

Institute for European Environmental Policy, London

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**(COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL)**

Company No. 2458951

Charity No. 802956

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2010

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2010

The Institute for European Environmental Policy, London (trading as the Institute for European Environmental Policy or IEEP) is a charity and a registered not-for-profit company limited by guarantee and, as such, is governed by its Memorandum of Association and Articles of Association. Directors, who are also the charitable Trustees, present their annual report together with the audited financial statements for the year ended 31 December 2010, which have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Charity Statement of Recommended Practice issued in 2005.

Objects and Policies of the Charity

The Institute is a leading centre for the analysis and development of environmental and related policies in Europe. The objects are to advance the education of the public in the protection of the environment in the continent of Europe and in all forms of national and international policy relating thereto, and to carry out research and enquiry into all aspects of the environment and environmental policy.

These objects are achieved by all appropriate means, including research, the provision of advisory services and preparation of commissioned reports, organising conferences and training courses, and by publishing manuals and other books, reports, articles and newsletters, utilising both digital and paper media. Offices are maintained in London and Brussels, and the Institute has associate colleagues and functional links with similar institutions across Europe.

Aims and Activities

The Institute's aims are both educational and to contribute to a better environment through improved policy interventions, particularly within the European Union. These two goals are pursued mainly through projects which address many different aspects of European policy-making and implementation. We look for practical and reliable solutions in a complex legislative environment based on a knowledge of European and related national policies developed over thirty years.

Policies developed at the EU level have enormous influence on decision making and outcomes on the ground throughout Europe. However, they are often formulated in terms which are bureaucratic and opaque to the non-specialist and this can be a major barrier to understanding and participation in the policy making process. There is an enduring role for independent and well informed organisations to explain and interpret both the policy making process and the policy measures themselves to make them more transparent and to improve their accessibility to the non-specialist citizen. This is an important strand in the Institute's work. It is pursued through the preparation of briefing notes, newsletters, a growing range of items on our website, presentations to conferences and university students, production of our *Manual of European Environmental Policy*, published reports and other means. These seek to broaden the understanding of European policies affecting the environment and improve access to decisions which set standards and goals at a European and sometimes global level.

A second major strand of our work is the analysis of policy development, design, implementation and longer term evolution to meet future needs. We aim to cover not only environmental policy, concerned particularly with pollution control, climate change, waste management, the regulation of chemicals and nature conservation but also many of the sectors with the greatest environmental impacts – such as transport, agriculture, fisheries and regional policy. Our objective is to contribute to the deployment of effective and relevant policies at the European and national levels in particular.

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Many of the most important environmental issues arising in Europe, such as climate change and water pollution, cannot be tackled by national policy alone. A more concerted European effort is required, involving the formulation of appropriate measures addressing the variety of conditions within the continent and their respect and enforcement in practice. Work by the Institute considers inter alia:

- Which are the most important and pressing concerns for the environment;
- How far European policy is confronting the issues of the day;
- How effective existing measures have been in addressing the issues which they were designed to tackle – taking account of the highly variable conditions to be found within Europe;
- Improvements in policy that are required or could be made;
- Where policy needs to develop in future as agendas change.

By engaging actively with decision makers and the wider policy community we aim to present information, analysis and arguments that will lead to better policy and a more sustainable Europe attuned to environmental concerns. The right policy commitments in Europe are essential, not only to meet challenges in this continent but also those arising in the quest for a more sustainable planet.

Review of the Year

Objectives and priorities for 2010

During 2010 we remained committed to the broad goals of undertaking analysis designed to improve policies affecting the environment, advancing understanding of EU policy and facilitating the engagement of civil society in the policy debate. Work on a wide range of specific issues of topical importance was balanced by an active engagement with the development of certain more strategic policies in Europe of environmental significance.

Our overall aim in 2010 was to make further progress in delivering the various objectives in our 2009-14 plan. In doing this we recognised that climate, biodiversity and land use themes would continue to be of particular importance during the year and the next round of CAP reform would be at a critical stage, as would the EU budget debate. Our thematic priorities reflected this. The need to increase our commitment to and investment in communication, both internally and externally was identified clearly as a priority. Our specific objectives for 2010 were:

- To support the integration of a strong environmental rationale into a post 2013 CAP; to provide the evidence for the selection of appropriate policy instruments and to make the case for adequate budgetary resources in pursuit of environmental objectives;
- To support the development of a strong post 2010 biodiversity vision, target and strategic action plan for the EU;
- To contribute to the development of a new political impetus and policy framework for addressing the global biodiversity crisis – through TEEB and other activities;
- To help to translate EU climate/energy objectives, including the “2020” package of key regulations on Carbon Renewables and Energy Efficiency, into effective measures at the Member State level;
- To review the EU’s approach to waste management during the year and make recommendations for future improvements;
- To help to ensure that the Common Fisheries Policy is environmentally sound and contributes to the broader marine management objectives identified in the Marine Strategy Framework Directive and the Integrated Maritime Policy;

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- To build up a stronger environmental voice in the EU budget debate, particularly with respect to climate and agriculture.

Achievements and performance 2010

The Institute was active in a broad range of fields during the year, working on 30 major projects and more than seventy other projects. These projects and the accompanying analysis and close study of European policy formed the cornerstone of the wider public policy work that we conducted. Projects covered topics as varied as water management, bioenergy, fisheries, invasive alien species and the economics of biodiversity. The principal focus was on EU policy but there were studies in a variety of national contexts, including Belgium and the UK and we contributed actively to the Belgian Presidency of the EU in the second half of the year. Many of the projects consisted of policy research and analysis and the preparation of written reports. We also engaged with the wider public by publishing newsletters, circulating briefings, participating in high level events, organising seminars and conferences, and engaging in capacity building and the provision of training.

