

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 2010

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

Trustees	S Hockman M McIntosh W McIntosh M Robert V Thomas M Stanley The Honorable E Young P Harvey S Walton
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 2010

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 2010. 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.

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CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Introduction to ClientEarth:

"ClientEarth is at the forefront of changing the way the planet's resources are governed. They have a positive and pragmatic approach to environmental issues, improving and enforcing environmental law. Coldplay are proud to support them."

Coldplay Press Release

ClientEarth is an organisation of activist lawyers committed to securing a healthy planet. We work in Europe and beyond, bringing together law, science and policy to create pragmatic solutions to key environmental challenges.

ClientEarth's unique ability to provide cross-border support for environmental causes in all areas of law has made us indispensable to anyone with a green agenda – from individuals to governments.

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' Page 7).

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Achievements in 2010:

In 2010 ClientEarth...

- We established ClientEarth Poland in Warsaw to protect of Poland's unique biodiversity and ensure that Poland moves smoothly towards a low-carbon future.
- We won a landmark ruling against the UK, which will require the UK to change the cost rules in environmental litigation, so that citizens can afford to use the courts to enforce their rights.
- We partnered with Hugh Fearnley-Whittingstall's "Fish Fight" television and web campaign against the discard of fish at sea, and over 650,000 people have signed on.
- Our Fishing Credits System, a complete revisioning of the Common Fisheries Policy, gained significant support from national governments, and from the EU, fishers and supermarkets.
- We were significant players in getting a law through the European Parliament and Council that bans the import of illegally harvested rainforest timber into all EU countries. This will significantly reduce CO2 emissions while protecting biodiversity.
- We intervened in the International Whaling Commission and helped defeat a measure by Greenland to increase whaling.
- The European Parliament asked us whether there was protection against a Deepwater Horizon type oil spill in European waters. We found there was not and outlined new legislation. The European Commission is in the process of proposing legislation modelled on our proposal.
- We brought two lawsuits challenging the European Commission's failure to release documents containing key information on the negative climate impact the EU's biofuel policy, and a third against the European Council.
- We published Environmental and social transparency under the Companies Act 2006: Digging deeper, a book exploring corporate transparency in the extractives industry.
- We filed complaints in the UK against Rio Tinto and BP for inadequate disclosure in their annual reports of social and environmental impacts.
- We established the ClientEarth Toxics programme in Brussels, an expansion of our existing human health work.
- We helped the Irish Government design a world class climate change bill.
- We hosted a series of Brussels-based workshops providing NGO partners with guidance and tools to pursue access to information and critical documents.

In addition, we nearly doubled our funding.

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

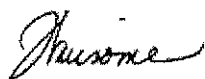
FOR THE YEAR ENDED 31 DECEMBER 2010

Message from the Chair:

In proudly presenting the 2010 Annual Report for ClientEarth, we continue the remarkable story of a public interest law firm's birth and growth. We've grown from a small London office, opened in 2008, to a law firm headquartered in London with offices in Paris, Brussels, and Warsaw. Our extraordinary staff has grown from one visionary leader to close to 50 lawyers, administrators, scientists, and communications experts. We have found no dearth of environmental work to do in the legal and legislative arena, and in fact, have become important players at the intersection of the legal and government sectors across the 27 countries of the European Union.

This exciting evolution of our Firm is due in large part to a highly talented and professional staff, the acknowledgement and support of our growing community of enlightened funders, and the steady guiding hand of an experienced Board of Directors. Our annual budget has doubled in the past year and this exponential growth has given us the opportunity to "hit the ground running" in our clearly defined program areas. It has, as well, presented us with unique management challenges that most organizations could only dream of, but which our team coped with in their stride.

That said, our growth certainly validates our vision of the need for public interest law in the European context. Providing the environmental community with the legal expertise, strategic guidance, and public policy voice will enhance the effectiveness of all. That is what we are all about.



Winsome McIntosh
Chair of the Board of Trustees

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Message from the CEO:

When our funding almost doubled in 2009 we took it as an indication that governments, funders, and our NGO partners recognised the important role we play in the environmental movement in Europe. I am pleased to say that in 2010 we very nearly doubled our funding again. This enhanced financial position allowed us to respond to the need for world-class legal input into the critical environmental issues faced by Europe and the broader international community. Our continued growth is a testament to the vision of our early funders and supporters, including the McIntosh Foundation, the Esmee Fairbairn Foundation, and the Oak Foundation among others, and we are grateful for their continued support.

