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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 2011

**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 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 2011

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 2011. 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.

Public Benefit:

The charity has kept in mind the Charities Commission 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 through the 'Objectives' and 'Programme Areas' sections of the report.

Objectives:

To promote and encourage the enhancement, restoration, conservation and protection of the environment, including the protection of human health, for the public benefit.

To promote, assist, 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, or any human activity on the environment and to disseminate the useful results of such research.

We will achieve these goals through lobbying; litigation and research consistent with our charitable objects under our programme areas (see 'Programme Areas').

In 2011 we...

- Launched our Polish office

On 25 January we officially opened our Warsaw office. Our Polish team works for the protection of Poland's biodiversity and its unique ancient forests, and to support Poland to be part of a sustainable low-carbon energy future.

- Took the UK Government to the High Court

Our judicial review against UK Government for failing to protect people's health from air pollution was heard in London's High Court. This forced the Government launch a public consultation on their pollution plans and to admit they are breaching their responsibilities.

- Helped businesses to change

We launched the Sustainable Seafood Coalition with the UK's biggest supermarkets. The Coalition, including Tesco, Waitrose, Morrisons, Sainsbury's, and Marks & Spencer, is working to agree higher standards for sustainability labelling and for stores to stock a more diverse range of sustainable fish.

- Challenged Poland for bending the law for new coal power plants

We brought a series of legal challenges when Polish authorities issued greenhouse gas emissions permits to 13 ineligible, un-built fossil fuel power plant projects in breach of EU and national law.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

- Worked with Hugh Fearnley-Whittingstall to fight against fish discards

We worked closely with celebrity chef Hugh Fearnley-Whittingstall's Fish Fight television campaign against fish discards. The online petition now has over 760,000 signatures. We provided strategic, scientific and legal advice on campaign initiatives.

- Worked to stop overfishing

As the European Commission released their proposal for a revision of Europe's disastrous common fisheries policy we produced a major series of briefings showing how the law could be strengthened to stop overfishing.

- Began working in Africa

We successfully established our work programme with civil society organisations in Ghana, Gabon and Congo to advocate legal reform and to empower communities.

- Made Europe more transparent

We took the European Food Safety Authority to the European Court of Justice and forced them to reveal how independent science is ignored when allowing pesticides to get into citizens' food. Meanwhile, our case against the European Chemicals Agency persuaded them to make the names of chemical producers public.

- Got young people involved

We launched the Declaration of Young People's Rights to a Healthy Planet with the Zoological Society of London at Selfridges department store in London to help the next generation to demand change from world governments.

- Supported climate action in the United States

We submitted the first friend-of-the-court brief by a European organisation in an environmental case in the U.S. Our brief explained how the U.S. could learn from Europe to adopt greenhouse gas regulations without harming the economy.

- Helped NGOs

We launched the European Union Aarhus Centre to provide advice to Europe's environmental groups and citizens on rights to access information, participation and the courts. We also hosted a series of Brussels-based workshops providing NGO partners with guidance and tools to pursue access to information and documents.

- Showed the way to a green economy

We launched a major report in the Houses of Parliament explaining how the UK's proposed Green Investment Bank could be made to better promote confidence in sustainable investments.

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

FOR THE YEAR ENDED 31 DECEMBER 2011

Message from the Chair

Six years ago, as James and I put together a business plan for establishing the first public interest law charity in Europe, I would ask friends and associates in London what they thought. Their reaction was one of scepticism, patiently telling me that "such a strategy would not work in their culture". After all, they were not litigious by nature the way Americans were. I thought long and hard about this reaction and decided that the term "public interest law" was probably not well understood.

According to the Webster's New World Dictionary, **public interest** means "the people's general welfare and well being; something in which the populace as a whole has a stake." **Law** essentially represents the mores by which a civil society wishes to live and be governed. It is a system of rules and guidelines which are enforced through social institutions to govern behaviour, wherever possible. It shapes politics, economics and society in numerous ways and serves as a social mediator of relations between people.

ClientEarth is the people's law group acting on behalf of and representing the people's environmental values.

Yes, public interest law is about litigation, when needed. After all, if the people choose to govern themselves with "rules" (law), then those people should expect enforcement of those "rules" (laws). Litigation (law suits) is the means to insure that the laws are followed as intended.