Amongst the principal policy achievements of the year across the broad spectrum of environmental policy issues were:

- This year's outstanding achievement was the central role played by IEEP to the widely reported, ground-breaking international study of The Economics of Ecosystems and Biodiversity (TEEB) which has resulted in a number of key outputs and contributions to key global events and a book, published in 2011;
- We launched a major new version of our Manual of EU Environmental Policy including extensive re-writing and provision of true on-line interactivity;
- Our study questioning the value of biofuels in meeting EU renewable energy commitments, challenged a central strand of the EU's approach to addressing transport in climate policy;
- We provided much of the substance for a forthcoming EU strategy on invasive alien species;
- Our work on defining the agriculture and public goods agenda in Europe forms an important plank in the forthcoming review of the CAP;
- We contributed to the establishment of a strong case for revising the EU budget to include a substantial commitment to limit climate change and to address other environmental issues;
- IEEP helped to frame the Commission's thinking on its review of EU waste policy.

Amongst the notable projects and initiatives of the year were the following:

a.) Agricultural and rural policy

Agricultural policy remained a key area of the Institute's work. We took forward the strong impetus of previous years and were particularly focused on the forthcoming review of the Common Agricultural Policy, since the reform debate was at a crucial stage, particularly inside the Commission. We took a lead role in shaping the European debate on the future of agricultural policy, preparing studies and providing expertise, running a website on the future of the CAP, speaking at numerous conferences and events in different parts of Europe and working closely both with the European Commission and a wide range of stakeholders.

Our major study on public goods associated with agriculture was published and fed into a European conference we organised in Brussels in the spring. In parallel we carried out an evaluation of the contribution of Rural Development Programmes (RDPs) to the provision of environmental public goods and to rural vitality. The results of work with the European Rural

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Development Network were disseminated widely through the launch of an analytical report, the production of a more popular brochure, and a stakeholder conference organised by the Commission in Brussels in December. Public goods is now a major theme in the debate on moving forward the CAP beyond 2013.

Another highlight was a study for the Commission entitled 'Costing the Environmental Needs Related to Rural Land Management'. This developed estimates of the costs of meeting a range of environmental challenges, including biodiversity, water, soil, climate, Natura 2000 and High Nature Value (HNV) farming through rural land management in Europe in the years ahead. This allowed us to calculate the level of funding required from the EU budget to meet the environmental goals more fully in the agriculture and forestry sectors. This is perhaps the first such estimate and the intention is for the findings to inform DG Environment's inputs into the EU Budget Review in the early part of 2011.

b.) Biodiversity

The Institute's work on biodiversity expanded during the year, covering a larger range of topics than ever before. We played a central role in the high profile review of The Economics of Ecosystems and Biodiversity (the TEEB Review) and some of the studies supporting this global initiative which gained increasing recognition during the year, both in Europe and internationally. The nature and scale of threats from invasive alien species in Europe and the costs and benefits of the Natura 2000 network of protected sites were also important themes.

IEEP is part of the core group established by the European Commission to support the development of the TEEB Review with leading roles in respect to policy options and the economic cost of inaction. During 2010 the focus was on disseminating the findings at a range of international and national venues (over 25 presentations given by the IEEP TEEB team), on preparing a TEEB in Policy Making book for publication, and on preparing and presenting the TEEB synthesis report. The latter covers the full set of TEEB 'deliverables' that address the academic community, policy makers, local authorities, business and citizens. The final results of the TEEB initiative were successfully launched at the 10th meeting of Conference of Parties to the Convention of Biological Diversity in Nagoya in October. IEEP communication also included TV (Finnish and Japanese TV for the CBD), Radio (France Internationale) and print (L'Echo) and a keynote address on TEEB at the European Parliament in Strasbourg in September 2010. The interest stimulated by this work has led to requests for follow up studies in several European states.

Our work on the Opportunity Costs of biodiversity action provides a broad assessment of the EU-wide costs of six policy areas of biodiversity action (Natura 2000, protected areas, species protection, HNV farmland and forestry, marine biodiversity and other wider measures) and identifies gaps and needs for future research.

The Institute has been undertaking a series of studies on invasive alien species in recent years. These species are a major threat to the biodiversity of land, freshwater and marine areas. Our work for the Commission in this area steadily has been helping the EU to come to an EU Strategy for Invasive Alien Species (IAS). Our studies provided a clear outline, analysis and costing of an EU IAS Strategy. The results indicated that the costs of failing to take action to control these species in the EU are likely to be significantly higher than the costs of action, thus supporting the adoption of a comprehensive EU Strategy. Such a strategy is expected in 2011.

c.) Climate Change

Climate policy interacts with much of the Institute's other work. We undertook a range of studies in 2010, attended meetings with a range of actors and engaged in the climate debate at EU and

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national level. In particular, we provided a senior member of staff (Dr Marc Pallemarts) to work closely with the Belgium EU Presidency in the run up to, and during, the major climate conference in Cancún, Mexico, where he chaired a number of meetings on behalf of the Presidency. This was a meeting where considerable progress was made after the disappointments of Copenhagen in 2009.

We were very active on the issue of biofuels and other forms of bioenergy during the year. One stream of work focussed on policy mechanisms to protect valuable grasslands being converted into biofuel feedstock crops, particularly in countries outside Europe. Our papers helped to shape the views of governments and the Commission. We compiled a high profile study examining the indirect land use change (ILUC) consequences of national plans by EU governments for meeting the target for 10% energy from renewable sources in transportation by 2010 as required by the Renewable Energy Directive (RED). Member States are overwhelmingly planning to meet the target through *conventional* biofuels and bioliquids. Our analysis suggested that, on the best available evidence, the 10% target is likely to lead to *more* GHG emissions than without such a target. The question now is what should be done about this and we are engaging in this debate. The report, funded by a group of environmental NGOs, received considerable press attention and contributed to a growing awareness of this problem and the reformation of policy positions. This debate is still very active.

Another renewable energy source of growing significance is hydropower. We completed a study for the UK Environment Agency in preparation for a public consultation on the need to streamline permitting requirements for the installation of small-scale hydropower. We examined how other countries have balanced the need to increase renewable energy capacity against other environmental pressures.