We are proud that we could respond to calls for our services from organisations across Europe. Even a year ago this would not have been easy to do, and was possible because of the growth in our legal team. We have also continued to invest in our own priorities, remaining true to our vision as a mission-driven organisation. We continue to fight for improved transparency and access to justice across Europe. In 2010 we won a major case against the UK which will require the government to change the cost rules in environmental litigation so that citizens can afford to use the courts to enforce their rights. We filed complaints in the UK against Rio Tinto and BP for inadequate disclosure in their annual reports of social and environmental impacts. We filed three cases against the EU in the European Court to enforce citizens' rights to environmental information. In our Biodiversity programme, our Fishing Credits System, a complete revision of the Common Fisheries Policy, gained significant support from national governments and from the EU, fishers and supermarkets. We defended the Netherlands, whose environmentally progressive procurement programme is under challenge from the EU.

2010 has also seen an exciting expansion of our focus beyond the borders of the EU. We were significant players in drafting and getting through the European Parliament and Council a law that bans the import of illegally harvested rainforest timber into all EU countries. This will reduce CO2 emissions while protecting biodiversity, and has led to engagement with timber-supplying countries in Africa. We have also built a leading rainforest programme, focusing on the governance needed when billions of pounds flow into rainforest countries to keep rainforests standing. And we have forged cooperative links with the eight Central American Countries, which will grow in 2011.

We continue to work on practical solutions to insoluble problems. We do this at the intersection of law, science, and policy. We aim to ensure that new laws are informed by sound science and that those laws are enforceable and enforced. It is this approach that has attracted so many of our talented lawyers to leave government and leading private law firms for an opportunity to create real change. Our expertise is local, it is national, it is European, and it is global. We now have staff lawyers from 10 countries around the world. I look forward to seeing even more countries represented as our pool of top legal talent grows in 2011.

I look forward to celebrating many more victories with you next year.

James Thornton
CEO

An overview of ClientEarth in 2010:

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

FOR THE YEAR ENDED 31 DECEMBER 2010

An overview of ClientEarth in 2010:

"Governments are continually pushed by huge industry lobbies to allow exploitation and not enforce environmental laws. Green groups have been doing great work, but those forces are inconceivably vast and powerful, and what they don't have is the legal muscle to back it up. That's where we come in."

James Thornton, The Big Issue – May 2010

2010 was a landmark year for ClientEarth, notable for both a number of significant programme achievements but also for the sustained growth of the organisation in terms of capacity, budget, and reputation.

With an operating budget that once again nearly doubled from 2009 to 2010, increased support has resulted in a marked increase in programme size, legal staff capacity, and organisational support across all of ClientEarth's offices. We have added 11 new lawyers and 8 new support staff, including an important investment in finance and accounting, administrative, human resources, and development staff to support our growth and ensure that programme growth is integrated smoothly into the organisation. Perhaps most importantly, we were able to secure funding for the establishment and operation of a Polish office in Warsaw, addressing our strategic goal to move Poland towards a low carbon economy, to protect its unique biodiversity and to provide legal support to the environmental movement in eastern Europe.

Increased capacity has also allowed us to increase the depth of our engagement in existing programme areas, as well as expand in new directions. Our Health and Environment programme has grown beyond air quality to include engagement in the regulation of EU toxics; the Biodiversity programme advanced its work to secure long term viability of fish stocks and was asked to address the readiness of European law to respond to a Deepwater Horizon – style disaster should one occur in Europe; and, the Climate and Forests programme has engaged at the EU and Member State levels to address timber regulation through legislation and through national-level procurement policies. In the Corporate Transparency Programme, we presented Environmental and social transparency under the Companies Act 2006: Digging Deeper. We followed up the book with complaints against Rio Tinto and BP for inadequacies in their annual reports. Our Climate and Energy Programme is a founding member of and sits on the steering committee of the Coalition for Energy Savings.

Growth defined 2010 programmatically and organisationally, from our staff, to our funders, and to our Board of Trustees. Our programme areas continue to address the most pressing needs and promising opportunities of the environmental movement in Europe and, increasingly, internationally, and we have grown our strategic vision to reflect our unique role as the leading environmental public-interest law organisation in Europe.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Programme Areas:

"No matter how well intentioned governments are, they can always be led astray. Europe has laws that are comprehensive and ambitious, but they are often difficult to enforce or not enforced at all."

