh relating to travel and accommodation costs for attending trustees meetings. These costs were covered by an unrestricted grant to the charity from the McIntosh Foundation.

**CLIENTEARTH
 COMPANY LIMITED BY GUARANTEE
 NOTES TO THE ACCOUNTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2012**

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2012	2011
	Number	Number
Restricted funds projects	34	17
Unrestricted funds projects	9	20
	<u>43</u>	<u>37</u>

Employment costs

	2012	2011
	£	£
Wages and salaries	<u>2,079,391</u>	<u>1,687,696</u>

The number of employees whose annual remuneration was £60,000 or more were:

	2012	2011
	Number	Number
£60,000 - £70,000	5	5
£90,000 - £100,000	-	1
£100,000 - £110,000	1	-
	<u>1</u>	<u>1</u>

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £50,866 (2011: 75,000).

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

10 Tangible fixed assets			
Group and Parent			Fixtures, fittings & equipment £
Cost			
At 1 January 2012			119,216
Additions			1,354
At 31 December 2012			120,570
Depreciation			
At 1 January 2012			83,400
Charge for the year			37,170
At 31 December 2012			120,570
Net book value			
At 31 December 2012			-
At 31 December 2011			35,816
11 Debtors		2012	2011
		£	£
Group			
Accrued income		647,512	418,582
Prepayments and other debtors		83,160	67,889
		730,672	486,471
Parent			
Accrued income		647,512	416,434
Prepayments and other debtors		83,160	67,889
		730,672	484,323

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

12 Creditors: amounts falling due within one year	2012	2011
	£	£
Group		
Other creditors	251,990	290,292
Accruals	192,306	126,650
	444,296	416,942
	<hr/>	<hr/>
Parent		
Other creditors	251,990	290,292
Accruals	192,306	126,302
	444,296	416,594
	<hr/>	<hr/>

CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

13 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

Group	Movement in funds			Balance at 31 December 2012
	Balance at 1 January 2012	Incoming resources	Resources expended	
	£	£	£	£
Arcadia Fund	-	77,972	(31,944)	46,028
Common Fisheries Policy Reform - donation	-	185,000	(167,182)	17,818
Fish Fight Campaign - donation	-	62,152	(61,371)	781
Oak Foundation	56,970	100,775	(86,954)	70,791
The Walton Family Foundation - Sustainable Seafood Coalition	22,362	181,564	(190,981)	12,945
The European Climate Foundation - 1	-	327,091	(327,091)	-
The European Climate Foundation - 2 and 3	-	22,520	(22,520)	-
Adessium Foundation - Commodity Drivers of Deforestation	42,899	220,010	(192,652)	70,257
Climate and Land Use Alliance	6,910	95,629	(64,830)	37,709
DG Development and Cooperation - EuropeAid	(2,423)	49,753	(46,306)	1,024
The International Tropical Timber Organization	-	44,146	(30,525)	13,621
DFID - EU Timber Regulation	-	227,526	(258,824)	(31,298)
DFID - FLEGT Africa	-	325,124	(318,354)	6,770
DFID - REDD+ Safeguards Latin America	-	310,783	(315,563)	(4,780)
The City Bridge Trust	-	38,250	(28,949)	9,301
ClimateWorks Foundation	-	18,501	(16,859)	1,642
European Environment Health Initiative	-	41,800	(41,783)	17
Global Greengrants Fund	70,262	140,349	(140,013)	70,598
Kenneth Miller Trust	-	25,000	(208)	24,792
The Sigrid Rausing Trust	24,561	75,000	(68,481)	31,080
Adessium Foundation - Aarhus Centre	-	-	(668)	(668)
Esmée Fairbairn Foundation	-	155,000	(155,000)	-
The Walton Family Foundation - core grant	-	47,300	(47,300)	-
The John Ellerman Foundation	-	30,000	(30,000)	-
The Bromley Trust	-	10,000	(10,000)	-
Ecology Trust	5,948	-	(5,948)	-
	227,489	2,811,245	(2,660,306)	378,428

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

13 Restricted funds

(continued)