We were invited to participate in the re-launched High Level CARS 21 group established by the European Commission. IEEP was the only environmental organisation represented during the previous incarnation of this group and was able to make a significant contribution by pushing for appropriate mandatory standards for CO₂ emission levels from cars. While the focus of the last CARS 21 process was on regulation, this time the significantly expanded group is focusing on the competitiveness of the European automotive industry in the light of a carbon/energy constrained world and global competition. IEEP is contributing a strong environmental voice to the various dimensions of this debate which is likely to involve not only vehicle efficiency/emission standards but also a more holistic assessment of the sustainability implications of various strategies for reducing emissions from the sector (e.g. biofuels and electrification).

The EU is a key driver of policy on climate change and during the year we prepared an assessment of EU policy for promoting low-carbon innovation and deployment. We analysed the context of low-carbon innovation and identified the main EU strategies, plans and programmes with relevance for the development and dissemination of low-carbon innovation technologies in Europe. The study was financed by WWF Sweden.

Adapting to climate change, was another topic of growing interest during the year, including a study for the European Commission on the state of the knowledge base on adaptation and the challenges in accounting for current and future spending on adaptation measures.

d.) Waste management and resource use

We undertook a major review of the EU's strategic approach to waste management with an analysis of a crucial policy in this sphere, the Thematic Strategy on the Prevention and Recycling of Waste (Waste TS). Overall EU waste generation has tended to increase in recent decades, and managing it remains a challenge. We made recommendations to the Commission to guide future

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steps on waste policy. These were centred around three main themes: **prevention** (better oversight of national prevention plans; research into reliable proxies for monitoring prevention and reuse performance; and extended eco-design requirements to promote the design and purchase of more resource efficient products); continuing the expansion of **recycling** (research efforts into best techniques, successful policy tools, barriers to increased recycling and improving the quality of recycling; clarifying the concept of a European recycling society; prioritising the setting of ambitious future targets; and improved implementation of waste legislation); and stimulating **markets for secondary raw materials** (undertaking dialogue with stakeholders on delivering recyclables of good quality; research into tools to support the domestic (EU) use of secondary raw materials; developing traceability of waste and secondary raw materials; developing a mechanism to recognise the best quality, most environmentally responsible recycled materials and products; and introducing waste-related eco-design requirements). In addition we contributed to specific studies on construction and demolition waste, plastic waste and the review of another over-arching EU policy, the "Thematic Strategy" on Natural Resources.

The work was well received by the Commission and others. As a result significant parts of the European Commission's own Communication on the Waste Thematic Strategy review were taken from our work. Increasingly, however, we are stressing that a narrow focus on waste management is insufficient. Therefore, late in 2010 we moved more strongly to engage in the debate on natural resource efficiency. This is to form a major element of our work in 2011.

e.) The Common Fisheries Policy (CFP)

The Common Fisheries Policy has moved forward in recent years; new regulations have introduced the idea of the "ecosystem approach" to managing the marine environment for example. However, progress in improving the sustainability of stock management has been disappointing for most species. The year saw much activity in preparation of a proposed revision of the CFP expected in 2011.

As ideas on new policies for the CFP were developed by the Commission, we joined a team working on assessments of their impacts. This included analysis of the socio-economic and environmental impacts of proposed options that are expected to be proposed in early 2011. The Commission is currently under pressure to ensure that the key challenges left over from the last unsatisfactory reform in 2002 are addressed and their approach is reflected in the options which we considered. Our work included analysis of different options for improving the governance of the CFP, such as decentralising authority over fisheries management more to the regional level and exploring the future roles of key organisations in decision-making.

The potential regionalisation of the CFP is a key issue and was the subject of a workshop that we organised in Brussels in November funded by the Oak Foundation. The meeting was attended by the Commission (DG Mare), national government representatives, NGOs and regional seas representatives. Regionalisation of the CFP is very high on the current reform agenda, but there are significant differences in view between stakeholders on its environmental merits. Our workshop provided an opportunity to deepen the dialogue on regionalisation.

Communication with those involved in fishing, inside and outside the industry is an important element of our fisheries work. We continue to publish our occasional free newsletter "El Anzuelo", now in an electronic format, and this is circulated widely in Europe. We also used our website to generate interest in the CFP "Health Check" and its environmental significance with a batch of new reports on the topic.

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f.) The EU budget and the environment

The future of the EU budget continued to be under environmental scrutiny during the year both because of the immediate potential for stimulating a green recovery from the recession and the opportunity to re-focus expenditure priorities from 2013 onwards. Spending under the various different funds already has a substantial impact at ground level and there is a historic opportunity to harness more of the budget to environmental goals in future, not least by funding measures to halt further global warming and strengthen biodiversity conservation. The Institute contributed to both strands of this debate during 2010.

We have undertaken significant work on what 'climate proofing' the EU budget might mean in the context of Cohesion policy for the European Climate Foundation (ECF). The project has included regular outreach and engagement with the Commission, Member State governments and wider policy comments. The work has generated significant interest and we were invited to present at a conference for Member States on the budget review.

We have also led a project to examine how EU Cohesion Policy can contribute to the shift to a green economy and to develop the framework for Cohesion Policy post-2013. It has examined issues surrounding environmental policy integration and different types of regional development investment and their impact on the environment (e.g. win-wins, harmful subsidies), and reviewed and developed tools that would better integrate environmental sustainability into Cohesion Policy. The study will conclude in 2011.

g.) Implementation and Enforcement of European Environmental Law

Effective implementation of environmental law is often neglected but continues to be an important priority for the Institute. It is one of the themes of our comprehensive "Manual of Environmental Policy" which covers all the significant items of EU legislation on the environment, explaining their purpose, provisions and significance in an authoritative but accessible way. The Manual also examines implementation of EU law at the national level and is updated regularly. 2010 saw a major restructuring of the Manual to aim it at the wider European and International audience and to make it into a truly interactive on-line resource. The new Manual was successfully launched at IEEP's Brussels office on 23 September. The value of the Manual was recognised by the European Information Association which presented it with its award for Excellence in European Information Provision in 2011. The Manual can be found at: <http://www.europeanenvironmentalpolicy.eu/>