James Thornton, International Herald Tribune, March 2010,

Biodiversity

Marine and fisheries

In 2010 our marine and fisheries programme established itself as a leading voice for the reform of suffering European fisheries, engaging with government, industry, NGO partners and others to provide an answer to the European Commission's call for radical change. We continue to develop and take forward the Fishing Credits System (FCS), our proposal for the reform of the common fisheries policy (CFP) and are advocating the FCS as a regional fisheries management solution while at the same time proposing the appropriate high level EU legal framework and the fundamental conditions necessary for regionalised fisheries management. Increasingly, we are advising law and decision makers on relevant legal considerations under the EU Treaty for passing EU fisheries laws.

We partnered with television chef Hugh Fearnley-Whittingstall to raise awareness of fishing discards. About half of the fish caught at sea are thrown back dead due to regulatory and market pressures, and through our involvement in the "Fish Fight" campaign we have been party to the mobilisation of over 650,000 UK citizens and 200 UK MPs now supporting the adoption of a discard ban.

Our advice on whaling had a strong impact on governments and decision makers and prevented unsustainable whaling decisions being made at international level. Our briefings on bluefin tuna later in the year were relied on by governments and the Commission in international negotiations. In both cases, our advice was also taken on by other NGOs, who found the strong legal support particularly helpful in their campaigns.

EU biodiversity

2010 saw the establishment of a dedicated biodiversity programme in the EU, a longtime goal for ClientEarth and an area of great importance across Europe. The first months of our EU biodiversity law work started in the aftermath of the BP Deepwater Horizon disaster. The European Parliament asked us what would happen in the EU if there was a similar disaster. Our answer was that the current legal framework has serious gaps on liability and financial security. We subsequently developed a set of proposals for the regulation of oil rigs and offshore drilling in the EU, which the Commission is actively adopting in its own proposals.

We also responded to a Commission consultation on a review of the Environmental Impact Assessment (EIA) Directive, with recommendations on how the review should proceed. We were able to comment in the press with advice to the European Parliament on the recent Hungarian toxic spill.

National parks in Poland

In Poland we have mapped out and begun to implement a strategy for enabling the designation of national parks. Currently, the creation of new national parks in Poland is blocked by an effective veto by local authorities. An NGO campaign is gathering signatures to ask the Polish parliament to amend this law. We are analysing complementary and alternative approaches to securing Poland's natural heritage, including such globally important and beautiful places as the Białowieza forest.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Climate and Energy

Spanning all four of ClientEarth's offices, growth of the Climate and Energy programme in 2010 has ensured that ClientEarth will play a critical role in shaping the dialogue surrounding this cornerstone environmental concern.

Energy efficiency – coalition

Our activities on energy efficiency and energy savings at the EU level entered an important phase in late 2010. We are a founding member of the Coalition for Energy Savings and sit on its steering committee. The coalition is an open alliance of European organisations known as both important stakeholders in the field of energy efficiency and savings, and as supporters of urgent action towards ensuring that existing energy efficiency policy delivers expected benefits, and that future policy becomes more ambitious.

In addition, we were closely involved in a study *Energy Savings 2020 – How to triple the impact of energy saving policies in Europe*. This study, carried out by Ecofys and Fraunhofer ISI and commissioned by the European Climate Foundation and the Regulatory Assistance Project, demonstrates the benefits of energy savings in economic and climatic terms – but concludes that a tripling of policy impact is required to meet the EU's 20% energy savings target.

Subsidies for coal in Spain

In 2010 Spain adopted a royal decree which would effectively pay select power stations to burn domestically mined coal. We lodged a complaint with the European Commission in July, setting out the ways in which Spain's scheme was unlawful. The Commission has allowed the scheme to go ahead despite a number of national and international bodies (the Spanish National Commission for Energy, the Spanish National Commission for Competition and the International Energy Agency) observing that the state aid would distort competition, as well as compromise the EU's climate and environmental objectives. Spain now faces challenges from a number of energy companies in national and EU courts.

EU 30% emissions reductions target

After the Copenhagen climate negotiations failed to deliver an international agreement, it was uncertain that the EU would promise to increase the ambition level of its 2020 emissions reduction from 20% to 30%. During 2010, DG Climate Action has looked at options for shifting to 30%. We presented legal analysis with options for the Commission to increase the target without reopening the legislative settlement. This involved an analysis of the EU's Emissions Trading Scheme Directive and various measures to be adopted under that directive such as the auctioning regulation.