As an authority on environmental law, ClientEarth educates the public through the Aarhus Centre and media outreach. As a public interest ombudsman, ClientEarth advocates for governments to pursue good public policy and strong laws. As a group of environmental legal experts, ClientEarth strengthens the work of the wider NGO community with legal advice and action. As a public interest watchdog, ClientEarth seeks transparency and accountability at all levels of decision-making of governments.

My opening sentence mentioned "business plan". It is one thing to creatively work with law and design programme with the goal of long lasting systemic change. It is quite another to manage a fast growing number of staff and offices to meet the demand for ClientEarth services. Hence, I want to highlight the less sexy but ultimately essential attention to business management that was underway through 2011. After a year-long attention to institutionalizing the management of money, personnel, programme, administration, and development, ClientEarth has been reorganized into a structure that will meet the needs of its staff, board, partners, and charitable standing. ClientEarth has grown into a highly professional legal non-profit group that passes the test and earns the trust of its supporters. I think I can speak for our Board in praising extraordinary work accomplished with the passion of good that it represents. Well done ClientEarth!

Winsome McIntosh
Chair of the Board of Trustees

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

FOR THE YEAR ENDED 31 DECEMBER 2011

Message from the Chief Executive

Growth and progress were our experience at ClientEarth in 2011. We continued to grow. Our income rose by sixty percent. We officially opened our Warsaw office. And we added a substantial number of new staff to our team across Europe.

We had wins in court in Poland and at the EU level. We had successes in parliaments in Brussels, London and Warsaw. We built a unique coalition of supermarkets in the UK to improve the sustainability of fisheries. We were deeply involved in efforts to create a UK green investment bank. We began to work on forest issues in Central Africa.

Our reputation also grew, as more law and policy makers, more judges and more NGOs come to trust our work and to turn to us for expertise. We are seen as a team who can find sound solutions to tough environmental problems. People are beginning to appreciate that we can turn policy into law. And that we then implement and enforce it.

As our team and finances grew, we also realized that we needed to work just as hard on the less glamorous task of building the organization. As our team expanded not only in size but geographically, we needed to create a set of structures that allowed us to preserve our core values.

We started by strengthening our finance, development and communications teams so that they could operate with the same high professionalism as our legal teams. We then had the entire staff participate in articulating our vision, mission and values.

These values have guided us in creating an organizational structure that is relatively flat. We give room to our staff to use their legal skills for the rights of the planet, its people and ecosystems. We encourage our staff to be entrepreneurial. We challenge them to be creative in finding workable solutions to hard problems. This unique business model gives our lawyers the opportunity to become world experts in their fields.

Our work in building the organization continues. We expect further growth in 2012, growth which will now occur in a well structured organization, one that works as a single entity across borders, rapidly learning and sharing information and strategy.

We occupy a unique niche in Europe. And we are moving beyond. We are now working in Africa and will soon be working in Latin America too. We are ready for this growth. We are ready to bring our skills to the issues, and the power of the law to addressing the foremost problems of our time.

James Thornton
CEO

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

FOR THE YEAR ENDED 31 DECEMBER 2011

2011: an overview

In 2011 we continued to expand rapidly while securing our existing strengths. Our unique position as Europe's leading legal experts on environmental issues continues to gain recognition. This has been reflected in our support: our income rose by 60 per cent in 2011. We have invested this in growth (we increased our office space, employed more staff, and officially launched our Polish office) and in strengthening our infrastructure.

In January we opened the doors to our Polish office and launched a report providing advice on how to protect Poland's remarkable and fragile biodiversity. Poland has the biggest population and economy in Eastern Europe. Our Warsaw team also works to support Poland to be part of a sustainable low-carbon energy future.

January also saw the launch of our report on the mislabelling of seafood products in the UK. We brought together the UK's major supermarkets into a coalition working to achieve sustainable seafood sourcing. We continue to support Hugh Fearnley-Whittingstall's Fish Fight campaign with scientific, legal and campaign advice. The 760,000 people who signed up to the campaign demonstrate the public appetite for ensuring resilient seas and sustainable fishing practices. We published a series of legal and scientific briefings explaining how this can be achieved through radical and effective reform of Europe's common fisheries policy.

In April we opened the European Union Aarhus Centre, a body dedicated to promoting environmental justice and citizens' rights within the EU. We successfully took the European Food Safety Authority to the European Court of Justice for withholding information about pesticides and food – a victory for consumers and a breakthrough for access to information.