As in previous years we produced a number of reports concerned with the implementation and enforcement of EU legislation in specific spheres, such as climate change, waste policy and pollution control. For example, we undertook a review of the network of Member State authorities that implements EU legislation on Genetically Modified Organisms and examined practical questions of linking water and pollution control law together for the network of competent environmental agencies in Europe, IMPEL. In a related study, the Dutch network of inspectorates asked us to examine how inspection and enforcement actions are set out in EU law as a whole and we made recommendations for improving consistency in this area.

h.) Other Issues

Many other topics were addressed during the year including:

- A series of projects designed to set the scene for a major event under the Belgian Presidency of the EU in the second half of 2010 on the theme of the prospects for a Seventh Environment Action Programme. The Programme is the strategic planning framework for EU environmental policy. The studies were commissioned by the Brussels Capital Region and included a review of the current, Sixth Action Programme and its

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strategic orientations and an examination of the impact of the Programme on other parts of the world;

- Development of the concept of the Ecosystem Approach to marine management as stressed by EU policies and discussion of this with key stakeholders from the Commission, regional seas conventions, etc;
- Capacity-building and training activities in Serbia and in Macedonia on implementing national agri-environment programmes;
- Developing alternative indicators and measurement systems that can provide a useful measure of progress towards economic success, human well-being, environmental protection and long-term sustainability;
- Providing intelligence briefings on EU environmental policy developments for the UK conservation agencies;
- We played an active role in a working group of experts and stakeholders set up to advise the European Commission on the future of fuels for road transport, leading to new policy proposals.

Plans for the future

The principal aims of the Institute, to contribute to improved understanding, stronger analysis and better policy decisions in Europe, will remain highly relevant in 2011. By helping to shape policies that are sustainable and to engage a wider range of people in the process we will contribute to the wider public benefit. We have identified a number of European policy debates that are likely to be critical for the environment in 2011 and these will be priorities for our work in the coming year:

- Developing forward thinking on a new EU 7th Environmental Action Programme;
- Advising on the EU Budget in respect of its contribution to the environment and combatting climate change;
- Increasing the political traction and practical application of the TEEB concept so as to conserve biodiversity more effectively and taking forward the TEEB project .
- The development of an effective long term EU policy on the efficient use of natural resources;
- Developing the key measures being devised for the future of agriculture policy beyond 2013;
- Contributing to the environmental component of a revised Common Fisheries Policy;
- Considering sustainable forms of bioenergy and implementation of the Renewable Energy Directive;
- Participating in the development of European Policy on the environmental performance of the car industry;

Communication

IEEP strives to publish and disseminate its work such that it is widely available and to encourage participation by the wider public in the debate on European policy. We aim to increase the accessibility of European policy questions and decision making processes to the wider community beyond those immediately involved. This is done by interpreting and explaining issues that are often debated in arcane and specialist language, by the publication of reports, the preparation of briefing notes, frequent presentations at seminars and conferences, our free on-line newsletter on fisheries issues (El Anzuelo) our dedicated website on the future of the Common Agricultural Policy and other pro bono activities.

Our website, (www.ieep.eu) is a central part of our communication effort and is frequently updated to include additional publications and reports. It was substantially redesigned and made more accessible to the non-specialist in 2010. A regular electronic newsletter provides a non-technical summary of key research findings to a wide range of individuals with an interest in policy questions and we aim to

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further increase our outreach over time with an active programme of publications and presentations at conferences. We contribute to both academic journals and more accessible publications.

We received regular and positive feedback that our analysis and views reach key players in the policy domain and are taken seriously. Several of our reports during the year fed directly into EU policy decisions or helped to formulate ideas that will influence the evolution of policy in the longer term. This can be seen in areas as diverse as the review of the waste Thematic Strategy and developing policy on invasive alien species.

Public Benefit

The Trustees confirm that they have complied with section 4 of the Charities Act 2006 and have due regard to the Charity Commission general guidance on public benefit. The Institute believes that its independent work helps to inform those developing and implementing European policy in such a way that the results are to the benefit of the public as a whole as well as the environment. A large and growing number of our reports are freely available on our website, the accessibility of which we seek to improve progressively over time.

Resources and thanks to staff

During 2010, the number of staff who worked for IEEP for all or part of the year was, forty-seven including the Director, (2010 Full Time Equivalent FTE: 34, 2009 FTE: 33). Associates and an honorary fellow also contributed to the Institute's work throughout the year, working closely with research staff on a number of projects. Whilst the Institute is not dependent on unpaid volunteers, we welcomed a number of interns throughout 2010 who assisted us on a variety of projects and tasks in both London and Brussels.

The Trustees would like to thank all the staff and interns who have worked so hard and so ably to deliver the work of the Institute over the past year.

The Institute continued to benefit from the convenience of its strategic London location, adjacent to Whitehall, Westminster and the heart of the policy community. The Brussels office, now in its eighth full year of operation, continues to go from strength to strength, growing in numbers and influence. Contributions from the Brussels office included a number of well received reports, as well as conferences and a series of workshops and seminars. We now have a well established presence in Finland as well and our work is supported by a network of partners and consultants in other European countries.

Financial Review

The Institute's funds have been applied in furtherance of the company's objects, as detailed above and to a small extent for governance of the charity. Its assets are held for the efficient operation of the company.

Due to some reduction in the number of projects undertaken, total gross income in 2010, £2,455,387, was lower than in 2009; £2,872,524. The decrease in income was accompanied by a decrease in sums paid to project partners who aided us in the delivery of the research that we contracted. Total expenditure on activities decreased from £2,775,196 to £2,513,390 and, before losses on foreign currency exchange, the Institute made a loss in 2010 of £58,003 (2009: surplus £97,328).