Development of Polish climate and energy programme

At the EU level, the right has been affirmed for member states to introduce emissions performance standards to restrict carbon dioxide emissions from power stations. Carbon capture and storage (CCS) demonstrations on a large scale will test the technology.

Previously focused on coal power in the UK, in 2010 our focus now shifted to Poland where large numbers of new coal power stations, and open-cast lignite mines, are being planned. We have laid out a plan, and now have a team in place, to address the critical question of what a sustainable energy future could look like for Poland. This takes into account ambitious energy efficiency and energy savings, and avoiding being locked in to the next generation of dirty coal, and in 2011 we look forward to be engaged in a comprehensive programme on climate and energy in Poland.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Near-term non-CO₂ climate mitigation: F-gases, black carbon

Debates on EU climate policy tend to focus on the large scale energy system transformations required to “decarbonise” our economies, while to some extent other warming gases and particles such as black carbon are ignored. Scientists have suggested that we need a more sophisticated approach to climate change mitigation: we need to prohibit trading short-lived climate forcers in favour of long-lived ones, control regional warming in climate sensitive areas such as the Arctic Circle, and address all climate-forcing emissions and available mitigation levers. This approach, sometimes referred to as “atmospheric management”, is a portfolio of climate change mitigation solutions and has been taken up by ClientEarth for application in the EU. In tandem with aggressive measures to ensure long-term CO₂ stabilisation, focused and effective complementary actions on non-CO₂ climate forcers are needed to trim peak warming and mediate climate sensitivities in the short term. We have started to apply these approaches to EU legal and policy frameworks where laws need to be reformed or developed in regards to non-CO₂ forcers including F-gases and black carbon, and anticipate growing the programme throughout 2011.

Climate and Forests

2010 saw exciting growth in the Climate and Forests team, allowing us to not only expand work on core issues of interest but to begin looking at providing innovative solutions to European and international forestry issues in 2011 and beyond. We remain focused on both the regulation of timber and forest products in Europe and on improving forest rights and governance in timber-supplying countries around the world.

Our legal advocacy includes work on illegal and unsustainable timber, biofuels, timber procurement policies, and harvesting forest biomass for energy production. Additionally, ClientEarth has worked to improve the regulatory frameworks underpinning efforts to reduce emissions from deforestation and forest degradation (REDD+) and the EU Forest Law Enforcement, Governance and Trade Action Plan (FLEGT). REDD+ is intended to enhance financial and other incentives for forested countries to reduce emissions and protect biodiversity. We also advocate for embedding the rights of indigenous peoples and forest-dependent communities, empowering them to engage with forest law and governance.

Biofuels cases

Certain types of biofuels contribute to deforestation and unless sustainability standards are defined in EU law, under the EU targets on renewable energy this trend will continue. On 20 September 2010, ClientEarth, together with Transport & Environment, the European Environmental Bureau, and BirdLife International, brought a second lawsuit challenging the European Commission's failure to release documents containing previously undisclosed information on the negative climate impact of widespread biofuels use in the EU. Additionally, in October 2010, as a result of our advocacy, the European Union adopted the Timber Regulation banning the import of illegal timber, ensuring traceability throughout the supply chain, and establishing a robust due-diligence system.

Sustainable timber procurement policies

We are advising the Dutch government, and working alongside Denmark and Belgium, to defend their progressive policies on public sector procurement of sustainably harvested timber from challenges by the European Commission (Internal Market). Public procurement can be a strong force for good but it is being stymied by the application of the EU's single market principles.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Central America & Congo Basin

We are designing a new Central American initiative to address forest governance. In 2011 we will work with the Central American Commission for Environment and Development (CCAD), national governments and other stakeholders on capacity building, analysis of needs, and design of future legal, policy and institutional frameworks.

A complementary strand of work in the Congo Basin will also shift from the development to the delivery phase. We will be working with FERN, the Forest Peoples Programme and a Cameroonian NGO to build the legal capacity of local civil society organisations negotiating the voluntary trade partnerships their governments enter into with the EU. These partnership agreements provide for trade of legally harvested timber in EU markets.

Access to Justice

"Her Majesty's courts are open to everyone, just like the Ritz."