Our forest team continues work against global deforestation – on the EU Timber Regulation, public procurement law, and laws compelling increased demand for bioenergy. We have begun working with African forest communities to improve forest governance and made a significant impact on debates in Durban on the content and role of social and environmental safeguards for REDD+ (REDD+ aims at reducing emissions from deforestation as part of the United Nations Framework Convention on Climate Change).

We submitted the first ever environmental 'friend-of-the-court' brief by a European organisation in a U.S. environmental legal case, launched a comprehensive legislative model for the UK's Green Investment Bank in the UK Parliament, and challenged the Spanish government on its artificial support for its coal industry.

In December we rounded off the year in the UK's High Court where our judicial review forced the Government to admit that they are breaching laws put in place to protect people's health.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Programme areas

Biodiversity

Marine Biodiversity

Throughout the year we continued to work with celebrity chef Hugh Fearnley-Whittingstall's television campaign "Fish Fight" providing them with legal and scientific advice. The campaign now has over 760,000 individual supporters. In January we released report looking at the findings of our investigation into misleading environmental labels on fish products sold in UK supermarkets. This work featured in the programmes on Channel 4, when Hugh confronted the supermarket Tesco with its findings.

The report also showed supermarkets how they could overcome inconsistencies in their seafood labelling. Within four months the UK's biggest supermarkets and seafood retailers had joined our Sustainable Seafood Coalition. The Coalition, which includes Tesco, Waitrose, Morrisons, Sainsbury's, and Marks & Spencer, is working to agree higher standards for sustainability labelling and for stores to stock a more diverse range of sustainable fish.

Our collaboration with Fish Fight also led us to put together a letter campaign urging UK citizens to write to their MPs urging them to support an Early Day Motion in the House of Commons. The EDM, which we wrote in collaboration with our patron, the Member of Parliament Zac Goldsmith (which attracted the second highest number of MP's signatures of any EDM in the Parliamentary session) allowed us to put together a discards and common fisheries policy motion to the House which was passed by the politicians.

Revision of Europe's disastrous common fisheries policy (CFP) also began in earnest in 2011. In July, Fisheries Commissioner Maria Damanaki announced the European Commission's proposal for a new CFP saying "75 per cent of EU fish stocks are still overfished... if we don't make structural changes to the way we do business now, we will lose one fish stock after the other." ClientEarth immediately looked at the scientific and legal ways in which the proposal could be strengthened to stop overfishing, and we have been working to help Europe's parliamentarians get it right and continue to do so into 2012.

The year ended with further collaboration with Fish Fight, when we enabled the public to write to their elected officials. This time over 60,000 e-mails were sent to Members of the European Parliament, letting them know that their constituents care about the future of fish and urging them to vote. Look out for further collaboration like this in 2012.

EU biodiversity

In January the UK Parliament's Energy and Climate Change Committee released a report looking at the implications of the Gulf of Mexico oil spill. ClientEarth gave evidence to them in 2010. The parliamentary committee agreed with us that oil spill liability and compensation systems across Europe are grossly inadequate and that taxpayers would have to pick up the bill in future spills.

In May we made detailed submissions to the European Commission's consultation on the EU's legal framework for oil drilling, and at the end of the year saw a number of our suggestions reflected in the Commission's proposals for a new offshore safety and environmental protection law.

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Environmental law and justice

This year we helped more NGOs to negotiate the often complicated processes for gaining access to information from Europe's institutions and governments. The major programme development was to set up the European Union Aarhus Centre headed by Professor Ludwig Kramer. The Centre, based in our Brussels office, focuses on ensuring effective implementation of the Aarhus Convention, a law to help citizens gain access to information and public participation in decision-making. We look forward to helping more NGOs through the centre in 2012.

Another ongoing campaign for us concerns a proposal from the European Commission that will restrict citizens' rights to information. We put together a campaign calling for Members of the European Parliament to protect the transparency of the EU and were backed by around 250 NGOs and investigative journalists who will be important allies as the campaign continues into next year.

We challenged the refusal of the European Commission to provide us access to studies on the way EU Member States transpose environmental directives into national law. Once before the Court the Commission gave us partial access, but refused to disclose studies in which the consultants found that the transpositions weren't done correctly. We're still challenging this decision as we think citizens have the right to know how their governments transpose EU environmental law into national legislation.

We have continued to monitor the European Investment Bank (EIB), the EU's long term lending institution. The EU has adopted a decision on the conditions under which the EIB can lend to developing countries for the promotion of projects outside the EU. This will now benefit from being underwritten by the EU. We managed to insert some guarantees about transparency and better monitoring of the loans made by the EIB and will continue to watch throughout 2012.