Parent	Movement in funds			Balance at 31 December 2012
	Balance at 1 January 2012	Incoming resources	Resources expended	
	£	£	£	£
Arcadia Fund	-	77,972	(31,944)	46,028
Common Fisheries Policy Reform - donation	-	185,000	(167,182)	17,818
Fish Fight Campaign - donation	-	62,152	(61,371)	781
Oak Foundation	56,970	100,775	(86,954)	70,791
The Walton Family Foundation - Sustainable Seafood Coalition	22,362	181,564	(190,981)	12,945
The European Climate Foundation - 1	-	327,091	(327,091)	-
The European Climate Foundation - 2 and 3	-	22,520	(22,520)	-
Adessium Foundation - Commodity Drivers of Deforestation	42,899	220,010	(192,652)	70,257
Climate and Land Use Alliance	6,910	95,629	(64,830)	37,709
DG Development and Cooperation - EuropeAid	(2,423)	49,753	(46,306)	1,024
The International Tropical Timber Organization	-	44,146	(30,525)	13,621
DFID - EU Timber Regulation	-	227,526	(258,824)	(31,298)
DFID - FLEGT Africa	-	325,124	(318,354)	6,770
DFID - REDD+ Safeguards Latin America	-	310,783	(315,563)	(4,780)
The City Bridge Trust	-	38,250	(28,949)	9,301
ClimateWorks Foundation	-	18,501	(16,859)	1,642
European Environment Health Initiative	-	41,800	(41,783)	17
Global Greengrants Fund	70,262	140,349	(140,013)	70,598
Kenneth Miller Trust	-	25,000	(208)	24,792
The Sigrid Rausing Trust	24,561	75,000	(68,481)	31,080
Adessium Foundation - Aarhus Centre	-	-	(668)	(668)
Esmée Fairbairn Foundation	-	155,000	(155,000)	-
The Walton Family Foundation - core grant	-	47,300	(47,300)	-
The John Ellerman Foundation	-	30,000	(30,000)	-
The Bromley Trust	-	10,000	(10,000)	-
Ecology Trust	5,948	-	(5,948)	-
	<u>227,489</u>	<u>2,811,245</u>	<u>(2,660,306)</u>	<u>378,428</u>

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

Biodiversity programme

Arcadia Fund

Support to build the charity's capacity to engage actively in the European Union (EU)'s Common Fisheries Policy (CFP) reform process.

Donation – EU CFP reform

Support for the charity's advocacy work around the EU's CFP reform.

Donation – Fish Fight newspaper campaign

To support a newspaper advertisement campaign in conjunction with Fish Fight.

Oak Foundation

Support for the charity's advocacy work around the EU's CFP reform.

The Walton Family Foundation – Sustainable Seafood Coalition

Support for the Sustainable Seafood Coalition, a partnership with major seafood buyers to advance seafood sustainability in the United Kingdom.

Climate and energy programme

European Climate Foundation – 1

General support for the climate and energy programme, including work on power, energy efficiency, EU climate policies and transport.

European Climate Foundation – 2

To research and analyse information included in the Polish government's investment plan as part of its request for derogations under Article 10c of the Emissions Trading Scheme (ETS) Directive.

European Climate Foundation – 3

To enable environmental NGO engagement with the Polish Ministry of Environment in a positive dialogue about the future of the national energy sector.

Climate and forests programme

Adessium Foundation – Commodity Drivers of Deforestation

Support for the 'Commodity Drivers of Deforestation' project, aimed at strengthening European efforts to reduce forest degradation through appropriate trade policies and other measures.

Climate and Land Use Alliance (CLUA)

To ensure the effective implementation and enforcement of the EU Timber Regulation (EUTR) through the provision of legal and policy services to EU institutions and member states.

DG Development and Cooperation – EuropeAid

Support for the 'Strong Seat at the Table' project aimed at securing effective participation of forest-dependent communities and civil society organisations in the EU's Forest Law Enforcement Governance and Trade (FLEGT) Programme in Africa.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

The International Tropical Timber Organization (ITTO)

Support to design a programme for capacity building and meaningful stakeholder participation in forest governance and the United Nations' Reducing Emissions from Deforestation and Forest Degradation (REDD+) Programme in Honduras and Guatemala.

UK Department for International Development (DFID)

Support for the climate and forests programme through DFID's Forest Governance Markets and Climate (FGMC) Programme, comprising three strands:

DFID – EU Timber Regulation

Ensuring the effective implementation and enforcement of the EU Timber Regulation.

DFID – FLEGT Africa

Supporting civil society and forest community organisations in Ghana, Republic of Congo and Gabon engaged in processes related to FLEGT and REDD+.

DFID – REDD+ Safeguards Latin America

Ensuring the effective implementation of REDD+ safeguards by forest countries in Latin America.