James Thornton, The New York Times, March 2010

Aarhus – Victory in case against the UK

On 26 August 2010, the Aarhus Convention Compliance Committee released its findings on ClientEarth's case, which was first lodged in November 2008 and heard in Geneva in September 2009. These findings represent a landmark victory for NGO and citizens' access to justice in environmental cases in the UK. The committee found the UK in breach of the Aarhus Convention because of the unreasonable costs and financial risks involved in bringing public interest cases and because of unfair timing rules. The committee also made important findings on whether courts in the UK should consider cases on their merits.

The UK government has promised to change the UK system. We are now advocating better rules including a fair one way cost shifting system

EU transparency

We have a new open society initiative which targets the transparency of EU institutions, especially the European Commission and the Council. This is an important and exciting area: transparency is currently poor but there are significant opportunities for change. By consistently exercising our rights, and supporting other NGOs to do the same we will, over time, change the institutions' behaviour. At the same time, we are testing the rules through strategic cases – and gaining access to information that is important to our programme work (such as scientific data on the potentially damaging effect of biofuels).

Unfortunately, in 2010 the European Commission began an initiative to narrow citizens' access to information. It has proposed a legal amendment to the definition of "documents" that significantly reduces the documents that citizens could obtain. We are working with members of the European Parliament, civil society, and the media to prevent the proposal in its current form from becoming law. In September 2010 we also brought a case against the Council for failing to disclose to us, as it is required to under EU case law, a legal opinion discussing the Commission's legislative proposal.

In October, a ClientEarth team presented two one-day workshops attended by around 50 NGO participants in Brussels on how to access documents from EU institutions and how to incorporate this into their campaigns.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

European Investment Bank scrutiny

Our work on the European Investment Bank (EIB) continued with a complaint against a loan the Bank made to ArcelorMittal. The precise criteria to be used by the EIB when assessing whether they grant such a loan or not to a company is whether funds are available from other sources on reasonable terms.

We argued that, because ArcelorMittal is the largest private steel company in the world, responsible for 10% of global production, it could either have funded the project itself or accessed commercial loans. There was therefore no added value in the Bank providing a low-interest public loan to the company, and the loan violated the Bank's lending criteria. We also highlighted ArcelorMittal's poor environmental and social record and its poor stakeholder engagement record.

Beyond this case, we are advocating amendments to a legislative proposal that will determine how the bank lends to projects outside the EU. This mandate has far reaching sustainable development implications, particularly for the financing of climate change adaptation and mitigation in developing countries.

Corporate Transparency

In July 2010 our corporate transparency programme lawyers launched the ClientEarth book Environmental and social transparency under the Companies Act 2006: Digging deeper at a Westminster panel event hosted by MP Martin Horwood, with a keynote speech by Jonathon Porritt. This major programme milestone was timed to take place just after the coalition government's announcement on looking to strengthen corporate governance and company reporting laws relating to social and environmental matters. We have been actively briefing advisors at the Department for Business on the shape of future reforms, and made a submission on their consultation paper.

We also took up the invitation of the regulator Financial Reporting Review Panel (FRRP), and submitted a complaint about multinational mining company Rio Tinto's annual report, alleging failures to disclose a range of verifiable social and environmental problems relating to their operations. We are waiting for a response, and are preparing further complaints against company reports that fail to meet the legal disclosure standard and obscure their operations with green-washing.

Health and the Environment

"Instead of attempting to delay the inevitable and continue placing UK citizens at risk from exposure to toxic chemicals, manufacturers should be working constructively with suppliers to adhere to these essential safety requirements."

Vito Buonsante, ClientEarth Toxics Lawyer, Financial Times, October 2010

CleanAir

The CleanAir campaign has demonstrated progress on several fronts over the last six months of 2010. First and foremost, ClientEarth has responded to the Mayor's consultations on a London air quality strategy, to the removal of the western extension of the Congestion Charge zone, and to the postponement of the Low Emission Zone, continuing to be a critical voice for the public interest in clean air. We have also analysed the transposition of a key EU air quality directive into UK law through regulations. Problems that we identified with the draft regulations were subsequently fixed as a result of our submissions. Additionally, we developed a legal challenge to the UK's breaches of limit values relating to nitrogen dioxide (NO₂), and have researched and drafted a report on clean air solutions in London which will be published in 2011, together with economic analysis demonstrating the benefits of ambitious air quality policies.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

We continue to maintain focus on the legal obligations of the City of London to comply with EU air quality standards, and we are close to commencing action. We are also looking at ways to expand our clean air work into other European cities such as Paris, Milan, Brussels and Warsaw.