Climate and Energy

EU action on climate

The political context for EU action on climate remained challenging in 2011. As the Commission sought ways to move forward in the face of resistance from some Member States and industry, ClientEarth assessed the legal options and put forward proposals on how to tighten the cap on greenhouse gas emissions under the EU emissions trading scheme in response to the financial crisis and excess allowances in the system. The Commission's preferred approach for a set-aside of allowances achieves a similar result and should be introduced in 2012.

In the energy efficiency arena, we continued work with the Coalition for Energy Savings, a broad coalition of civil society and business stakeholders, to influence the EU Energy Efficiency Directive. Progress was made in the European Parliament's industry committee to improve the Commission's proposal, and our expert advice to the legislators resulted in a positive vote on a number of our amendments on energy efficiency in public procurement.

In September 2010, the European Commission declared Spanish subsidies for power stations using domestic coal legal. This decision could open the door for other member states to prop up their coal sectors at the expense of progress on climate change. We applied to intervene in five cases at the EU General Court to present the environmental side of the case. These cases will progress in 2012.

F-gases, found in products such as refrigerators and air-conditioning units, have a severe effect on climate change but their effects are short lived; limiting their use could achieve swift and meaningful gains in

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Europe's efforts to tackle climate change. Our report showed how cost-effective regulation of these 'super-greenhouse gases' could mitigate the equivalent of five billion tonnes of carbon dioxide.

We also presented legal research to a high level gathering of stakeholders successfully demonstrating how the EU could introduce measures to reduce greenhouse gas emissions from maritime shipping in line with EU and international law. The Commission recognised our contribution demonstrating the legality of EU action and our work has cleared the way to deal with international shipping's climate-forcing emissions.

Green Investment Bank

According to our partner organisation Transform UK, our legal and policy work was 'crucial' to securing a government commitment to establishing the Green Investment Bank in legislation. We showed that the Green Investment Bank needs to be set in legislation to secure its independence, permanence and to instil investor confidence for the future. We developed detailed legislative proposals to show how it can be done. We launched this in a report in the House of Commons where our director of programmes, Karla Hill, made a speech alongside the UK's first Green Party MP, Caroline Lucas. The Government is drafting legislation to be released in 2012.

Sustainable energy future in Poland

Starting in January we worked with the Polish climate coalition to promote ambitious national action on energy efficiency in the Polish parliament, and achieved some important success with improvements to the Polish Energy Efficiency Act 2011.

In June, the Polish government adopted legislation with the aim of securing valuable free emissions allowances for its power sector in breach of EU and national law. We brought a series of legal challenges when Polish authorities subsequently issued greenhouse gas emissions permits to 13 ineligible, un-built coal fossil fuel power plant projects. On behalf of a group of NGOs, we also submitted a complaint to the European Commission about Poland's incorrect transposition of the EU emissions trading scheme directive, and after extensive investigations in Poland, submitted 100s of pages of evidence to the Commission demonstrating that the projects do not satisfy legal criteria for free allowances. The cases will be decided in 2012.

We have also raised concerns about failures to properly assess the environmental impacts of projects. In September we challenged the granting of a pollution permit for the proposed Polnoc power station before the Ministry for Environmental Protection and the ministry agreed that the plant would pollute the protected Vistula River and that the proper environmental assessments had not been carried out before the permit was issued. This was upheld by the Polish administrative court.

This work also led to our first Polish court victory (in January 2012) where our staff lawyer successfully argued that another proposed coal power plant at Opole had not been adequately assessed for its carbon capture readiness, in contravention of the law. This decision sends a clear message to investors in new fossil fuel power stations that they must consider future carbon emissions and carbon capture and storage before they proceed. Through our work on these issues we hope to help drive investment in this important EU member state towards a more sustainable energy future.

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Friends of the U.S. Court

In August we submitted the first amicus curiae (friend-of-court brief) by a European organisation in a U.S. environmental court case. It will be heard in a series of legal challenges brought by U.S. fossil fuel industries and others against the Environmental Protection Agency (EPA) over its regulation of carbon pollution. Our brief highlighted that greenhouse gases from the U.S. contribute to harmful consequences in the EU and the rest of the world (the transboundary harm implications of the case), and secondly, that the EU has regulated greenhouse gases since around 2005 while maintaining a position of economic strength.