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However, this was a year of development. The Institute invested in producing the updated on-line edition of the Manual of Environmental Policy which was launched in September 2010. Several significant new research projects were awarded during the year in addition to those continued from 2009. The Institute has been notified of the success of several proposals and tenders which will be undertaken in 2011 and beyond. IEEP contracts and grants are mainly denominated in Euros with some in Sterling and a small number in US Dollars or other currencies. Project costs are generally denominated in the currency of the contract while the majority of core costs are in Sterling. Following the exceptional gains in exchange in 2008 and particularly at the year end, 2009 and 2010 saw losses due to currency movements. Exchange movements also arose from converting bank, debtor and creditor year end balances denominated in currency to Sterling at the year end rate. The resulting net foreign exchange losses for the year were £26,374 (2009: £40,576 loss). It is expected that the volatility in exchange rates will continue and the Trustees have therefore put mechanisms in place to shield IEEP from the most serious effects of this volatility. Exchange movements are regularly monitored by the Finance Committee. In addition the Trustees decided to continue to designate an exchange reserve which, after 2010 losses stands at £73,266 to cover this eventuality. At 31 December 2010, after deducting foreign exchange losses, unrestricted reserves stood at £686,117 (2009: £770,854). Further details of the financial performance for the year and reserves are included elsewhere in the Financial Statements.

The Trustees are of the opinion that the assets of the charity at the accounting date are available and adequate, within the normal commercial meaning attributed to those words, to fulfil the obligations of the charity. Other than unfinished projects allowed for in the accounts, the Institute's only significant outstanding commitments are the lease on its London office which runs until 2013, and the lease on its office in Brussels which runs until a break clause in 2013.

No assets were held on behalf of any other organisation, charity or Trustee at 31 December 2010 (2009: £9,351 held for a partner of a Framework 6 project which IEEP led). There have been no significant changes in accounting policy in the year.

Due to the nature of the charity's work it obtains the majority of its incoming resources from public sector organisations within the European Union.

Reserves policy

The Trustees considered that a free reserve level of £1,000,000 (approximately six months cover for forecast operating costs, excluding direct project costs, based on the 2011 budget) would be a reasonable target appropriate to the current scale of the Institute's activities. The Trustees believe that this level of reserves is necessary to fund work in progress in particular, as the Institute is subject to fluctuations in cash flow arising from the payment arrangements under certain contracts with the European Commission and as a guard against the risk of an uneven flow of income.

At 31 December 2010 total unrestricted reserves were £686,117 (2009: £770,854). Of this £73,266 were designated as a currency exchange movement reserve, £60,000 were designated for the costs which may arise on termination of the London and Brussels leases and £37,101 (2009: £16,556) were committed to fixed assets, leaving £515,750, broadly equivalent to 3.1 months expenditure cover, (2009: £614,298) of free reserves, as defined by the Charity Commission. These reserves are effectively the charity's working capital and the Trustees consider the level to be adequate at present. However further increases in future are necessary to reach the target free reserve level of six months operating costs. The Trustees and staff are committed to increasing the reserves to the target level and are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

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Treasury management policy

IEEP operates principally in Sterling and Euros and has a policy of minimising the risk of adverse exchange rate fluctuations and the cost of transfer by retaining balances in either Sterling or Euros in their original currency for use in paying expenses in that currency to the extent required. Where possible any surplus balances are placed in interest bearing bank deposit accounts.

IEEP seeks to minimise exposure to currency risks in contracts by having sub-contract payments denominated in the currency of the main contract wherever possible and by taking other measures to secure exchange rates in advance where this is felt to be prudent.

Structure, governance and management

The Institute for European Environmental Policy, London ("IEEP") is a Company Limited by Guarantee and not having a share capital and a registered charity. The charity's principal office is in London and there is also an office in Brussels and a presence in Finland.

In accordance with the Articles of Association and provisions of the Companies Act 2006, Trustees/Directors are appointed by applying in writing to become members of the company, and are proposed for election, by the members, as a Director and a member either by ordinary resolution at a general meeting or by written resolution and appointed, if the resolution is agreed by a simple majority of those eligible to vote. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors generally serve for 6 years, and are eligible for re-appointment.

The Trustees maintain responsibility for the charity's strategy, governance and risk management. The Board meets quarterly and there is in addition a Finance Committee which also meets quarterly. The Finance Committee of the Board has a remit to maintain an overview of the financial operations and management of the Institute. It also provides help and advice for the Director, and has a duty to ensure the Institute's compliance with the relevant Charity Accounting obligations.

The Trustees appoint the Director of the Institute and delegate to him responsibility for selecting other staff and for the day to day management of the charity. The Trustees also appoint the Company Secretary. Details of the Trustees and officers are shown below.

Trustees are recruited as individuals who bring relevant skills and experience to the Board. Recruitment takes place via contacts in organisations that have environmental interests and expertise or more widely when a particular type of more general management experience is sought.

Induction of Trustees includes being provided with relevant information about the charity and briefings from the Chair of Trustees, the Director of the Institute and meetings with staff and other Trustees as appropriate. Trustee training is made available to those new to trusteeship and where new issues arise.

Details of the charity's wider networks are given elsewhere in the Trustees' report.

Risk management

A risk assessment and management exercise encompassing the strategic direction, operations, finances and staffing of the Institute has been carried out and reviewed by the Trustees, who are satisfied that the major risks to which the charity is exposed have been identified and reviewed and

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that systems are in place to mitigate the Institute's exposure to the major risks it faces. The Trustees review risks annually as part of an on-going process. As part of their review in 2010 /11 the Trustees considered that the major risks that IEEP might face were in the areas of potential loss of major funders, competition for funds, adverse project audit findings, adverse exchange rate fluctuations, recruitment and retention of suitably qualified staff and lower quality of reports. In respect of all of these matters the Trustees consider that IEEP has adopted policies to minimise any such risks.

Reference and administrative information:

Directors/Trustees

The Directors of the company are also the Trustees of the charity.

Trustees who served during the year and since the year end were:

- Domingo Jimenez Beltran
- Graham Dalton *
- Ralph Hallo
- Sir John Harman (Chair from 23 September 2010)
- Dr Caroline Jackson (Chair to 23 September 2010)
- Paul Meins *
- Derek Osborn CB
- Fiona Reynolds, DBE
- John Stoker *
- Judith Ward

* Finance Committee Member. Committee Chair was Graham Dalton

Officers

Director of the Institute	David Baldock
Secretary	Claire Froomberg

Registration details

The Institute for European Environmental Policy, London is a Company Limited by Guarantee and not having a share capital with Company number 2458951.

