

THE °CLIMATE GROUP

**Annual Report and Accounts
for the 12 months to 30 June 2009**

COMPANY NUMBER: 4964424

CHARITY NUMBER: 1102909



I commend The Climate Group for creating a dynamic platform through which the public, organisations and private business can participate in this process in a direct and meaningful way.

Ban Ki-moon, Secretary General of The United Nations

The Climate Group's progressive coalition has undoubtedly helped bring about a political tipping point where a global climate deal is increasingly popular and possible. I firmly believe that through The Climate Group's international partnerships and efforts the world will be – and is going to be – a better place tomorrow.

Right Honourable Tony Blair, former UK Prime Minister

It has been a terrific five years... I am very proud that California is a founding member of this great organisation. Together we have done fantastic work. You were instrumental in helping pass AB-32, California's landmark greenhouse gas reduction law...Our leadership is now pushing the Federal government to act also. You all are 'Emissions Terminators'...so let's all continue working together!

Governor Arnold Schwarzenegger of California

The Climate Group is leading the transition to a low carbon economy.

Connie Hedegaard, Energy and Environment Minister for Denmark

..an influential organisation that attempts to bring businesses together to tackle climate change.

Fiona Harvey, Financial Times

...these folks get in to see anyone they want. They have published an excellent series of reports on the politics, economics and technology of climate, all of them in plain English and with few wasted words. In fact, the studies are designed with CEOs and heads of government in mind – people with no time to waste – so they provide an excellent overview of the issues.

Marc Gunther, contributor to Fortune and leading thinker and writer on business and sustainability

NGOs are as diverse as businesses – some are hopeless, some perform magnificently. For illustration of the latter & the potency of a sophisticated and intelligent NGO, then look no further than the work of London based The Climate Group on aviation.

James Farrar, blog on ZDNet

Tony Blair and The Climate Group have written an excellent report, "Breaking the Climate Deadlock: Technology for a Low Carbon Future"... another important contribution to climate policy.

Joseph Romm, Center For American Progress climate blogger and one of Rolling Stone Magazine's '100 people changing America'

The Challenge

Climate change is now a mainstream political issue; governments and businesses regard acting on climate change as crucial to future prosperity and security – not as a trade off between jobs and the environment.

But the world economy is still powered by carbon-intense coal, oil and natural gas. That is beginning to change, however the challenge is to cut greenhouse gas emissions quickly and deeply enough to avoid runaway global warming¹. It can be done, but only if people, governments and businesses work together now to make it happen.

Our Vision

We see a prosperous future where vibrant economic growth is based on low-carbon energy supply and efficient energy use.

Existing technologies will slash greenhouse gas emissions worldwide. Lighting will be ten times more efficient than today, electric vehicles at least three times more efficient than modern combustion engines, new buildings will use 90% less energy and even become net energy generators, and retrofitted old buildings will be 'zero carbon'. Much more energy will come from renewable sources, delivered and managed through 'Smart grids'. CO₂ from coal and gas will be captured and stored underground, supported by a flourishing international carbon market.

Our Mission

We have set out to end global warming by partnering business and government leaders to speed up the deployment of highly promising low-carbon technologies supported by enabling policy and finance.

¹ Restricting average global temperature rise to below 2°C above the level prior to the industrial revolution is widely accepted as necessary to avoid 'runaway' global warming.



Chairman's message

Global warming is undoubtedly a real and serious phenomenon which will affect both the developing world and rich industrialised economies. We must manage that risk together by cutting our greenhouse gas emissions, and by preparing for impacts that may be unavoidable.

Thanks to a range of respected recent analyses we know the scale of emissions cuts needed, the time available, where the greatest potential to reduce lies, and the most promising low-carbon technologies. A growing body of evidence also points to important co-benefits of low-carbon growth: jobs, prosperity, well-being and security.

While the recession has dampened investment in low-carbon technologies this year, the risks and opportunities that climate change poses to corporations mean that every investor needs to understand them as key themes in investment decision making.

Among The Climate Group's many influential achievements this year, edition two of '*China's Clean Revolution*' revealed very timely and encouraging evidence of the low-carbon technology sector's resilience. It demonstrated to the world how China continues to race ahead in commercialising renewable energy and energy-efficient technologies like electric vehicles, wind turbines and solar panels, despite challenging export markets.

There are huge emerging opportunities worldwide to build the low-carbon economy better, bolder and quicker. Once enabling policy is in place I believe the world will reach a tipping point where low-carbon growth becomes mainstream. The Climate Group, with its highly effective networking, policy and technology capabilities can help us to reach that tipping point sooner.



John Coomber, Chairman



CEO's message

Since mid-2008 global political and economic changes have transformed the climate change agenda.

2008/09 brought us many reasons to be hopeful. President Obama's commitment to tackling climate change lifted the prospects for US domestic action and an international agreement to build on. China and India signalled greater willingness to curb emissions growth, and China continued to grow its world-leading renewables and energy-efficient technologies sectors.

The economic crisis deepened, but major countries responded with unprecedented funding to boost investment in a low carbon recovery – several hundred billion USD. For the first time, funds were allocated at a scale approaching that needed to begin to decarbonise the world economy. For the first time we have seen new green industries challenge existing industries – with more jobs in the US wind industry than in the coal industry.

But the need to act to stop dangerous climate change has never been more urgent. While 2009 will probably see a rare downward blip in global emissions, new evidence emerged that global warming impacts are likely to be more severe and costly than we had originally anticipated. The UK Met Office warns that, without deep emissions cuts, we are on course for a 4°C temperature rise with extreme regional effects by 2100, and that we could get to 4°C as soon as 2060. On the political front, negotiations have progressed slowly and reaching an effective international climate change agreement will be challenging.

The Climate Group has been extremely active through the year to make sure business and political leaders take the practical opportunities to build a stable, prosperous future based on low-carbon growth.

We partnered The Office of Tony Blair to publish a series of influential reports at major international negotiations to clarify the key opportunities. We launched policy dialogue initiatives in the US and China, and we worked with some of the world's largest companies to drive change in their sectors including through the *Aviation for a Global Deal Group*, and *The Climate Principles* for the finance sector. Our research shows that we have much of the technology and tried and tested policies for delivering deep reductions in greenhouse gas emissions, and it shows that even the most aggressive cuts would stimulate the economy and create jobs rather than slowing development. We can end global warming.

We also renewed our strategy to focus on supporting a strong international climate change agreement and deploying key low-carbon technologies. That took time and involved some tough decisions, but I believe we have emerged in excellent shape to play a leading role in 2009/10 and beyond. We stand at the starting line of great wave of innovation – a clean industrial revolution – and we will do our utmost at The Climate Group to make this transition all the bolder and more rapid.