Health and the environment

Clean Air

London's air pollution is a serious health problem and, with the Olympics coming in 2012, risks becoming a national embarrassment. In 2011 ClientEarth succeeded in increasing awareness about London's air pollution and in bringing London closer to complying with legal limits for air quality.

Our judicial review forced the UK Government into a u-turn before it had even got to the High Court. In the face of our legal action they launched a public consultation on London's air quality plan, allowing citizens, NGOs and campaigners to make their voice heard about the best way to sort out London's air pollution.

At the hearing in the High Court our case forced the Government to admit they are in breach of their legal obligations under the EU air quality directive. We had considerable success in using this success to promote the problem of air pollution. Look out for further progress in 2012.

In addition to this work we participated in public consultations on national strategies relevant to air quality, notably the Strategic Environmental Assessment of the Olympic Transport Plan, as we are concerned that flaws in the plan will actually exacerbate the capital's air pollution problems. With the Olympics just around the corner, we need to ensure they leave a lasting legacy for Londoner's health.

Toxics

We don't believe that pesticides harmful for human health and the environment should be allowed in the EU. We are fighting to ensure this with greater transparency in the EU's scientific committees and agencies. We are also working to help people understand more about the chemicals and dangerous substances they are exposed to in everyday products, a continuing priority for us moving forward.

Our work in 2011 successfully made the European Food Safety Authority, the European Chemicals Agency and the European Commission more transparent. We have done this with the strategic use of access to document requests, so that "confidential" information is made available.

After launching a court case against the European Chemicals Agency (ECHA) for access to the names of chemical substance producers, it is now making them public. We built on this by pushing for more information on chemicals through a number of strategic access to documents requests.

We have defended citizens' right to be informed about the implementation of the REACH Regulation (the law for the Registration, Evaluation, Authorisation & restriction of CHemicals) by obtaining and publishing the reports submitted by all EU Member States to the European Commission. We obliged the European Food Safety Authority (EFSA) to hand over documents related to its decision making process and this informed legal proceedings we brought in front of the European Court of Justice.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

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Climate & Forests

Our forest team remained intensively engaged in work addressing key drivers of deforestation throughout 2011. Following the EU's adoption of the Timber Regulation (the law to counter the trade in illegally harvested timber) our briefings explained the due diligence that those placing timber on the EU market were obliged to carry out. We also explained the steps that the EU and Member States must take to effectively implement the regulation.

In July we sued the European Commission for their lack of transparency over how existing biofuels criteria will be implemented. We also analysed approaches to ensuring that EU use of bioenergy, looking at how it can achieve climate mitigation aims and making sure it does not exceed what can be sustainably supplied.

As part of our programme's expansion, we began working with African forest communities to empower forest communities to advocate legal reform and to improve forest governance in Ghana, Gabon and Congo. We look forward to strengthening these relationships in 2012.

We were also at the Climate Summit at Durban where we made a significant impact on debates on the content and role of social and environmental safeguards for REDD+. REDD+ is the component of the United Nations Framework Convention on Climate Change negotiations aimed at reducing emissions from deforestation.

Public procurement policies guide the way governments spend taxpayers' money on goods and services. Their purchasing decisions can be used to promote social and environmental objectives. The impact of our work on public procurement law was evident in the European Commission's December 2011 proposal for revised Directives on public procurement. However, there is still much room for improvement. We're now well-positioned to influence the legislative process going forward and Janet Pritchard will be giving evidence to the Internal Market and Consumer Protection Committee as a public procurement law expert in 2012.

Corporate Transparency

We think that companies should have to report accurately on their social and environmental impacts. In the UK, where many powerful multinationals base their headquarters, the Companies Act 2006 provides a legal framework for non-financial company reporting.

We complained to the Financial Reporting Review Panel (FRRP) – the body responsible for assessing whether the annual reports of UK companies comply with the law - that BP used a wildly unrealistic scenario to underpin predictions of future energy demand. These predictions helped to justify continued investment in risky extraction methods and the type of drilling that resulted in the Deepwater Horizon disaster.