Toxics

Established in 2010, our toxics programme is primarily focused on the implementation of the EU's chemicals legislation, REACH. Our approach is to seek a strong interpretation of the legislation in order to protect human health and the environment, as well as ensuring that the system is transparent. The REACH system's effectiveness is based on availability of information, but in practice the system is dominated by large chemicals companies seeking nondisclosure of what they often mistakenly claim as commercially sensitive information. Transparency in this case is therefore particularly important, and our work in this area intersects our existing access to information programme work, supporting both approaches in Europe.

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
The Honorable E Young
M Stanley
P Harvey (Appointed August 2010)
S Walton (Appointed September 2010)

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.

Trustees:

2010 saw us welcome Phil Harvey and Steuart Walton as new Trustees. A veteran of the music business through his work as a founding member of UK rock band Coldplay, Phil brings with him formidable organisational expertise in conjunction with strong experience guiding the band's philanthropic commitments. Steuart provides a combination of formal legal training and extensive experience on both corporate and philanthropic foundation boards, skills that are greatly valued by ClientEarth as we continue to grow and develop the strengths of our Board of Trustees during this important period of organisational growth

Risk:

The trustees are engaged in examining 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.

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

FOR THE YEAR ENDED 31 DECEMBER 2010

Financial review:

During the year ended 31 December 2010 the charity received income of £1,639,444 (31 December 2009 £884,677).

At the 31 December 2009 the charity had net assets of £234,352 (31 December 2009 £390,685).

At the balance sheet date unrestricted funds were £114,256 (31 December 2009 £132,569). Of the unrestricted assets at the balance sheet date £36,066 (31 December 2009 £99,471) was made up of unrestricted cash.

Reserve Policy:

It is the aim of the charity to maintain sufficient available funds to enable it to operate for a period of twelve months from any date of review, which was achieved during the period to 31 December 2010.

Auditors:

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

On behalf of the board of trustees

Trustee:
Dated:

Emily Young
March 24th 2011

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

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 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 section 43 of, and the regulations made under section 44 of, The Charities Act 1993. 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 43 of the Charities Act 1993 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 charitable company'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.

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 2010 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 1993.

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 1993 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: *25 March 2011*

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Unrestricted funds £	Restricted funds £	Total 2010 £	Total 2009 £
<u>Incoming resources from generated funds</u>					
Voluntary income	2	119,282	-	119,282	222,107
Investment income	3	38	-	38	108
		<u>119,320</u>	<u>-</u>	<u>119,320</u>	<u>222,215</u>
Incoming resources from charitable activities	4	1,014,206	500,806	1,515,012	657,039
Other incoming resources	5	5,112	-	5,112	5,423
		<u>1,138,638</u>	<u>500,806</u>	<u>1,639,444</u>	<u>884,677</u>
Total incoming resources					
<u>Resources expended</u>					
Costs of generating funds					
Costs of generating grants	6	92,635	-	92,635	12,620
		<u>92,635</u>	<u>-</u>	<u>92,635</u>	<u>12,620</u>
Net incoming resources available		1,046,003	500,806	1,546,809	872,057
Charitable activities					
Charitable activities		1,106,936	591,446	1,698,382	737,185
		<u>1,106,936</u>	<u>591,446</u>	<u>1,698,382</u>	<u>737,185</u>
Governance costs		4,760	-	4,760	3,940
		<u>4,760</u>	<u>-</u>	<u>4,760</u>	<u>3,940</u>
Total resources expended		1,204,331	591,446	1,795,777	753,745
Net (outgoing)/incoming resources before transfers		(65,693)	(90,640)	(156,333)	130,932
Gross transfers between funds		53,220	(53,220)	-	-
		<u>53,220</u>	<u>(53,220)</u>	<u>-</u>	<u>-</u>
Net (expenditure)/income for the year/ Net movement in funds		(12,473)	(143,860)	(156,333)	130,932
Fund balances at 1 January 2010		132,569	258,116	390,685	259,753
		<u>132,569</u>	<u>258,116</u>	<u>390,685</u>	<u>259,753</u>
Fund balances at 31 December 2010		120,096	114,256	234,352	390,685
		<u>120,096</u>	<u>114,256</u>	<u>234,352</u>	<u>390,685</u>