Steve Howard, CEO



Board of Trustees' Report

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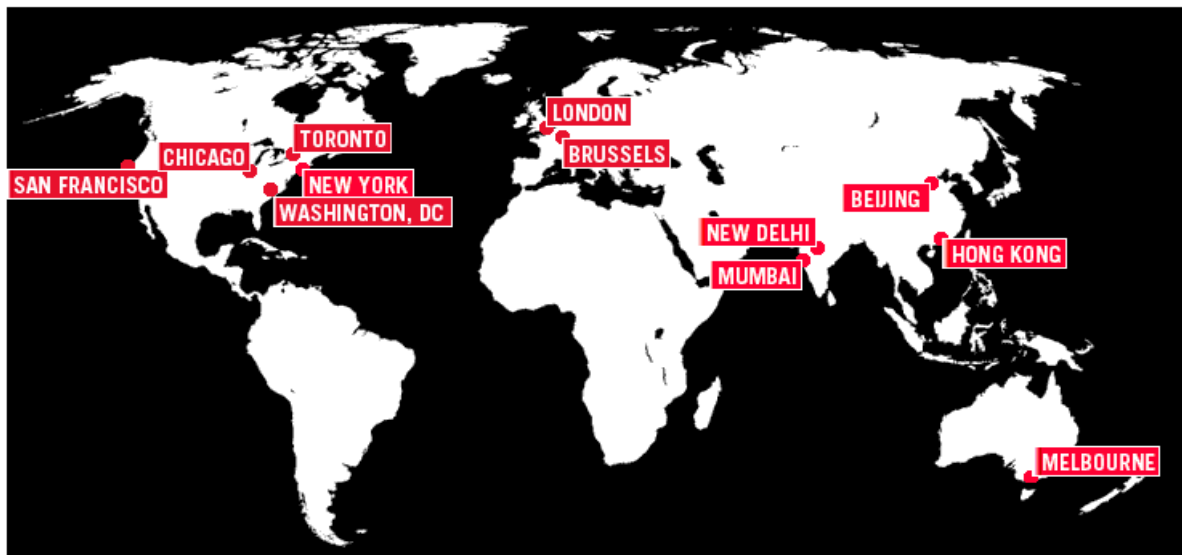


Where we work

We operate in countries and regions that will be among the most influential on agreeing and implementing a new global deal: North America, Europe, China, India and Australia.

We work in cities to support political and business leaders, technology innovators and finance providers towards faster, bolder climate change solutions. The actions that cities like Chicago, Shanghai, London and Mumbai take are emulated worldwide.

Figure1. Global network of offices



Our members are leading multinational corporations, state and regional governments and world cities.

Our programmes work towards the twin objectives of a strong global deal on climate change, and large-scale deployment of the technologies required to put that deal into practice.

We respond to the rapidly evolving climate change agenda in each location, within the framework of our coherent global programmes. In North America we are focused on building support for climate action in the Midwest, a region that holds the key to strong federal policy; our San Francisco and Toronto teams concentrate on technology-led projects; and our New York office (along with London, Hong Kong and Mumbai) works closely with banks and other institutions that will finance the low-carbon economy.

In India and China, governments face very rapid urbanisation and the need to lift many hundreds of millions of people out of deep poverty, so climate change action there is tied closely to energy efficiency, development and urban planning challenges.

Government Members

- Bavaria
- British Columbia
- California
- Catalonia
- Greater London Authority
- Ile de France
- Manitoba
- New South Wales
- New York State
- New York City
- North Rhine-Westphalia
- Ontario
- Québec
- Queensland
- São Paulo
- Scotland
- South Australia
- South Holland
- Victoria
- Wales
- Western Australia

Governments and businesses are more willing to act boldly if they believe others around the world are also doing 'their share', and if they can see real-world examples of successful emission reductions and low-carbon growth. So we use our international reach to facilitate better inter-regional understanding of economic opportunities and actions to cut emissions.

Our international presence means we can contribute to emerging international developments such as the critical US-China dialogue in the run-up to Copenhagen. We have good relationships with business leaders in all locations and with senior policymakers in the US, China and India in particular. Over the past year we have strengthened our international presence, opening offices in Brussels, Washington D.C. and Toronto, and expanding our capacity in China and India.



How we work

We support major governments and businesses to work together to stop climate change, with four core beliefs underpinning our approach:

- 1. A small community has a big influence on climate change.** A small number of organisations have a huge influence on the carbon intensity of the future economy. We target the 100 sector-leading global companies and 50 leading governments (national, regional and city), and 1,000 powerful and influential individuals within these organisations – CEOs, political leaders, ministers, governors, mayors, senior managers and advisers.
- 2. Climate change is not only a green issue, but also an economic issue.** Government and business leaders are sensitive to moral imperatives, but they respond best to clear economic messages, so solutions need to be presented professionally and in business terms.
- 3. Partnerships are most effective.** The same leaders also respond most meaningfully to approaches that enrol and involve rather than 'name and shame'.
- 4. Message and messenger, format and content are equally important.** Information about the science and economics of climate change is extensive (sometimes overwhelming), but is often inaccessible to decision makers and opinion formers. Much can be achieved by presenting research in new and unexpected ways and by communicating a compelling vision of a low carbon future.

We collaborate closely with a group of highly influential business leaders through our Leadership Council (for a full list of Council members see page 24), our membership and wider networks (we have particularly strong links with financial institutions) to support these individuals in their communications with policymakers.

In doing so we draw on our strong in-house expertise in communications to run national and international conferences and media events, and we have particular expertise in climate policy, business strategy, carbon markets, consumer brands, the ICT sector and city-based energy efficient technologies.

Corporate Members

Alstom
Arup
Austin Energy
Baker & McKenzie
Barclays Bank
Better Place
Bloomberg
BP
British Sky Broadcasting
British Telecommunications
Broad Air Conditioning
Catalyst Paper
Cathay Pacific Airways
CB Richard Ellis
China Energy Conservation Corporation
China Mobile
Climate Change Capital
Coca-Cola
Dell
Deutsche Bank
Dr Pepper Snapple Group
Pratt Industries
Duke Energy
Florida Power & Light
Google
HDR
HP
HSBC Holdings
IBM
IWC
Johnson & Johnson
Johnson Controls
JP Morgan Chase
Lenovo
Man Group
Marks & Spencer
McKinsey & Co
Munich Re
MWH
Nestle Waters
News Corporation
Nike
Pepsi Cola
Scottish Power
Standard Chartered Bank
Suntech
Swire Group
Swiss Re Group
Tesco
Timberland
Virgin Group



What we said we would do in 2008/09

A year ago we identified our priorities for 2008/09 as extending our programme reach in key regions (North America, China, Europe, India and Australia), and developing our three-year strategy to meet fast-developing needs and opportunities.

We set ourselves four top objectives:

- Support progress towards a workable and ambitious **global deal on climate change** to succeed the Kyoto Protocol.
- Promote the implementation of promising **technologies** that can make a significant impact on climate change: LED lighting, electric vehicles, carbon capture and storage, renewable energy and 'Smart' application of information technologies to buildings and grids.
- Help consumers to find easy ways to fight climate change, and to assist global brands in developing and communicating **low carbon products and services**.
- **Support better understanding and exchange of information** among leading businesses and governments on developing and implementing climate strategies and policies.

Public Benefit

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

- *To promote for the benefit of the public the protection of the world's climate systems in such parts of the world and by such charitable means as the trustees may from time to time think fit.*
- *To advance the education of the public and interested parties in the effective reduction of greenhouse gases and to promote and carry out for the public benefit research into the effects of climate change and to publish and widely disseminate the useful results of such research.*



What we did in 2008/09

To support a workable and ambitious global deal on climate change

The world's challenge is to decarbonise economies purposefully rather than merely to slow the growth of greenhouse gases. For that to happen, we will need enabling government policy in place at the international, national and sub-national levels.

UNFCCC negotiations and discussions at the Major Economies Forum, the G8 and G20 have been immensely difficult and complex. We have worked to provide politicians and negotiators with clear information about what needs to be achieved and about the opportunities for an ambitious and 'do-able' international agreement.