However, as with our complaint to the FRRP regarding Rio Tinto, the FRRP failed to use these opportunities clarify the law, or set precedent that could influence future company reporting. That's why we will continue to engage with the UK Government to improve reporting requirements and enforcement as it moves forward in proposing changes to the narrative reporting framework in 2012. We have also begun efforts to influence the debate on non-financial reporting at the European Union (EU) level.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

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:

S Hockman
M McIntosh
W McIntosh
M Robert
V Thomas (Resigned 1 June 2011)
M Stanley
The Honorable E Young
P Harvey
S Walton
B Eno (Appointed 7 April 2011)
H Tinsley (Appointed 23 September 2011)

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 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.

Financial Review

During the year ended 31 December 2011 the charity received income of £2,624,442, which represents a 60% increase on the previous year (31 December 2010 £1,639,444). Restricted funding rose by 108.99% to £1,046,649, while unrestricted funding rose by 38.57% to 1,577,793.

The financial position of the charity at the yearend improved considerably on the previous year. Careful cash flow management has resulted in total assets held of £376,157 at 31 December 2011 – a 60.51% increase on 31 December 2010 (£234,352). At the balance sheet date, unrestricted funds were £148,668, an increase of 23.79% on 2010 (£120,096). Restricted funds increased by 99.10% to £227,489 at the balance sheet date.

Operating capital

Several of the charity's major grants are paid partly or entirely in arrears, presenting significant challenges to cash flow. The main priority for the Trustees during 2011 has been to increase the charity's level of capital available to cover cash flow needs – the operating capital. At the yearend, the net current assets of the charity had increased by 81.65% on the prior year to £340,341.

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TRUSTEES' REPORT**

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Reserve policy

The challenge in building reserves has been that the charity is still only in its fifth year of operations, and it has experienced extremely rapid growth, largely made possible by restricted funding.

The Trustees have established a policy whereby unrestricted funds not committed or invested in tangible fixed assets (the free reserves) held by the charity should ideally be between 4-6 months operating costs as budgeted for a given year. For 2011 this equates to between £827,546 and £1,241,318. At the balance sheet date the free reserves of the charity were £112,852, an increase of 54.4% on the prior year. The reserves held are below the target level, and it is the aim of the Trustees to grow the charity's free reserves over the coming years.

Risk management

The Trustees 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.

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



28/3/2012

Trustee: P. CHRISTINA ROBERT
Dated:

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

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 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 2011 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: 29 March 2012

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
<u>Incoming resources from generated funds</u>					
Voluntary income	2	347,246	-	347,246	119,282
Investment income	3	15	-	15	38
		347,261	-	347,261	119,320
Incoming resources from charitable activities	4	1,224,536	1,046,649	2,271,185	1,515,012
Other incoming resources	5	5,996	-	5,996	5,112
Total incoming resources		1,577,793	1,046,649	2,624,442	1,639,444
<u>Resources expended</u>					
Costs of generating funds					
Costs of generating grants	6	224,592	-	224,592	92,635
Net incoming resources available					
		1,353,201	1,046,649	2,399,850	1,546,809
Charitable activities					
Charitable activities		1,318,627	933,416	2,252,043	1,698,382
Governance costs		6,002	-	6,002	4,760
Total resources expended		1,549,221	933,416	2,482,637	1,795,777
Net income/(expenditure) for the year/ Net movement in funds					
		28,572	113,233	141,805	(156,333)
Fund balances at 1 January 2011		120,096	114,256	234,352	390,685
Fund balances at 31 December 2011		148,668	227,489	376,157	234,352

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 2011

CONSOLIDATED BALANCE SHEET		2011		2010	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		35,816		46,990
Current assets					
Debtors	11	486,471		427,255	
Cash at bank and in hand		270,812		130,229	
		<u>757,283</u>		<u>557,484</u>	
Creditors: amounts falling due within one year	12	<u>(416,942)</u>		<u>(370,122)</u>	
Net current assets			<u>340,341</u>		<u>187,362</u>
Total assets less current liabilities			<u>376,157</u>		<u>234,352</u>
Income funds					
Restricted funds	13		227,489		114,256
Unrestricted funds			148,668		120,096
			<u>376,157</u>		<u>234,352</u>

The accounts were approved by the Board on 27/03/2012



Trustee **M. CHRISTINA ROBERT**

Company Registration No. 2863827

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
BALANCE SHEET**

AS AT 31 DECEMBER 2011

	Notes	2011		2010	
		£	£	£	£
Fixed assets					
Tangible assets	10		35,816		46,990
Current assets					
Debtors	11	484,323		422,903	
Cash at bank and in hand		265,904		127,033	
		<u>750,227</u>		<u>549,936</u>	
Creditors: amounts falling due within one year	12	<u>(416,594)</u>		<u>(367,757)</u>	
Net current assets			<u>333,633</u>		<u>182,179</u>
Total assets less current liabilities			<u>369,449</u>		<u>229,169</u>
Income funds					
Restricted funds	13		227,489		137,144
Unrestricted funds			<u>141,960</u>		<u>92,025</u>
			<u>369,449</u>		<u>229,169</u>