It is also a registered charity with Charity number 802956.

Registered Office and Principal office

15 Queen Anne's Gate, London SW1H 9BU, UK

Bankers

National Westminster Bank, Tavistock House, Tavistock Square, London WC1H 9XA

Solicitors

Bates Wells and Braithwaite LLP, 2-5 Cannon Street, London, EC4M 6YH

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2010

Auditors

Buzzacott LLP, 130 Wood Street, London EC2V 6DL

Relationships with Others

In the year IEEP London had one significant associate institution - in Berlin (Ecologic, Institute for International and European Environmental Policy).

We continue to have a joint venture – “Alliance Environnement”, owned jointly with a French partner, Oréade-Brèche. Further information can be found in Note 17 to the financial statements.

Much of our work is sponsored by other charities, and we are particularly grateful to the following for their support of our work during 2010:

The German Marshall Fund

Oak Foundation

European Climate Foundation

World Wide Fund for Nature (WWF)

Many projects were funded by the European Commission, the European Environment Agency, the Organisation for Economic Cooperation and Development, the Executive Agency for Competitiveness and Innovation, the United Nations, the UK Department for the Environment, Food and Rural Affairs, the Environment Agency, the UK statutory countryside agencies, the environment ministry in Belgium, and the Dutch Ministry of the Environment as well as the Ministry of Agriculture, Nature Management and Fisheries. Their continued support is appreciated.

Statement of Directors' Responsibilities

The Trustees (who are also directors of Institute for European Environmental Policy 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 Standards).

Company law require Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. 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 Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2010

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- the Trustee has taken all 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 charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Auditors

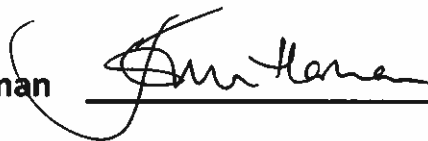
Buzzacott LLP were appointed as auditors from 4 November 2009. As auditors in office, Buzzacott LLP will automatically be deemed to be re-appointed under the provisions of the Companies Act 2006 until further notice.

Small Companies Exemption

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

On behalf of the Board:

Sir John Harman
Chair



Date 13 / 7 / 2011

Independent Auditors' Report To the Members of Institute for European Environmental Policy, London

We have audited the financial statements of the Institute for European Environmental Policy, London for the year ended 31st December 2010 which comprise the Statement of Financial Activities; the Balance Sheet; the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which 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 charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditor

The trustees are also the directors of the Institute for European Environmental Policy, London for the purposes of company law. As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the 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;

Opinion on other matter prescribed by the Companies Act 2006

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

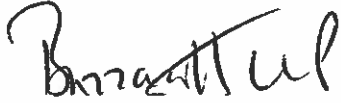
Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of trustees' remuneration specified by law are not made;

**Independent Auditors' Report
To the Members of
Institute for European Environmental Policy, London**

- 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 or take advantage of the small companies exemption in preparing the Trustees' Annual Report



Edward Finch, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London EC2V 6DL

Date: 27 July 2011

Institute for European Environmental Policy, London
Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the year ended 31st December 2010

	Note	Unrestricted Funds £	Restricted Funds £	Total 2010 £	Total 2009 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Investment income - interest received		836	-	836	1,080
<i>Incoming resources from Charitable Activities:</i>					
Grants and donations	2	269	301,676	301,945	333,181
Research projects		2,144,473	-	2,144,473	2,538,113
Other incoming resources		8,133	-	8,133	150
Total Incoming Resources		<u>2,153,711</u>	<u>301,676</u>	<u>2,455,387</u>	<u>2,872,524</u>
Resources Expended					
<i>Charitable Activities:</i>					
Research projects		2,142,660	301,676	2,444,336	2,708,842
<i>Governance costs</i>					
		69,054	-	69,054	66,354
Total Resources Expended	3	<u>2,211,714</u>	<u>301,676</u>	<u>2,513,390</u>	<u>2,775,196</u>
Net (Outgoing)/Incoming Resources before other recognised gains		(58,003)	-	(58,003)	97,328
Other recognised gains and losses					
Net losses on foreign exchange	3	<u>(26,734)</u>	-	<u>(26,734)</u>	<u>(40,576)</u>
Net movement in funds for the year		(84,737)	-	(84,737)	56,752
Fund Balances Brought Forward		<u>770,854</u>	-	<u>770,854</u>	<u>714,102</u>
Fund Balances Carried Forward	12,13	<u><u>686,117</u></u>	<u><u>-</u></u>	<u><u>686,117</u></u>	<u><u>770,854</u></u>

All gains and losses arising in the year have been recognised above and arise from continuing operations.

The notes on pages 19 to 25 form part of these Financial Statements.

Institute for European Environmental Policy, London

Balance Sheet as at 31st December 2010

	Note	2010 £	2010 £	2009 £	2009 £
Tangible Fixed Assets	7		37,101		16,556
Current Assets					
Debtors	8	1,108,955		809,015	
Cash at bank	9	<u>467,810</u>		<u>1,011,558</u>	
		1,576,765		1,820,573	
Creditors: Amounts falling due within one year	10	<u>(927,749)</u>		<u>(1,066,275)</u>	
Net Current Assets			<u>649,016</u>		<u>754,298</u>
Total Assets			<u><u>686,117</u></u>		<u><u>770,854</u></u>
Represented by:					
Unrestricted Funds	12		686,117		770,854
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>686,117</u></u>		<u><u>770,854</u></u>

The accounts have been prepared under the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board and authorised for distribution on 13 July 2011 and signed on its behalf by:



Sir John Harman
Chair

The notes on pages 19 to 25 form part of these Financial Statements.

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2010

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in March 2005 (SORP 2005).

The charity has taken advantage of the provisions of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The following principal accounting policies have been consistently applied in preparing these financial statements.

Income Classification

Grants are considered to be restricted where the donor attaches conditions to the use of funds and where the outcome will remain in the public domain. Research project income is where the funder is the principal recipient of the project findings and income is considered to be part of the core activities.

Income Recognition

Incoming resources are recognised when the Institute becomes entitled to the income and the amount can be measured with reasonable certainty.