We did much of this through the '**Breaking The Climate Deadlock**' programme with The Office of Tony Blair, launched in March 2008. We published a series of high level reports and multiple briefing papers including: *A Global Deal for our Low Carbon Future* (presented formally to the President of Japan ahead of the G8 Hokkaido Summit); *Technology for a Low Carbon Future* ahead of the 2009 G8 and Major Economies Forum meetings to demonstrate how we can avoid dangerous climate change using proven technologies and policies; and most recently *Cutting the Cost: The Economic Benefits of Collaborative Climate Action* presented to UN Secretary General Ban Ki-moon by Tony Blair to show that global collaboration would be significantly more cost efficient than if countries act individually to mitigate climate change. These reports have been received well by political and corporate leaders around the world.

Tony Blair and senior Climate Group staff worked intensively to make decision makers aware of the research. They met the leaders of almost all the G8 countries, India, China, many European states,



Climate Week NYC

Final week of September: A Climate Group initiative in partnership with the UN, New York City, the Carbon Disclosure Project and the *TckTckTck* campaign to enable political, business and civil society leaders to send a clear message to world leaders three months ahead of the Copenhagen summit.

Senior delegates from the US, China, Denmark and India, UN Secretary-General Ban Ki-moon, Québec's Premier Jean Charest and actor Hugh Jackman spoke at the opening ceremony. Tony Blair used his keynote speech to ask political leaders "*not to make the best be the enemy of the good*". The Climate Group also hosted high-profile events during the week on US-China clean energy cooperation (addressed by Senator John Kerry), electric vehicles, and the Maldives' path towards carbon-neutrality.

and key US Senators. They helped to convene The World Business Summit on Climate Change (May 2009) and spoke at the World Future Energy Summit, the World Economic Forum, The Delhi Sustainable Development Summit, a special climate change and technology business forum in China and an event with Bill Clinton and Sweden's Prime Minister hosted by the Swedish Postcode Lottery.

Other key funders who have made valuable contributions to the Breaking the Climate Deadlock initiative include the Rockefeller Foundation; DOEN Foundation; Pratt Industries and the Dutch Postcode Lottery, who like their Swedish counterparts added value to their financial support by delivering a high profile climate change event in the Hague with Tony Blair and Frans Timmermans, Dutch Minister for European Affairs.

While Breaking The Climate Deadlock targeted political leaders with relatively broad messages, our other policy initiatives focused on specific opportunities and challenges for a new global deal.



Switching Gears

Connie Hedegaard, Denmark's Minister of Climate and Energy, and Governor Granholm agreed formally to high-level dialogue, and sharing of information and technology to work with Michigan and other Midwestern states in their transition to a new energy economy.

Finance: the Institutional Investors Group on Climate Change (IIGCC), managed by The Climate Group, is a forum for collaboration on climate change for European investors – 56 members representing assets of around €4 trillion. The group's objective is to catalyse investment in a low carbon economy by bringing investors together to use their collective influence with companies, policy makers and investors. IIGCC worked with the UNEP Finance Initiative, the Investor Group on Climate Change and the Investor Network on Climate Risk to issue the largest ever call by investors on policy-makers to reach a strong global deal (issued in September 2009).

Aviation: the Aviation Global Deal Group launched in February 2009, and is made up of seven major aviation organisations (Air France/KLM, BAA, BA, Cathay Pacific, Finnair, Qatar Airways and Virgin Atlantic) plus The Climate Group. It leads the sector by calling for a global emissions target and a 'cap-and-trade' emissions trading mechanism for international aviation.

National policy dialogue – the US: Congress holds the balance of power over domestic climate change policy and on the US's part in international climate negotiations. Senators and Congressmen from Midwest 'swing' states have a key role in determining US climate change policy.

So we delivered a series of impactful events in Chicago, Michigan, Washington D.C. and North Dakota to highlight the full extent of the economic opportunity for the Midwest associated with strong US and international action on climate change. These included:

- The launch of *Forward Chicago (February 2009)* with Chicago Mayor Richard Daley – a public-private partnership between the city of Chicago, Michigan business and the 2016 Olympic bid.
- *Switching Gears (March 2009)* in collaboration with Governor Granholm of Michigan and the Royal Dutch Embassy; a business and government summit on bringing low carbon manufacturing jobs and industry to the Midwest.

- *The Gathering of 100* (March 2009) in Washington D.C. with representatives of the Obama administration, other governments, business leaders and climate change experts, to call on legislators to seize the historic opportunity to frame federal climate change policy.

National policy dialogue – China: China is uniquely placed to gain from a transition to a low carbon economy and saw dramatic growth across a range of low carbon technologies in 2008/09. In the same year, China also became the world's largest emitter of greenhouse gases.

China's success in making the transition to a low carbon economy is crucial to global efforts to tackle climate change, so we worked to demonstrate the economic opportunities within China, and to tell business and government in the EU and US about the rapid progress China is already making. Just a few of the highlights of a rich policy engagement programme in China included:

- Publication of *China's Clean Revolution* (July 2008) and *China's Clean Revolution II* (August 2009) in English and Mandarin, showing that China's transition to a low carbon economy is well underway. It is led by supportive government policies which are driving technology innovation and diverting billions of dollars of investment into energy efficiency and renewable energy.
- Contributing to chapters of the influential Chinese Academy of Sciences: *China Sustainable Development Strategy Annual Report: A Low Carbon Economy* (March 2009).
- Working with the Guangdong Development and Reform Commission to convene a meeting of provincial government agencies in Guangdong and nine cities in the Pearl River Delta region to discuss climate change, and low carbon growth and industry in Guangzhou (December 2008).

To promote implementation of promising technologies

Demonstrating that key technologies are economically and technologically viable is critical to cutting emissions and to building government and business confidence in transitioning to a decarbonised economy.



PHOTOGRAPH: RYAN PYLES

LightSavers New York City pilot

The Climate Group, The City of New York Department of Transport and Gateway are pilot testing LED street lights in Central Park and the FDR Drive expressway.

So we asked ourselves two questions: which technologies have the greatest potential to cut emissions; and which of these could we and our networks promote most effectively?

Through the second half of 2008 we short listed three energy-efficient solutions: LED lighting, electric vehicles and 'Smart' buildings, and three 'clean power' technologies: carbon capture and storage (CCS), concentrating solar power (CSP) and IT-enabled super grids ('super smart grids') that make renewable energy sources viable at scale, and promote efficient supply and demand.

We will concentrate our efforts through to 2012 to scale up these technologies, demonstrating their viability and supporting the enablement of finance solutions and policy.

Achievements: energy-efficient technologies

Phil Jessup (ex-CEO of the Toronto Atmospheric Fund) joined us early in 2009. As our Cities and Technologies Programme Director, Phil brings unrivalled experience in working with city government and finance and technology providers to roll-out emerging energy-efficient technologies.

To date, The Cities and Technologies Programme has focused on setting up a series of **LED outdoor lighting** pilot projects in major cities around the world. The 'LightSavers' project got underway with an international conference in Toronto (October 2008) which was very well attended by city mayors and officials and LED technology providers. A number of major cities have since expressed



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

Under the partnership The Climate Group works with government and corporations in China, India, USA and UK to create cleaner, greener cities and to promote them as models for the world. As such, The HSBC Climate Partnership is a natural fit with our Cities and Technologies Programme and supports our international 'LightSavers' LED lighting project and many other of our cities-based initiatives.

strong interest in working with us to pilot LED lighting, and in September 2009 New York became the first city to launch a LightSavers LED pilot project, in Central Park and FDR Drive.