Health and environment programme

The City Bridge Trust

Support for an educational programme to promote the improvement of air quality in London.

ClimateWorks Foundation – via Deutsche Umwelthilfe e.V. (DUH)

Support for the charity's 'Black Carbon Campaign', setting up a strategy for national campaigning on black carbon.

European Environment Health Initiative (EEHI)

To advance EU leadership on endocrine disrupting chemicals through innovation and international engagement.

Global Greengrants Fund

Support for work on the enforcement and implementation of the EU Regulation on the Registration, Evaluation, Authorisation and restriction of Chemicals (REACH), with the ultimate aim of reducing the quantity of toxic chemicals on the market.

Kenneth Miller Trust

Support for the healthy air programme, in particular the 'UK Healthy Air Campaign'.

Environmental law and justice programme

The Sigrid Rausing Trust

General support for the environmental law and justice programme.

Adessium Foundation – Aarhus Centre

Support for the 'Aarhus Centre' project to further develop the Brussels-based EU Aarhus Centre, which aims to promote the accountability, transparency and good governance of EU institutions to ensure that citizens are able to exercise their rights as granted by the Aarhus Convention.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

Restricted core grants

Esmée Fairbairn Foundation

For general support of the charity.

Walton Family Foundation – Core

For general support of the charity.

The John Ellerman Foundation

For general support of the charity.

The Bromley Trust

For general support of the charity.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2012

**14 Analysis of net assets between funds
Group**

	Unrestricted funds	Restricted funds	Total
	£	£	£
Fund balances at 31 December 2012 are represented by:			
Current assets	546,385	378,428	924,813
Creditors: amounts falling due within one year	(444,296)	-	(444,296)
	<u>102,089</u>	<u>378,428</u>	<u>480,517</u>

Parent

	Unrestricted funds	Restricted funds	Total
	£	£	£
Fund balances at 31 December 2012 are represented by:			
Current assets	539,899	378,428	918,327
Creditors: amounts falling due within one year	(444,296)	-	(444,296)
	<u>95,603</u>	<u>378,428</u>	<u>474,031</u>

15 Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within one year	-	-	7,142	-
Between two and five years	173,033	124,232	15,292	10,460
	<u>173,033</u>	<u>124,232</u>	<u>22,434</u>	<u>10,460</u>

CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

16 Subsidiary undertaking

Foundation ClientEarth Poland, a foundation incorporated in Poland is a 100% subsidiary of ClientEarth. The foundation does not have any share capital and therefore no investment is shown in the parent only balance sheet.

ClientEarth France, a foundation incorporated in France is a 100% subsidiary of ClientEarth. The foundation does not have any share capital and therefore no investment is shown in the parent only balance sheet.

All funding given by ClientEarth is shown as grants received in ClientEarth Poland. The results are fully consolidated in these accounts, net assets £27,517 (2011: £6,706), surplus reserves £27,517 (2011: £6,706).

17 Related parties

During the year the charity received an unrestricted grant of £124,673 from The McIntosh Foundation (2011: £123,321), a foundation of which Winsome and Michael McIntosh (trustees) are also trustees. The charity received an interest-free programme related loan from The McIntosh Foundation to cover cash flow during 2010-2011, which the charity started to repay during 2012. The balance outstanding at the year end was £191,480 (2011: £297,620)

During the year the charity received restricted grants totalling £228,864 from the Walton Family Foundation (2011: £103,180), a foundation of which Steuart Walton (a trustee) is also a trustee.

During the year the charity received an unrestricted grant of £150,000 from The J. Van Mars Foundation (2011: £150,000), a foundation of which the four members of the band Coldplay (patrons) are trustees. Also, Phil Harvey (a trustee) is the creative director of the band.

During the year the charity received an unrestricted grant of £40,000 from the Holly Hill Charitable Trust (2011: £60,000), a trust of which Martin Stanley (a trustee) is also a trustee.

During the year charity received an unrestricted grant of £25,000 from The Tinsley Foundation (2011: £10,000), a foundation of which Henry Tinsley (a trustee) is also a trustee.

Client Earth France, a French foundation was formed during 2011. The foundation is 100% controlled by ClientEarth and the foundation had no transactions during the year.

Foundation ClientEarth Poland is 100% controlled by ClientEarth and a grant of £206,019 (2011: £201,053) was made to the Polish foundation during the year.