The accounts were approved by the Board on 27/03/2012

Trustee **M. CHRISTINA ROBERT**

Company Registration No. 02863827

CLIENTEARTH COMPANY LIMITED BY GUARANTEE NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 were £2,623,161 (2010 £1,639,444) with the positive movements in funds being £140,280 (2010 negative £161,516).

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.

1.4 Resources expended

Expenditure on management and administration of the charity includes all expenditure not directly related to the charitable activity. This includes costs of the professional services which enable the charity to function.

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
--------------------------------	---------------------------------------

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

1 Accounting Policies **(continued)**

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.

2 Voluntary income

	2011 £	2010 £
Donations and gifts	223,925	12,570
Grants receivable for core activities	123,321	106,712
	<u>347,246</u>	<u>119,282</u>

3 Investment income

	2011 £	2010 £
Interest receivable	<u>15</u>	<u>38</u>

4 Incoming resources from charitable activities

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Grants and project work	<u>1,224,536</u>	<u>1,046,649</u>	<u>2,271,185</u>	<u>1,515,012</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2011

5 Other incoming resources

	2011 £	2010 £
Other income	<u>5,996</u>	<u>5,112</u>

6 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2011 £	Total 2010 £
Costs of generating funds					
Costs of generating grants	168,970	-	55,622	224,592	92,635
Charitable activities					
<u>Charitable activities</u>					
Activities undertaken directly	1,310,770	150	572,620	1,883,540	1,242,498
Support costs	207,956	39,589	120,958	368,503	455,884
Total	<u>1,518,726</u>	<u>39,739</u>	<u>693,578</u>	<u>2,252,043</u>	1,698,382
Governance costs	-	-	6,002	6,002	4,760
	<u>1,687,696</u>	<u>39,739</u>	<u>755,202</u>	<u>2,482,637</u>	<u>1,795,777</u>

Audit fees (including VAT) charged to the Income and Expenditure account amounted to £6,000 (2010 £4,700) and fees paid/accrued to the auditors for non-audit services amounted to £15,900 (2010 £6,963). An amount of £12,900 was also included relating to earlier years.

7 Support costs

	2011 £	2010 £
Other costs	108,486	229,382
Staff costs	207,956	108,956
Depreciation	39,589	29,619
Premises costs	12,472	87,927
	<u>368,503</u>	<u>455,884</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2011

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £18,034 (2010: £8,523) of expenses were reimbursed to M McIntosh and W McIntosh relating to travel and accommodation costs for attending trustees meetings.

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2011	2010
	Number	Number
Restricted funds projects	17	10
Mixture of restricted funds projects and general	20	15
	<u>37</u>	<u>25</u>

Employment costs

	2011	2010
	£	£
Wages and salaries	<u>1,687,696</u>	<u>1,124,657</u>

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

	2011	2010
	Number	Number
£95,001 - £105,000	1	1
£60,000 - £70,000	5	2
	<u>6</u>	<u>3</u>

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £75,000.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

10 Tangible fixed assets			
Group and Parent			Fixtures, fittings & equipment £
Cost			
At 1 January 2011			90,651
Additions			28,565
			119,216
At 31 December 2011			119,216
Depreciation			
At 1 January 2011			43,661
Charge for the year			39,739
			83,400
At 31 December 2011			83,400
Net book value			
At 31 December 2011			35,816
At 31 December 2010			46,990
11 Debtors		2011	2010
		£	£
Group			
Other debtors		418,582	401,992
Prepayments and accrued income		67,889	25,263
		486,471	427,255
		486,471	427,255
Parent			
Other debtors		416,434	397,640
Prepayments and accrued income		67,889	25,263
		484,323	422,903
		484,323	422,903

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

FOR THE YEAR ENDED 31 DECEMBER 2011

12 Creditors: amounts falling due within one year	2011	2010
	£	£
Group		
Other creditors	290,292	251,596
Accruals	126,650	118,526
	416,942	370,122
Parent		
Other creditors	290,292	251,596
Accruals	126,302	116,161
	416,594	367,757