We expect to recruit Mumbai, Shanghai and other cities to the LightSavers project during 2009/10, allowing us to build an international database of comparable performance data and then expand the pilot areas significantly once the first 12 months' worth of data is in. The long-term goal is for LED and adaptive technology to become the norm for both indoor and outdoor lighting, delivering energy efficiency gains of up to 90% over today's levels.

Through 2008/09 we also carried out preparatory work for an **electric vehicles** initiative to start in 2009/10. We recruited Better Place, the innovative EV start-up, as a Climate Group member and built links with financial institutions, city governments in Europe and China, and transport specialists.

Similarly, we consulted closely with our members in the finance, IT, property and urban design sectors to understand what it will really take to motivate building owners and occupiers to take up **smart buildings** solutions; technologies available today to make new and existing buildings highly energy-efficient, and even 'carbon negative'. Our next step will be to use this knowledge and real world case studies, to promote the policy and financial solutions that will be required if businesses are to invest in smart buildings.

Achievements: clean generation technologies

World energy demand will grow 50% by 2030. Today, 86% of primary energy comes from fossil fuels. Liquid fuels dominate the transport sector while coal and gas dominate power generation. It is hard to see renewables supplanting oil and coal as the dominant source of power fuel within the next two decades, but we must minimise emissions from burning fossil fuels.

Our approach to the coal challenge has two prongs: CCS and CSP with super Smart grids.

For **CCS** our objectives for 2008/09 were to build relationships with relevant business and government contacts; deepen our own understanding of the issue; and recruit an experienced international 'Smart Power' director' so that by the end of 2009 we will have a functioning CCS working group, a full work plan and targets for our working group partners.

We made good progress. In November 2008 the Australian government named us among the founding members of its Global Carbon Capture and Storage Institute (GCCSI) – an AU\$100 million a year initiative to create 20 large-scale CCS demonstration projects globally by 2020. With GCCSI funding we have recruited energy, utility and finance companies to form a CCS Working Group with the headline objective of accelerating construction of five CCS demonstration plants at scale in China, India, Europe, the US and Australia by 2014.

The group is distinct from others in being international, private sector, representative of the CCS value chain, and collaborative with other initiatives.

We have recruited an international lead for our CCS and wider Smart Power projects.

ZENNSTRÖM PHILANTHROPIES

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

To help consumers to find easy ways to fight climate change

The Together consumer campaign, launched in the UK, USA and Australia during 2007/08 is a Climate Group initiative with major retail brand partners to promote energy saving products and behaviours.

The UK campaign has so far delivered savings of over 1.5 million tonnes of CO₂ and £280 million in reduced household bills, with 240,000 people visiting www.together.com to learn how to shrink their carbon footprints further. Despite the recession, all UK Together brand partners renewed their membership and funding for 2009.

Highlights of the past year included the 'Snakes' mini-campaign (October 2008) promoting 'draught excluding snakes' as an easy first step towards more comprehensive home insulation; activities included snake making workshops, the distribution of 10,000 'Make a snake' kits and insulation offers from Tesco, B&Q and British Gas.

In May, UK Secretary of State for Energy and Climate Change Ed Miliband was guest speaker at an event hosted by the Archbishop of Canterbury to mark the first one million tonnes of CO₂ saved.

Meanwhile the US Together brand partners sold energy-efficient products that have saved 2.5 million tons (US) of CO₂.

The UK, US and Australian Together campaigns have had successes in saving energy, raising consumer and retailer awareness of climate change, and building understanding of successful climate change related consumer marketing. However, it has been agreed that the campaign should wind down and finish by the end of 2009.

We are exploring how to best use all the intellectual capital built up around Together, and to design new, more effective ways to engage consumers in alignment with our core 'Global Deal' and 'Global Deployment' objectives.

One instance of this is already happening is **Recycle Together** – a programme which we launched late in 2008 with America's beverage industry to partner city leaders, state leaders and recycling officials to create and promote new approaches to recycling that will dramatically increase its uptake and cut greenhouse gas emissions (www.recycletogether.com).



With a substantial grant from DEFRA, our *Together* team led in developing 'We Will If You Will', partnering businesses and NGOs to encourage more sustainable consumers lifestyles through a series of public-facing campaigns each focused on a specific sustainable behaviour. The first campaign, *Eat Seasonably* (launched in March 2009), reconnects people with their food through eating more in season fruit and vegetables and growing their own. With 11 major businesses and over 20 NGO partners, it has received extensive media coverage and three Green Awards nominations.

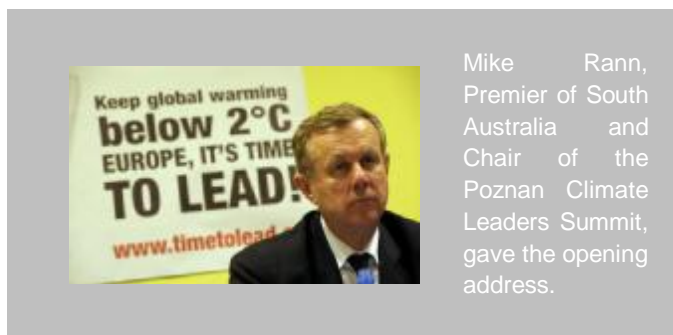
To support better understanding and exchange of information

Our strategic approach is tightly focused on specific policy and technology outcomes, but we also recognise the need for broader engagement to raise awareness of opportunities, build networks and inspire climate change leadership among leading business and governments.

State and City Leadership

We are the secretariat for the **States and Regions Alliance** (see box, page 19), a global coalition of 45 sub-national governments acting on climate change and supporting UN negotiations.

In December 2008 we convened the **Climate Leaders Summit** during 'COP 14' in Poznan, Poland. States and Region Alliance governments from all corners of the world committed to setting targets for renewable energy and energy efficiency as part of a comprehensive "statement of action" to accelerate low carbon policies. They agreed to build on these commitments to support policies that enable market expansion for low carbon technologies, and engage treasury officials to help unlock financial solutions for technology deployment.



We helped to initiate partnerships in Chicago (**Forward Chicago**) and Mumbai (**Mumbai Energy Alliance**) to build support for low-carbon growth and living, and for city government, business and civil society leaders to collaborate in finding effective solutions.

In Hong Kong we convened **The Climate Conference 2008: Making Business-Sense of the Low Carbon Economy** (October 2008) attended by 200+ senior businesses, government and civil society organisations. This conference will become an annual fixture.

We conceived and launched **The Climate Principles** in December 2008, along with Crédit Agricole, HSBC, Munich Re, Standard Chartered and Swiss Re. The principles are



a voluntary code to guide best practice across the finance sector to deal with the risks and opportunities of climate change. We continue to work with the adopting banks to refine performance and reporting criteria.

Our Members and Partners are leaders within their sectors and much of our ability to affect change rests on supporting them towards climate change leadership, and in engaging them actively in our policy and technology projects.



'Take 5'

Held at the 'London's Living Room', city hall in June, we used The Climate Group's fifth birthday to bring together many of our international corporate, government and other partners - a great opportunity to celebrate successes so far with our partners, recognise their support, and build support for our new strategy.

Members meetings allow corporate and government members to network and exchange ideas and experiences. Over the year we convened members meetings 2 - 4 times in each of the main regions in which we operate, and consistently received positive feedback. We have increasingly used these meetings to focus on the substance of our work programmes – particularly to promote business/policymaker dialogue ahead of the Copenhagen Summit.