Grant income is recognised in full when the Institute becomes entitled to the income unless it either relates to a grant for a specific future period or is a performance related grant.

Incoming resources receivable under performance related grants and contracts for services provided are recognised to the extent that the relevant work has been performed. Income received in advance of work performed is deferred.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Wherever possible costs are directly attributed to these headings. Costs common to more than one area are apportioned on the basis described in Note 3.

Indirect costs are those costs incurred in support of the charitable objectives. These have been allocated to the resources expended on a basis that fairly reflects the true use of those resources within the organisation.

Governance costs are those incurred in the governance of the charity and are primarily associated with the constitutional and statutory requirements.

Foreign Currencies

Transactions during the year in foreign currencies have been translated into sterling at an average rate for the period and closing balance sheet year end balances have been revalued at the exchange rate ruling at that date where applicable. All differences on exchange are reflected in the Statement of Financial Activities. A designated reserve has been set up as part of the unrestricted funds to recognise the possibility that exchange gains may be reversed in future periods.

Pension Scheme Arrangements

The company makes contributions to personal money purchase pension schemes for each eligible employee, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes. Where employees prefer to make contributions to their own schemes additional remuneration is paid to enable them to be treated on an equal basis. These additional payments are included in gross pay in note 4.

Tangible fixed assets

Tangible fixed assets costing more than £500 are capitalised at cost.

Depreciation is provided on a basis which will write off the cost of fixed assets over their estimated useful lives by equal annual instalments. The estimated life of the fixed assets is four years.

Stocks

No value has been ascribed to the stocks of publications on the basis that the majority of these are given away and it is therefore considered prudent to account for all production costs in the period they were incurred.

Fund Accounting

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity. Designated funds are those where the Trustees have set funds aside for particular purposes.

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2010

2	Grants and Donations Receivable	Donations Unrestricted £	Grants Restricted £	2010 £	2009 £	
	European Commission various Grants	-	21,791	21,791	251,195	
	German Marshall Fund	-	44,456	44,456	43,197	
	Oak Foundation	-	8,141	8,141	-	
	King Baudoin Foundation	-	-	-	20,400	
	European Climate Foundation	-	49,303	49,303	54,852	
	Executive Agency for Competitiveness and Innovation	-	28,793	28,793	36,071	
	IEEA	-	(6,783)	(6,783)	15,349	
	Others	269	-	269	393	
		269	145,701	145,970	421,457	
	Movement in deferred income	-	155,975	155,975	(88,276)	
		269	301,676	301,945	333,181	
3	Total Resources Expended	Direct Project Costs £	Staff Costs £	Other Costs £	2010 Total £	2009 Total £
	Costs of activities in furtherance of the objects:					
	Grants	18,790	232,595	50,291	301,676	332,788
	Projects	698,304	1,197,996	246,360	2,142,660	2,376,054
	Governance	-	46,224	22,830	69,054	66,354
	Other resources expended	-	-	-	-	-
		717,094	1,476,815	319,481	2,513,390	2,775,196
			(note 4)			
Other Costs include		Projects £	Governance £	2010 Total £	2009 Total £	
	Property occupancy costs - operating leases	121,400	3,923	125,323	118,748	
	Property occupancy costs - other	28,451	2,681	31,132	42,633	
	Staff planning days	368	-	368	2,435	
	Telephone, postage, copying and stationery - operating leases	4,301	-	4,301	4,500	
	- other	48,823	-	48,823	48,615	
	Auditors remuneration - current year	-	6,650	6,650	6,500	
	Auditors remuneration - in respect of prior year	-	(900)	(900)	-	
	Auditors remuneration - accountancy and other	-	600	600	1,450	
	Payroll services	7,578	-	7,578	9,551	
	Legal and professional	6,698	-	6,698	-	
	Depreciation	22,353	722	23,075	22,626	
	IT and computer support	24,633	796	25,429	33,165	
	Irrecoverable VAT	5,093	-	5,093	5,483	
	Other costs	26,953	8,358	35,311	34,420	
		296,651	22,830	319,481	330,126	
	Other resources expended			-	-	
	Total other costs			319,481	330,126	

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2010

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

Grant and Project costs and basis of allocation

Nature of cost	Allocation basis	2010 Total £	2009 Total £
Staff salaries and pensions	Estimate of staff time	1,430,591	1,444,183
Property occupancy costs	pro rata to staff cost allocation	149,851	154,810
Services and other operating expenses	Actual and estimated use	110,171	122,363
Professional fees	Actual and estimated use	14,276	9,551
Depreciation	pro rata to staff cost allocation	<u>22,353</u>	<u>21,944</u>
Total		<u>1,727,242</u>	<u>1,752,851</u>

Governance costs and basis of allocation

Nature of cost	Allocation basis	2010 Total £	2009 Total £
Staff salaries and pensions	Estimate of staff time	46,224	44,896
Property occupancy costs	pro rata to staff cost allocation	6,604	6,571
Services and other operating expenses	Actual and estimated use	9,154	6,255
Professional fees	Actual cost main audit and governance	6,350	7,950
Depreciation	pro rata to staff cost allocation	<u>722</u>	<u>682</u>
Total		<u>69,054</u>	<u>66,354</u>

Other recognised gains and losses

	2010 Total £	2009 Total £
(Losses)/gains on foreign exchange	<u>(26,734)</u>	<u>(40,576)</u>

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2010

4 Employee information	2010 No.	2009 No.
The average number of employees (Full time equivalents) during the period was:		
Director, management, research and writing	28	27
Finance and administration	6	6
	34	33
The total costs of these employees were:		
	£	£
Wages and salaries	1,219,223	1,230,524
Social Security costs	188,900	183,631
Pension	56,615	57,577
	1,464,738	1,471,732
Other staff costs	12,077	17,347
Total staff costs per note 3	1,476,815	1,489,079
	2010 No.	2009 No.
Number of employees who received emoluments in the ranges between :		
£60,001 and £70,000	1	-
£70,001 and £80,000	-	1
£80,001 and £90,000	1	1

5 Transactions with Directors

The Directors, who are also the Trustees for the charitable activities of the Institute, received no remuneration for services rendered during the year. Properly approved expenses were incurred relating to 10 Directors in respect of their duties as trustees of the charity in the year totalling £7,627 (2009 - expenses relating to 9 Directors £4,827). These expenses covered travel, accommodation and subsistence associated with attending Board meetings and Finance Committee meetings and other meetings associated with Governance in London and Brussels. Some of these expenses were incurred directly by IEEP, others were reimbursed to the Directors.