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

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011
	Balance at 1 January 2011	Incoming resources	Resources expended	
	£	£	£	£
Climateworks	-	74,810	(67,900)	6,910
Marisla Foundation	23,733	115,106	(68,577)	70,262
Sigrid Rausing Trust	25,050	60,000	(60,489)	24,561
European Climate Foundation	-	259,454	(259,454)	-
Adessium	-	208,174	(165,275)	42,899
Forest People's Programme	-	60,107	(62,530)	(2,423)
Walton Family Foundation	-	48,703	(26,341)	22,362
Arcadia Trust	-	72,581	(72,581)	-
Oak Foundation- Marine	42,831	91,714	(77,575)	56,970
Ecology Trust	22,642	32,000	(48,694)	5,948
Kenneth Miller Trust	-	24,000	(24,000)	-
	114,256	1,046,649	(933,416)	227,489

Parent	Movement in funds			Balance at 31 December 2011
	Balance at 1 January 2011	Incoming resources	Resources expended	
	£	£	£	£
Climateworks	-	74,810	(67,900)	6,910
Marisla Foundation	23,733	115,106	(68,577)	70,262
Sigrid Rausing Trust	25,050	60,000	(60,489)	24,561
European Climate Foundation	22,888	259,454	(282,342)	-
Adessium	-	208,174	(165,275)	42,899
Forest People's Programme	-	60,107	(62,530)	(2,423)
Walton Family Foundation	-	48,703	(26,341)	22,362
Arcadia Trust	-	72,581	(72,581)	-
Oak Foundation- Marine	42,831	91,714	(77,575)	56,970
Ecology Trust	22,642	32,000	(48,694)	5,948
Kenneth Miller Trust	-	24,000	(24,000)	-
	137,144	1,046,649	(956,304)	227,489

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

FOR THE YEAR ENDED 31 DECEMBER 2011

13 Restricted funds

(continued)

Grants are treated as restricted to the extent where they have been obtained for a specific project and the funder has placed restrictions on funds received.

Transfers from restricted funds relate to grants brought forward with an element of unrestricted funds which was not recognised in the previous years accounts.

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

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 December 2011 are represented by:			
Tangible fixed assets	35,816	-	35,816
Current assets	529,794	227,489	757,283
Creditors: amounts falling due within one year	(416,942)	-	(416,942)
	<u>148,668</u>	<u>227,489</u>	<u>376,157</u>

Parent

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 December 2011 are represented by:			
Tangible fixed assets	35,816	-	35,816
Current assets	522,738	227,489	750,227
Creditors: amounts falling due within one year	(416,594)	-	(416,594)
	<u>141,960</u>	<u>227,489</u>	<u>369,449</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2011

15 Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Expiry date:				
Between two and five years	<u>124,232</u>	<u>70,000</u>	<u>10,460</u>	<u>-</u>

15 Subsidiary undertaking

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

During the year ClientEarth set up a French Foundation which was fully under it's control called "ClientEarth France". The foundation does not have any share capital and therefore no investment is shown in the parent only balance sheet. The Foundation is incorporated in France

All funding given by ClientEarth is shown as grants received in Client Earth Poland. The results are fully consolidated in these accounts, net assets £6,706 (2010: £5,183), surplus reserves £6,706 (2010: £5,183).

17 Related parties

During the period the charity received unrestricted grants of £123,321 (2010: £106,712) from The McIntosh Foundation, a foundation in which the trustees M McIntosh and W McIntosh are trustees. The Foundation also made an interest free loan to the charity of £38,820 (2010: £251,596) the balance outstanding at the year end was £297,620 (2010: £251,596)

Client Earth Poland is 100% controlled by ClientEarth and a grant of £201,053 (2010: £58,295) was made to the Polish foundation during the year.

During the year a French Foundation, ClientEarth France was formed. The foundation is 100% controlled by ClientEarth and remained dormant throughout the year.

During the year, S Walton, a trustee, made an unrestricted donation of £47,170 (2010: £nil), and the charity also received a part restricted grant of £56,010 (2010: £nil) from the Walton Family Foundation, of which S Walton is also a trustee.

An unrestricted donation of £10,000 (2010: nil) was received from H Tinsley, a trustee. An unrestricted grant of £60,000 (2010: £35,000) was received from the Holly Hill trust, of which M Stanley a trustee of ClientEarth, is also a trustee.