We also consulted Members and other partners one-to-one to agree areas of our new work that they will help us to advance. Their responses have been very positive, both towards our overall strategy, and in agreeing opportunities to collaborate on specific projects.

Associate Members and Network Partners

In addition to working with our Members we partnered with a wide range of organisations on specific initiatives including Forward Chicago (page 12) and Together (page 16).

Associate Organisations

States & Regions Alliance members

Aragon
 Baden Württemberg
 Basque Country
 Bavaria*
 British Columbia*
 Brittany
 Burgenland
 California*
 Catalonia*
 Connecticut
 Fatik Region
 Flanders
 Île de France*
 Jamtland
 Kartner
 Maine
 Manitoba*
 New Brunswick
 New South Wales*
 Newfoundland & Labrador
 North Rhine-Westphalia*
 Northwest Territories
 Nova Scotia
 Nunavut
 Ontario*
 Poitou Charentes
 Prince Edward Island
 Québec*
 Queensland*
 Quintana Roo
 Rhône Alpesx
 São Paulo
 Saskatchewan
 Scotland*
 South Holland*
 South Australia*
 Tuscany
 Upper Austria
 Vermont
 Victoria*
 Wales
 Wallonia
 Western Cape
 Wielkopolska
 Yukon

* Government member
 of The Climate Group

Corporate associates

Abbott
 Allstate
 American Beverage Assoc.
 B&Q
 Barclaycard
 Baxter
 British Gas
 Chase
 Catalog Choice
 ComEd
 Energy Star
 MTV
 MySpace
 National Express
 O2
 PwC
 Recyclebank
 RSA
 Warner Bros

Other associate organisations

Act on CO₂ Campaign
 American Red Cross
 Boston
 Business in the Community
 CDP
 Community
 Church of England
 Cleantech Network
 Climate Counts
 Climate Savers
 Connected Urban Design
 The EarthWatch Inst.
 The Energy Saving Trust
 Global Footprint Network
 HSBC Climate Partnership
 ICLEI
 IETA
 IIEC
 Mayor of London
 National Wildlife Federation
 The Nature Conservancy
 New American Dream
 nrg4SD
 Office of Tony Blair
 Seattle
 Smithsonian Tropical Research Ins
 UNDP
 Voluntary Carbon Standard
 WBCSD
 WRAP
 WWF



Financial results

The Statement of Financial Activities (page 30) and the following notes show our full financial results for the year. Financial information in this report relates both to the UK charity (indicated by “Charity” in the accounts) and the consolidated accounts of the UK, the US, Australia, China and Hong Kong (indicated by “Group”). Figures in this section reflect the consolidated Group figures.

Income

Our total income for the 2008/9 financial year was £8,075,566 (2007/8: £7,212,874), which consists of voluntary income of £6,418,240 (2007/8: £6,267,380), income from activities for generating funds of £1,613,343 (2007/8: £902,761) and investment income of £43,983 (2007/8: £42,733). Income is recognised in accordance with the policies set out in the Accounting Policies Notes on pages 33 and 34.

As in 2007/8, our network – and particularly our members and funders – supported our work strongly as we built our capacity and international reach while maintaining effectiveness and management focus. The global economic downturn continued to limit our growth, and we will continue to monitor its impact on our ability to raise resources to support our work.

Development

Individual giving, charitable foundations, government grants, corporate philanthropy, sponsorship and membership contributions were all important sources of financial support for us. We will continue to develop our programmes with a diverse group of funders to keep our independence and manage risk. We directed 10% (2007/8: 8%) of our budget towards generating funds, with most allocated to staff costs.

We narrowly exceeded our annual fundraising target, closing the year in a positive financial position (see below). By October 2009, we had £7.3 million (received or committed) for the 2009/10 year, and an additional £4.4 million committed for future years.

Expenditure

During the accounting period we spent a total of £8,007,570 (2007/8: £6,767,810), including £871,004 on research activities (2007/8: £845,665), £3,075,810 on raising awareness of climate change and its solutions (2007/8: £2,146,399), and £2,669,119 on education of business and government partners on leadership opportunities associated with ‘low carbon’ policy and strategy solutions (2007/8: £2,953,793). These movements in the 2008/9 financial year represented a 3% increase in research expenditure, a 43% increase in awareness-raising spend and a 10% decrease in educating business and government partners compared to the previous year.

Overall expenditure increased by 18% between 2007/8 and 2008/9.

Financial position at year end

We closed the reporting period with a positive position of £1,634,714 (2007/8: £1,387,061) comprising a restricted funds position of £1,067,909 (2007/8: £756,915) and an unrestricted funds position of £566,805 (2007/8: £630,146). This result included a gain on revaluation of foreign currency subsidiaries of £179,657 (2007/8: £1,298).



What we will do in 2009/10

2008/09 was a successful year for The Climate Group in many ways, but also a year of transition as we refined and began to implement a new strategic direction. During 2009/10 we aim to gear up our policy and technologies projects in the context of a constructive new global deal on climate change.

During 2009/10 we will:

- Further align our core programmes – Global Deal, Global Deployment and Leadership & Engagement – to support the twin goals of getting a strong new deal on climate change (including the post-Copenhagen negotiations), and putting it into practice.
- Focus particularly on developing and promoting enabling policy and finance for key technologies.
- Take Smart Use and Smart Power technology projects beyond their preparatory stages, to embark on funded, target-driven work plans.

Expand the LED LightSavers project to include at least 10 cities worldwide.



Structure, governance and management

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

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

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

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

The Board is supported by a Finance Committee to strengthen oversight of our finances, budgeting and fundraising performance, and by a Remunerations and Appointments Committee which recommends remuneration strategies and policies and advises on matters pertaining to the appointment of trustees. The committees meet quarterly in addition to the regular trustee meetings.

We periodically review the major risks to which we are exposed, together with the systems and procedures in place to manage them.

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

CARBON MANAGEMENT POLICY

According to organisational policy The Climate Group's operations and activities are (certified) carbon neutral. As well as endeavouring to keep our emissions as low as possible by using telepresence and eliminating unnecessary travel, we have offset the unavoidable emissions using carbon credits that have been certified under the Voluntary Carbon Standard or the Gold Standard. The Climate Group's CO₂ equivalent emissions for 2008 were 282 tonnes.



UK Board, management team and advisers

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

Incorporation

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

Principal office & Registered office

The Climate Group, The Tower Building, 3rd Floor, York Road, London SE1 7NX

Charity Trustees & Company Directors

John R Coomber (Chair)	David Gregson
Stuart Archibald	Caroline Heaton
Rachel Crossley	Matthew Anderson
Josh Berger *	
Andrew Smith *	<i>* joined December 2009</i>

Company Secretary

Michael Burychka

International Management Team

Steve Howard*	CEO
Luc Bas	Head of Government Relations - Europe
Michael Burychka*	CFO**
Amy Davidsen*	US Director**
Michael Fransisco-McGuire	Director Operations North America
Jane Gray	Director International States & Regions
Callum Grieve	Director External Affairs, North America
Philip Jessup	Director, Cities & Technology
Mark Kenber*	Policy Director
Alison Lucas*	Communications Director
Preeti Malhotra	India Director
Trina Mallik	Director, Membership
Rupert Posner	Australia Director
Jo Randell	Head of Development, Europe
Kailee Scales	Director of Resource Development, North America**
Jim Walker*	COO, Chair US Management Team
Molly Webb	Head of Strategic Engagement
Changhua Wu*	Greater China Director