6 Taxation

The company is taking advantage of the reliefs available for registered charities from tax charges and, therefore, no provision for taxation has been made.

7 Tangible Fixed Assets

	Furniture & Equipment £
Cost	
Brought forward at 1st January 2010	101,387
Additions	44,566
Disposals	(21,493)
Carried forward at 31st December 2010	124,460
Depreciation	
Brought forward at 1st January 2010	84,831
Charge for the year	23,075
Eliminated on Disposal	(20,547)
Carried forward at 31st December 2010	87,359
Net Book Value	
At 31st December 2010	37,101
At 31st December 2009	16,556

All assets are in use for charitable purposes.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2010

8 Debtors		2010	2009
		£	£
Trade debtors		334,098	351,436
Prepayments and accrued income		762,397	452,290
Other debtors		12,460	5,289
		<u>1,108,955</u>	<u>809,015</u>

All amounts fall due within one year.

9 Cash at Bank		2010	2009
		£	£
Bank		467,810	1,011,558
		<u>467,810</u>	<u>1,011,558</u>

10 Creditors: Amounts falling due within one year		2010	2009
		£	£
Trade creditors		226,406	184,919
Taxation and Social Security		51,744	62,171
Amounts held for Third Parties (see note 15)		-	9,351
Rent deposits		8,943	7,602
Deferred income (see below)		283,874	501,489
Accruals		356,782	300,743
		<u>927,749</u>	<u>1,066,275</u>

<u>Deferred income</u>		2010	2009
		£	£
Balance brought forward:			
Research projects		277,910	201,224
Grants and donations		223,579	135,303
Released in the year		(501,489)	(336,527)
Deferred in the year:			
Research projects		216,270	277,910
Grants and donations		67,604	223,579
		<u>283,874</u>	<u>501,489</u>
Balance carried forward		<u>283,874</u>	<u>501,489</u>

11 Financial Commitments

The company is committed to making the following operating lease payments within the next twelve months.

	2010	2009	2010	2009
Property and equipment leases due to end in:	Property	Property	Equipment	Equipment
	£	£	£	£
One to five years	175,557	134,798	5,038	5,105

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2010

12 Unrestricted Funds

	Balance at 01.01.2010	Income & other gains	Expenditure	Funds transfers	Balance at 31.12.2010
	£	£	£	£	£
Unrestricted Reserves	630,854	2,153,711	(2,211,714)	(20,000)	552,851
Designated Foreign Exchange Fund	100,000	(26,734)	-	-	73,266
Designated Premises Fund	40,000	-	-	20,000	60,000
Total Unrestricted Funds	770,854	2,126,977	(2,211,714)	-	686,117

Designated Foreign Exchange Fund

The Institute reports in Sterling but conducts its operations in Euros, Sterling, US Dollars and other currencies and accounts for foreign exchange gains and losses which may arise on those transactions during the year. In addition the Institute re-values its bank, creditor and debtor balances denominated in currency at 31 December each year at the year end conversion rate to Sterling. In 2008 exceptional exchange gains were made due to the fall in the value of Sterling against the other currencies and in particular the low value of Sterling at 31 December 2008. The Trustees considered the exchange losses recorded in 2009 part of which arose due to the reversal of the exceptional gains for 2008 as Sterling strengthened again and decided, given the continuing volatility in currency values the Institute to set aside a reserve of £100,000 against the possibility of future exchange losses. In 2010 the exchange losses were £26,734 and these have been charged against the designated fund. The Trustees consider the remaining balance of £73,266 to be adequate.

Designated Premises Fund

The Institute has set aside a further £20,000 for future obligations which may arise on concluding its current office leases in both London and Brussels (dilapidations, etc).

13 Restricted Funds

The restricted funds all relate to projects carried out as part of the core work. No amounts remained unspent at 31st December 2010 (2009: £nil).

14 Legal status

Institute for European Environmental Policy, London is a company limited by guarantee, and not having a share capital, governed by its Memorandum and Articles of Association. Every member undertakes to contribute to the assets of the company, if it is wound up, a sum not exceeding £1. At 31st December 2010 the company had 12 members (2009 : 12). The company is a registered charity number 802956.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2010

15 Amounts held for Third Parties

During the year the charity has worked with the European Commission Directorate-General Research and has been administering funds on their behalf. IEEP has no powers to make payments from these funds except as directed by the European Commission. The balance held at 31 December was 2010 Nil (2009: £9,351)

	£
Balance held at 1st January 2010	9,351
Funds received in the year	-
Disbursements made	<u>(9,351)</u>
Balance held at 31st December 2010 (included in bank and in other creditors)	<u><u>0</u></u>

16 Accounting for retirement benefits

The charity makes contributions to individual money purchase schemes on behalf of its staff as described in note 1. Contributions in the year to these schemes were £56,615 (2009: £ 57,577)

17 Investment in Joint Venture

During 2006 the Institute established a joint venture, Alliance Environnement GEIE, a company incorporated in Belgium. The cost of this to the Institute was £3,400 which consisted only of the acquisition of 50% of the ordinary share capital of the joint venture. The joint venture was incorporated to act as a collection agent for its shareholders. The costs of establishing the venture have been treated as expenditure in 2006 as there is no expectation of recovering the initial outlay. The Institute's share of the loss for the period is £713 (2009: £757) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.

18 Contingent Liability

The Institute enters into a variety of funding arrangements under which it is accountable to the funders for the application of resources provided. Where these are subject to audit, this may occur in a period subsequent to that in which the project was delivered and income recognised. There is an ongoing risk that funder audits may identify income claimed but subsequently disallowed.