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 2010**

CONSOLIDATED BALANCE SHEET		2010		2009	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		46,990		16,774
Current assets					
Debtors	11	427,255		56,468	
Cash at bank and in hand		130,229		362,493	
		<u>557,484</u>		<u>418,961</u>	
Creditors: amounts falling due within one year	12	<u>(370,122)</u>		<u>(45,050)</u>	
Net current assets			<u>187,362</u>		<u>373,911</u>
Total assets less current liabilities			<u><u>234,352</u></u>		<u><u>390,685</u></u>
Income funds					
Restricted funds	13		114,256		258,116
Unrestricted funds			<u>120,096</u>		<u>132,569</u>
			<u><u>234,352</u></u>		<u><u>390,685</u></u>

The accounts were approved by the Board on

March 24th 2011

E Young
 The Honorable E Young
 Trustee

Company Registration No. 2863827

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
BALANCE SHEET**

AS AT 31 DECEMBER 2010

	Notes	2010		2009	
		£	£	£	£
Fixed assets					
Tangible assets	10		46,990		16,774
Current assets					
Debtors	11	422,903		56,468	
Cash at bank and in hand		127,033		362,493	
		<u>549,936</u>		<u>418,961</u>	
Creditors: amounts falling due within one year	12	<u>(367,757)</u>		<u>(45,050)</u>	
Net current assets			<u>182,179</u>		<u>373,911</u>
Total assets less current liabilities			<u>229,169</u>		<u>390,685</u>
Income funds					
Restricted funds	13		137,144		258,116
Unrestricted funds			<u>92,025</u>		<u>132,569</u>
			<u>229,169</u>		<u>390,685</u>

The accounts were approved by the Board on

March 29th 2011

E Young
The Honorable E Young
Trustee

Company Registration No. 2863827

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

FOR THE YEAR ENDED 31 DECEMBER 2010

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 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 2010 were £1,636,526 (2009 £884,677) with the negative movements in funds being £161,516 (2009 positive £130,932).

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 2010**

1 Accounting Policies (continued)

1.6 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.

1.7 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

	2010 £	2009 £
Donations and gifts	12,570	120,521
Grants receivable for core activities	106,712	101,586
	<u>119,282</u>	<u>222,107</u>

3 Investment income

	2010 £	2009 £
Interest receivable	38	108
	<u>38</u>	<u>108</u>

4 Incoming resources from charitable activities

	Unrestricted funds £	Restricted funds £	Total 2010 £	Total 2009 £
Grants and project work	1,014,206	500,806	1,515,012	657,039
	<u>1,014,206</u>	<u>500,806</u>	<u>1,515,012</u>	<u>657,039</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2010

5 Other incoming resources

	2010 £	2009 £
Other income	5,112	5,423

6 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2010 £	Total 2009 £
Costs of generating funds					
Costs of generating grants	89,717	-	2,918	92,635	12,620
Charitable activities					
<u>Charitable activities</u>					
Activities undertaken directly	925,984	598	315,916	1,242,498	488,773
Support costs	108,956	29,619	317,309	455,884	248,412
Total	1,034,940	30,217	633,225	1,698,382	737,185
Governance costs	-	-	4,760	4,760	3,940
	<u>1,124,657</u>	<u>30,217</u>	<u>640,903</u>	<u>1,795,777</u>	<u>753,745</u>

Audit fees (including VAT) charged to the Income and Expenditure account amounted to £4,700 (31 December 2009: £3,921) and fees paid to the auditors for non-audit services amounted to £6,963 (31 December 2009 £10,908).

7 Support costs

	2010 £	2009 £
Other costs	229,382	86,566
Staff costs	108,956	120,379
Depreciation	29,619	9,212
Premises costs	87,927	32,255
	<u>455,884</u>	<u>248,412</u>

**CLIENTEARTH
 COMPANY LIMITED BY GUARANTEE
 NOTES TO THE ACCOUNTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2010**

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £8,523 (2009: £4,050) 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:

	2010 Number	2009 Number
Restricted funds projects	10	8
Mixture of restricted funds projects and general	15	2
	<u>25</u>	<u>10</u>

Employment costs

	2010 £	2009 £
Wages and salaries	<u>1,124,657</u>	<u>480,343</u>

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

	2010 Number	2009 Number
£95,001 - £105,000	1	-
£85,001 - £95,000	-	1
£60,000 - £70,000	<u>2</u>	<u>-</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2010