** Executive Management Team*

*** joined since June 2009*

Leadership Council

The Lord Browne of Madingley (Chair) (Riverstone)
Dr Sultan Al Jaber (Masdar, Abu Dhabi)
Clésio Antonio Balbo (Balbo Group, Brazil)
Thor Björgólfsson (Novator, Europe)
John R Coomber (Swiss Re)
Stephen Green (HSBC)
Susan Hockfield (MIT, USA)
James Murdoch (NewsCorp)
Boudewijn Poelman (Novomedia, Europe)

Niklas Zennström (Atomico/Joost, Europe)
Sir Richard Branson (Virgin)
Sunil Bharti Mittal (Bharti Group, India)
Jim Rogers (Duke Energy, USA)
Datuk Vinod Sekhar (Petra Group, Malaysia)
Dr SHI Zhengrong (Suntech, China)
Jeff Swartz (Timberland, USA)
WANG Jianzhou (China Mobile, China)
ZHANG Yue (Broad Air Conditioning, China)

Accountants

JS2 Limited
One Crown Square
Woking
Surrey GU21 6HR

Solicitors

Winston & Strawn London
99 Gresham Street
London EC2V 7NG

Bankers

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

Auditors

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



Financial strategy

Reserves policy

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

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

Applying this ratio to 30 June 2009, the required level of reserves would be approximately £2.1 million, versus actual reported reserves of £1.6 million. The Trustees acknowledge that reserves need to be increased to support any organisational growth.

Risk management

The trustees are responsible for ensuring that major risks facing The Climate Group are appropriately managed. The major risks identified are regularly reviewed and their potential impact assessed. Strategies and controls to manage each risk appropriately are in place, with some subject to continuous improvement.

In those areas of our work where a degree of risk is inevitable, appropriate steps have been taken to mitigate that risk where possible.

Grant making policy

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

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



Trustees' responsibilities in relation to the Financial Statements

Company law requires the Board of Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year.

In preparing those financial statements, the finance committee should follow best practice and:

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

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The trustees 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.

Provision of information to auditors

Each of the persons who is a trustee at the date of approval of this report confirms that:

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

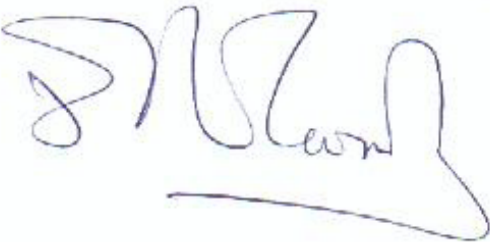
Members of the Board of Trustees who are directors for the purpose of company law and trustees for the purpose of charity law, who served during the period and up to the date of this report are set out on page 23.

Auditors

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

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

Approved by the Board of Trustees on 2 March 2010 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'J R Coomber', with a horizontal line underneath.

John R Coomber
Chairman



Independent auditors' report to the Trustees

We have audited the group and parent company financial statements of The Climate Change Organisation for the year ended 30 June 2009 set out pages 30 to 45. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

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

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

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

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

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of opinion

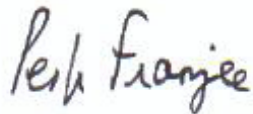
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.



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

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

5 March 2010

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

For the year ended 30 June 2009



Consolidated financial statements

	Notes	Restricted	Unrestricted	Year ended 30 June 2009	Year ended 30 June 2008
		£	£	£	£
Incoming resources					
Incoming resources from generated funds					
<i>Voluntary income</i>					
Donations & similar funding		211,083	44,491	255,574	1,640,090
Grants	2	5,077,892	175,000	5,252,892	4,024,337
Membership		466,313	443,461	909,774	602,953
		<u>5,755,288</u>	<u>662,952</u>	6,418,240	6,267,380
<i>Activities for generating funds</i>					
Together campaign		598,042	537,500	1,135,542	775,176
Other		325,497	152,304	477,801	127,585
		<u>923,539</u>	<u>689,804</u>	1,613,343	902,761
<i>Investment income</i>		<u>6,881</u>	<u>37,102</u>	43,983	42,733
Total incoming resources		<u>6,685,708</u>	<u>1,389,858</u>	8,075,566	7,212,874
Resources expended					
<i>Costs of generating funds</i>					
Costs of generating voluntary income		397,927	381,800	779,727	511,360
<i>Charitable activities</i>					
Research		844,668	26,336	871,004	845,665
Communications		2,801,445	274,365	3,075,810	2,146,399
Education & engagement		2,378,767	290,352	2,669,119	2,953,793
		<u>6,024,880</u>	<u>591,053</u>	6,615,933	5,945,857
<i>Governance costs</i>		<u>131,564</u>	<u>480,346</u>	611,910	310,593
Total resources expended	3	<u>6,554,371</u>	<u>1,453,199</u>	8,007,570	6,767,810
Net incoming resources for the period (being the net income) before other recognised gains and losses	4	131,337	(63,341)	67,996	445,064
Other recognised gains and losses					
Gain on revaluation of foreign currency subsidiaries		179,657	-	179,657	1,298
Net movement in funds		<u>310,994</u>	<u>(63,341)</u>	247,653	446,362
Funds at 30 June 2008		<u>756,915</u>	<u>630,146</u>	1,387,061	940,699
Funds at 30 June 2009	10	<u>1,067,909</u>	<u>566,805</u>	<u>1,634,714</u>	<u>1,387,061</u>

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

BALANCE SHEETS

As at 30 June 2009

	Notes	Group 30 June 2009 £	Group 30 June 2008 £	Charity 30 June 2009 £	Charity 30 June 2008 £
Fixed assets					
Tangible fixed assets	6	105,342	162,406	29,701	74,034
Current assets					
Debtors	7	1,093,509	732,030	936,399	791,596
Short term deposits		2,284,457	1,303,846	2,284,457	1,303,846
Cash at bank & in hand		1,625,169	1,678,692	81,077	96,097
		5,003,135	3,714,568	3,301,933	2,191,539
Creditors: amounts falling due within one year	8	(3,473,763)	(2,489,913)	(2,234,734)	(1,438,954)
Net current assets		1,529,372	1,224,655	1,067,199	752,585
Net assets	9	1,634,714	1,387,061	1,096,900	826,619
Represented by					
Restricted funds		1,067,909	756,915	251,163	124,716
Unrestricted funds		566,805	630,146	845,737	701,903
Total funds	10	1,634,714	1,387,061	1,096,900	826,619

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

The accounts on pages 30 to 45 were approved by the Board of trustees and authorised for issue on 2 March 2010 and signed on its behalf by:

John R Coomber
Chairman

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Year ended 30 June 2009 £	Year ended 30 June 2008 £
Net cash inflow from operating activities (Note a)	896,497	2,008,759
Returns on investment and servicing of finance		
Bank interest received	43,983	42,733
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(13,392)	(150,896)
Increase in cash	927,088	1,900,596
Net cash at start of the year	2,982,538	1,081,942
Net cash at end of the year	3,909,626	2,982,538

NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net incoming resources to net cash inflow from operating activities	2009	2008
	£	£
Net incoming resources for the year	67,996	445,064
Bank interest received	(43,983)	(42,733)
Depreciation	88,086	73,414
Loss on disposal of fixed assets	511	-
Foreign exchange differences, excluding gains arising on revaluation of fixed assets	161,516	1,298
(Increase) in debtors	(361,479)	(483,484)
Increase in creditors	983,850	2,015,200
	896,497	2,008,759
Net cash inflow from operating activities	896,497	2,008,759



Notes to the consolidated financial statements

1 Accounting policies

a) *Basis of accounting*

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

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings (see Note 15). The results of the subsidiary are consolidated on a line-by-line basis. No separate SOFA has been prepared for the charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 304 of the SORP.

b) *Income*

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Intangible income and gifts in kind are not included unless they represent goods or services which would have otherwise been purchased, in which case they are valued and brought in as income and the appropriate expenditure.

Income is credited to incoming resources on the earlier date of when it is received or when it is receivable, unless it relates to a specific future period, in which case it is deferred.

Membership income, and income received as part of the Together campaign, is recognised in the financial statements evenly over the period to which the fee relates.

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

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

c) *Expenditure*

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

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

Note 3 shows how support costs have been allocated to the projects.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

1 Accounting policies (continued)

d) Fixed assets and depreciation

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

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

Office equipment	- 3 years
Furniture and fixtures	- 3 years

e) Fund accounting

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

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

f) Governance costs

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

g) Pension costs

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

h) Operating leases

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

i) Foreign currencies

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

j) Group financial statements

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

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

2 Grants

	Restricted £	Unrestricted £	Year ended 30 June 2009 £	Year ended 30 June 2008 £
Corporations	2,816,321	-	2,816,321	1,913,149
Government	614,261	-	614,261	186,523
Foundations & NGOs	1,647,310	175,000	1,822,310	1,924,665
	<u>5,077,892</u>	<u>175,000</u>	<u>5,252,892</u>	<u>4,024,337</u>

3 Analysis of total resources expended

	Direct staff costs £	Other direct costs £	Total direct costs £	Support staff costs £	Other support costs £	Total support costs £	Year ended 30 June 2009 Total £	Year ended 30 June 2008 Total £
Cost of generating funds	467,764	90,859	558,623	116,873	104,231	221,104	779,727	511,360
Research	452,475	239,194	691,669	83,850	95,485	179,335	871,004	845,665
Communications	1,458,691	966,143	2,424,834	333,576	317,400	650,976	3,075,810	2,146,399
Education & Engagement	1,344,546	724,464	2,069,010	317,159	282,950	600,109	2,669,119	2,953,793
Governance	353,402	120,778	474,180	59,416	78,314	137,730	611,910	310,593
Total 2009	<u>4,076,878</u>	<u>2,141,438</u>	<u>6,218,316</u>	<u>910,874</u>	<u>878,380</u>	<u>1,789,254</u>	<u>8,007,570</u>	<u>6,767,810</u>
Total 2008	<u>2,332,100</u>	<u>3,160,303</u>	<u>5,492,403</u>	<u>452,657</u>	<u>822,750</u>	<u>1,275,407</u>	<u>6,767,810</u>	

Support costs are apportioned to activities based on staff time, which is an estimate of the amount of effort attributable to each activity. Support costs include such expenditure as rent, office running costs and financial and legal services. The increase in Governance costs of 97% on the previous year was due to a team of finance and governance staff being put in place across the organisation, plus associated support costs this entailed. The increased size and complexity of The Climate Group's global network resulted in increased costs of governance, management and reporting.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

4 Net incoming/(outgoing) resources

is stated after charging/(crediting):

	Year ended 30 June 2009 £	Year ended 30 June 2008 £
Operating lease rentals – other	270,967	175,649
Depreciation	88,086	73,414
Fees payable to charity auditors: audit of the charity's annual accounts	18,000	16,750
Fees payable to charity auditors: audit of the charity's subsidiaries pursuant to legislation	1,500	1,250
Donated services – staff	-	(123,687)
Donated services – other	(58,592)	-
	<u> </u>	<u> </u>

The trustees received neither remuneration nor expenses during either period.

5 Employees

Staff costs during the period amounted to:

	Year ended 30 June 2009 £	Year ended 30 June 2008 £
Wages & salaries	3,401,799	1,882,456
Social security costs	330,127	195,097
Employer's pension contributions	304,522	129,846
Other staff costs	270,141	55,129
	<u> </u>	<u> </u>
	4,306,589	2,262,528
Freelance staff	585,574	129,838
Temporary staff	95,589	268,704
Donated services	-	123,687
	<u> </u>	<u> </u>
	4,987,752	2,784,757

Number of employees with emoluments exceeding £60,000

	2009 Number	2008 Number
£60,000 - £70,000 p.a.	4	2
£70,001 - £80,000 p.a.	6	3
£100,001 - £110,000 p.a.	1	-
£110,001 - £120,000 p.a.	1	1

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

5. Employees (continued)

Retirement benefits are accruing to the six higher paid staff under defined contribution schemes. Employer contributions of £94,200 (2008: £26,000) were made during the year.

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

	Year ended 30 June 2009	Year ended 30 June 2008
Fundraising & publicity	9.5	3.9
Research	5.5	4.9
Communications	18.3	10.0
Education & engagement	37.3	25.5
Support	16.4	7.1
Governance	3.5	2.0
	90.5	53.4

6 Tangible fixed assets (Group)

	Office Equipment £	Leasehold improvements £	Total £
Cost			
1 July 2008	249,214	38,875	288,089
Revaluation on consolidation	20,810	1,446	22,256
Additions	13,392	-	13,392
Disposals	(3,680)	-	(3,680)
30 June 2009	279,736	40,321	320,057
Depreciation			
1 July 2008	102,464	23,219	125,683
Revaluation on consolidation	4,115	-	4,115
Charge for the period	79,384	8,702	88,086
Disposals	(3,169)	-	(3,169)
30 June 2009	182,794	31,921	214,715
Net book value			
30 June 2009	96,942	8,400	105,342
1 July 2008	146,750	15,656	162,406

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

6 Tangible fixed assets (Continued) (Charity)

	Office equipment £	Leasehold improvements £	Total £
Cost			
1 July 2008	147,262	31,921	179,183
Additions	1,186	-	1,186
Disposals	(3,680)	-	(3,680)
30 June 2009	144,768	31,921	176,689
Depreciation			
1 July 2008	81,930	23,219	105,149
Charge for the period	36,306	8,702	45,008
Disposals	(3,169)	-	(3,169)
30 June 2009	115,067	31,921	146,988
Net book value			
30 June 2009	29,701	-	29,701
1 July 2008	65,332	8,702	74,034

7 Debtors

	Group 30 June 2009 £	Group 30 June 2008 £	Charity 30 June 2009 £	Charity 30 June 2008 £
Trade debtors	899,619	516,608	329,888	152,696
Other debtors	41,647	41,134	26,270	29,500
Due from subsidiary companies	-	-	452,689	452,927
Prepayments	74,743	52,919	50,052	35,105
Accrued income	77,500	121,369	77,500	121,368
	1,093,509	732,030	936,399	791,596

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

8 Creditors: amounts falling due within one year

	Group 30 June 2009 £	Group 30 June 2008 £	Charity 30 June 2009 £	Charity 30 June 2008 £
Trade creditors	309,596	783,432	192,641	531,880
Taxation & social security	101,163	47,083	93,293	3,475
Other creditors	119,982	78,810	12,207	14,961
Due to subsidiary companies	-	-	-	7,153
Accruals	234,538	280,678	191,173	268,478
Deferred income	2,708,484	1,299,910	1,745,420	613,007
	3,473,763	2,489,913	2,234,734	1,438,954