10	Tangible fixed assets		Fixtures, fittings & equipment £
	Group and Parent		
	Cost		
	At 1 January 2010		30,218
	Additions		60,433
	At 31 December 2010		<u>90,651</u>
	Depreciation		
	At 1 January 2010		13,444
	Charge for the year		30,217
	At 31 December 2010		<u>43,661</u>
	Net book value		
	At 31 December 2010		<u><u>46,990</u></u>
	At 31 December 2009		<u><u>16,774</u></u>
11	Debtors	2010	2009
		£	£
	Group		
	Other debtors	401,992	50,180
	Prepayments and accrued income	25,263	6,288
		<u>427,255</u>	<u>56,468</u>
	Parent		
	Other debtors	397,640	50,180
	Prepayments and accrued income	25,263	6,288
		<u>422,903</u>	<u>56,468</u>

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010**

12 Creditors: amounts falling due within one year	2010	2009
	£	£
Group		
Taxes and social security costs	-	13,017
Other creditors	251,596	13,786
Accruals	118,526	18,247
	<u>370,122</u>	<u>45,050</u>
Parent		
Taxes and social security costs	-	13,017
Other creditors	251,596	13,786
Accruals	116,161	18,247
	<u>367,757</u>	<u>45,050</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010
	Balance at 1 January 2010	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Kenneth Miller Trust	3,354	24,000	(27,354)	-	-
Marisla Foundation	119,138	-	(71,577)	(23,828)	23,733
Sigrid Rausing Trust	28,834	60,000	(63,784)	-	25,050
European Climate Foundation-2009/2010	(30,233)	291,878	(261,645)	-	-
Ecology Trust/JMG Foundation	-	56,000	(33,358)	-	22,642
Holly Hill Trust	17,350	-	(17,350)	-	-
Packard Foundation	23,837	-	(23,837)	-	-
European Climate Foundation-Fund 3	4,777	-	(4,777)	-	-
Oak Foundation - Marine	61,667	68,928	(87,764)	-	42,831
Oak Foundation - Toxic	29,392	-	-	(29,392)	-
	<u>258,116</u>	<u>500,806</u>	<u>(591,446)</u>	<u>(53,220)</u>	<u>114,256</u>

Parent	Movement in funds				Balance at 31 December 2010
	Balance at 1 January 2010	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Kenneth Miller Trust	3,354	24,000	(27,354)	-	-
Marisla Foundation	119,138	-	(71,577)	(23,828)	23,733
Sigrid Rausing Trust	28,834	60,000	(63,784)	-	25,050
European Climate Foundation-2009/2010	(30,233)	291,878	(238,757)	-	22,888
Ecology Trust/JMG Foundation	-	56,000	(33,358)	-	22,642
Holly Hill Trust	17,350	-	(17,350)	-	-
Packard Foundation	23,837	-	(23,837)	-	-
European Climate Foundation-Fund 3	4,777	-	(4,777)	-	-
Oak Foundation - Marine	61,667	68,928	(87,764)	-	42,831
Oak Foundation - Toxic	29,392	-	-	(29,392)	-
	<u>258,116</u>	<u>500,806</u>	<u>(568,558)</u>	<u>(53,220)</u>	<u>137,144</u>

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010**

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 2010 are represented by:			
Tangible fixed assets	46,840	150	46,990
Current assets	443,378	114,106	557,484
Creditors: amounts falling due within one year	(370,122)	-	(370,122)
	<u>120,096</u>	<u>114,256</u>	<u>234,352</u>

Parent

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 December 2010 are represented by:			
Tangible fixed assets	46,840	150	46,990
Heritage assets	-	-	-
Current assets	412,942	136,994	549,936
Creditors: amounts falling due within one year	(367,757)	-	(367,757)
	<u>92,025</u>	<u>137,144</u>	<u>229,169</u>

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010**

15 Subsidiary undertaking

During the year ClientEarth set up a Polish Foundation which was fully under its control called "Client Earth Poland". 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 Poland.

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

16 Related parties

During the period the charity received grants of £106,712 (31 December 2009 £101,586) from The McIntosh Foundation, a foundation in which the trustees M McIntosh and W McIntosh are trustees.

During the year a Polish foundation, Client Earth Poland, was formed. The foundation is 100% controlled by ClientEarth and a grant of £58,295 was made to the Polish foundation during the year.