Deferred income

	At 1 July 2008 £	Released to incoming resources £	Deferred in the year £	At 30 June 2009 £
Membership	172,520	(172,520)	350,010	350,010
Grants	440,487	(440,487)	1,395,410	1,395,410
Charity total	613,007	(613,007)	1,745,420	1,745,420
The Climate Change Organisation Services Limited	354,173	(354,173)	298,122	298,122
The Climate Group Inc	234,704	(234,704)	605,105	605,105
The Climate Group Limited	86,643	(86,643)	43,653	43,653
The Climate Group (Hong Kong) Limited	11,383	(11,383)	16,184	16,184
Consolidated total	1,299,910	(1,299,910)	2,708,484	2,708,484

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

9 Analysis of net assets between funds (Group)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	105,342	105,342
Current assets	1,067,909	3,935,226	5,003,135
Current liabilities	-	(3,473,763)	(3,473,763)
Net assets	1,067,909	566,805	1,634,714

Analysis of net assets between funds (Charity)

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	29,701	29,701
Current assets	251,164	3,050,769	3,301,933
Current liabilities	-	(2,234,734)	(2,234,734)
Net assets	251,164	845,736	1,096,900

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

10 Movement in funds (continued) (Group)

	At 1 July 2008 £	Incoming resources £	(Outgoing Resources) £	Exchange differences £	At 30 June 2009 £
Restricted Funds					
ICT Study	-	47,907	(47,907)	-	-
IT & Communications	13,500	-	(13,500)	-	-
<i>Breaking the Climate Deadlock</i>	-	906,971	(674,845)	-	232,126
World Cities Programme	7,041	-	(7,041)	-	-
<i>We Will if You Will</i>	-	450,000	(434,000)	-	16,000
States & Regions	27,206	516,023	(540,192)	-	3,037
India Programme	27,671	-	(27,671)	-	-
HSBC Climate Partnership	-	2,816,321	(2,816,321)	-	-
China Programme	49,298	-	(49,298)	-	-
Communication & Education	-	47,636	(47,636)	-	-
	124,716	4,784,858	(4,658,411)		251,163
<i>Together</i>	-	15,652	(15,652)	-	-
China programme	-	23,915	(140,020)	65,180	(50,925)
Hong Kong Programme	6,220	81,035	(119,948)	14,700	(17,993)
US Programme	500,703	1,453,792	(1,424,374)	90,882	621,003
Australia Programme	125,276	326,456	(195,966)	8,895	264,661
Total restricted funds	756,915	6,685,708	(6,554,371)	179,657	1,067,909
Unrestricted funds	630,146	1,389,858	(1,453,199)	-	566,805
Total funds	1,387,061	8,075,566	(8,007,570)	179,657	1,634,714

NOTES TO THE ACCOUNTS

For the year ended 30 June 2009

10 Movement in funds of the Group (continued)

Purpose of funds

China Programme	Funding to engage Chinese government, cities and businesses.
Communications & Education	Funding to raise awareness of the financial and economic opportunities associated with reducing greenhouse gas emissions and to highlight examples of leading organisations' strategies and policies.
ICT Study	Report and events demonstrating how information and communications technologies could reduce business-as-usual emissions.
HSBC Climate Partnership	To promote low carbon solutions and practices in five world cities: Hong Kong, London, Mumbai, New York and Shanghai, engaging businesses, governments and consumers in carbon emissions reduction.
IT & Communications	Funding to improve and enable the global IT systems and resources of The Climate Group.
Breaking the Climate Deadlock	To deliver an international climate change initiative led by former UK Prime Minister Tony Blair, in partnership with The Climate Group.
States & Regions	To allow The Climate Group to work with sub-national governments to exchange best practices, to improve access to low carbon technologies, and to build partnerships between regional leaders and business and national governments.
India Programme	Funding to engage India's government, cities and businesses.
Hong Kong Programme	Funding to engage Hong Kong's government, cities and businesses.
Australia Programme	Funding to engage Australia's government, cities and businesses.
<i>Together</i>	Funding to launch and implement the <i>Together</i> campaign in the UK and USA, and to develop it elsewhere.
US Programme	Funding to develop The Climate Group's outreach to US state governments and businesses. The programme includes the development of relationships with key US states and corporations.
Voluntary Carbon Standard	To develop a widely recognised standard for the verification of carbon credits on the voluntary market ("voluntary carbon units").
World Cities Programme	Focusing in particular on facilitating partnerships between city governments and corporations that address the threat of climate change.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

10 Movements in funds (Charity)

	At 1 July 2008 £	Incoming resources £	(Outgoing Resources) £	At 30 June 2009 £
Restricted funds				
ICT Study	-	47,907	(47,907)	-
IT & Communications	13,500	-	(13,500)	-
<i>Breaking the Climate Deadlock</i>	-	906,971	(674,845)	232,126
World Cities Programme	7,041	-	(7,041)	-
<i>We Will if You Will</i>	-	450,000	(434,000)	16,000
States & Regions	27,206	516,023	(540,192)	3,037
India Programme	27,671	-	(27,671)	-
China Programme	49,298	-	(49,298)	-
Communication & Education		47,636	(47,636)	-
HSBC Climate Partnership	-	2,816,321	(2,816,321)	-
Total restricted funds	124,716	4,784,858	(4,658,411)	251,163
Unrestricted funds	701,903	1,612,605	(1,468,771)	845,737
Total funds	826,619	6,397,463	(6,127,182)	1,096,900

The charity surplus for the year was £270,281 (2008: £331,378).

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

11 Taxation

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

12 Related party transactions

There were no related party transactions during the 12 month period to 30 June 2009. Caroline Heaton, a trustee of the charity and an employee in Winston & Strawn London, has provided pro-bono legal services during the financial period.

13 Cash flow statement

The charity has taken advantage of the exemptions available to small companies and not published a cash flow statement.

14 Leasing commitments

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

	2009	2008
	Land and Buildings	Land and Buildings
	£	£
Expiring within 1 year	192,105	-
Expiring between 1 and 2 years	29,654	191,542
	<u> </u>	<u> </u>

15 Subsidiaries

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

United States – The Climate Group Inc

	2009	2008
Net assets as at 1 July 2008	£374,916	£393,832
Income for the year to 30 June 2009	£2,308,189	£1,961,016
Net (deficit) for the year to 30 June 2009	£(86,639)	£(18,916)
Net assets as at 30 June 2009	£288,277	£374,916

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 30 June 2009

15 Subsidiaries (continued)

Australia – The Climate Group Limited

	2009	2008
Net assets as at 1 July 2008	£126,724	£51,627
Income for the year to 30 June 2009	£375,187	£190,094
Net surplus for the year to 30 June 2009	£140,243	£75,097
Net assets as at 30 June 2009	£266,967	£126,724

China – The Climate Group (China) Limited

	2009	2008
Net assets as at 1 July 2008	£45,309	-
Income for the year to 30 June 2009	£535,109	£177,627
Net surplus for the year to 30 June 2009	£29,715	£45,309
Net assets as at 30 June 2009	£75,024	£45,309

Hong Kong – The Climate Group (Hong Kong) Limited

	2009	2008
Net assets as at 1 July 2008	£15,253	-
Income for the year to 30 June 2009	£275,338	£50,418
Net (deficit)/surplus for the year to 30 June 2009	£(23,794)	£15,253
Net (liabilities)/assets as at 30 June 2009	£(8,541)	£15,253

UK – The Climate Change Organisation Services Limited

	2009	2008
Net assets as at 1 July 2008	£100	£100
Income for the year to 30 June 2009	£694,704	£401,228
Net surplus for the year to 30 June 2009	-	-
Net assets as at 30 June 2009	£100	£100