

Institute for European Environmental Policy, London

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Institute for
European
Environmental
Policy

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

Company No. 2458951

Charity No. 802956

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2011

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Trustees' Report for the year ended 31 December 2011

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 2011, 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 (EU). These two goals are pursued mainly through projects which address many different aspects of European policy-making and implementation. We look for practical and robust solutions in a complex legislative environment based on a knowledge of European and related national policies developed over more than 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 to 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 improve their transparency and accessibility to the non-specialist citizen. This is an important strand in the Institute's work. It is pursued through the preparation of policy papers, briefings, newsletters, two public websites, presentations to conferences and university students, production of our *Manual of European Environmental Policy*, published reports and other means. We 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 and implementation. We aim to cover not only 'traditional' environmental policies, such as 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, in particular at the European and national levels.

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Many of the most important environmental issues, such as climate change, nature conservation and excessive natural resource use, cannot be tackled by national policy alone. A more concerted European effort is required, involving the formulation and practical application of appropriate measures addressing the variety of conditions within the continent. Work by the Institute considers inter alia:

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

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 2011

During 2011 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 2011 was to make further progress in delivering the various objectives in our 2009-14 plan. In doing this we focussed in particular on a set of major on-going debates in Europe. These concerned the next strategic Environmental Action Programme for the EU, the next EU budget and the Common Agricultural and Fisheries Policies, as well as more sector specific policy developments related to biodiversity, natural resource use and energy. Our thematic priorities reflected this. The need to continue our commitment to and investment in internal and external communication was also a clear priority.

Our specific objectives for 2011 were:

- 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 Economics of Ecosystems and Biodiversity (TEEB) concept so as to conserve biodiversity more effectively;
- 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; and
- Participating in the development of European Policy on the environmental performance of the car industry.

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Achievements and performance 2011

The Institute was very active during the year, working on 38 major projects and more than seventy other projects. These projects and the accompanying analysis and close study of European policy formed the cornerstone of our wider public policy work. Our projects covered topics as varied as agricultural policy, water management, bioenergy, EU funding for environmental issues, 'green infrastructure' and environmental indicators. 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 policy papers (including our new 'Directions in European Environmental Policy' (DEEP) series) and newsletters, circulating briefings, participating in high level events, organising seminars and conferences, and engaging in capacity building and training.

Amongst our principal policy achievements of the year were:

- Building the case for 'climate proofing' the EU budget. The European Commission's formal proposals published in June 2011 included a 20 per cent allocation for climate issues, and the work of the Institute contributed to this;
- Influencing some of the central ideas for greening the Common Agricultural Policy (CAP) proposal by the Commission;
- Demonstrating how new approaches to bioenergy should be developed in the EU and the UK; and
- Highlighting how the TEEB approach could lead to a step change in global biodiversity conservation, with the production of a major book for policy makers.

Outlined below are some of our most notable projects and initiatives during the year.

a.) Strategic EU environmental policy

The EU has a tradition of publishing major 'Environmental Action Programmes' (EAPs) that outline key environmental goals and objectives and provide an overall framework for action, up to twelve years ahead. These EAPs are therefore of huge strategic importance and the Institute aims to contribute to their development, monitoring and review.

The 6th Environmental Action Programme (6th EAP) set out the main environmental objectives for the EU from 2002-2012. We carried out a major assessment of the 6th EAP through a rather comprehensive and challenging study, carried out with our partner, Ecologic. It identified both successes and shortcomings in the EU's environmental achievements. Whilst the main climate change objectives of the 6th EAP will be met, actions on natural resources and waste, environment and health, and in the international arena have only been partially successful, and the main headline biodiversity target (of halting biodiversity decline by 2010) has clearly been missed. The results of this project were presented at a large stakeholder event as well as being published on the Commission's website, and fed into the thinking of the Commission for the future strategic direction of EU environmental policy.

We followed this with a new project, financed by the Danish 'Villum Fonden' Foundation, that aimed to advance the debate on the strategic development of European environmental policy. The project explores the needs and options for a 7th EAP and its connections and overlaps with other strategic policies, and has included extensive workshop discussions with stakeholders and an external expert advisory group. The project continued into 2012, with the on-going aim of contributing to the development of the EU's 7th EAP and influencing the outcome.

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At the UK level, we produced a special report for the All Party Parliamentary Environment Group (APPEG) providing a review of key environmental challenges facing the EU, the main current policy and strategic discussions and the prospects and challenges for the future. Such reports help to explain and underline the importance of EU level policy for the environment at the national level. The report was launched in the House of Commons, and received a significant amount of interest both from MPs and NGOs and industry representatives. Environmental ministries from several countries have requested copies.

In addition to these specific projects, our staff have continued to engage in debates in all areas of EU environmental policy, holding regular seminars, meetings and discussions with key officials within the European institutions to ensure that we remain up to date and also have the opportunity to contribute to the direction of future EU environmental policy.

b.) The EU budget and the environment

The EU has a very substantial budget, and the priorities for expenditure are agreed on a regular cycle for a period of seven years. When a new budget is being discussed, this offers important opportunities to shape how EU money will be spent for the coming period. Discussions on the next budget (for 2014-2020) were well underway in 2011, and the Institute contributed to them in several ways.

During the year, we focussed particularly on offering advice on how to ensure that the budget makes a significant contribution to achieving the EU's environmental goals, and in particular to combatting climate change. Two projects funded by the European Climate Foundation looked at strategies to 'climate proof' the EU budget, to ensure that funds are concentrated on supporting activities that will help to tackle climate change. We also held informal stakeholder workshops to discuss the climate change and broader environmental aspects of the future EU budget.

We began work in 2011 for the European Commission on integrating climate change concerns into two major areas of EU expenditure, namely the Common Agricultural Policy and Cohesion Policy (which supports the economic development of the poorer regions of the EU). This work will continue into 2012 and is likely to be highly influential in the final design of future EU expenditure in these areas.

We also undertook various own-initiative activities to feed into the budget discussions. Three of our 'Directions in European Environment Policy' (DEEP) series of policy papers addressed the environmental integrity of the future EU budget, including one published after the announcement of the full proposals for the next EU budget, critically analysing the proposed 'mainstreaming' of climate change, biodiversity and resource efficiency into expenditure. Aside from our work on the big picture EU budget, we also undertook projects looking at sustainable development considerations within Cohesion Policy and the financing of Natura 2000 conservation sites through a variety of spending options and held face-to-face meetings with key officials from the EU institutions.

c.) The Economics of Ecosystems and Biodiversity (TEEB)

For several years, the Institute has been playing a major role in an international initiative on The Economics of Ecosystems and Biodiversity (TEEB), drawing attention to the global economic benefits of biodiversity. During 2011, we continued to work to increase the political traction and practical application of the TEEB concept.

A new book *The Economics of Ecosystems and Biodiversity in National and International Policy Making* was published in 2011, representing the culmination of three years of work by the Institute. The volume, commonly referred to as 'TEEB for policy makers', is a major communication tool highlighting that the value of ecosystem services must be adequately taken into account not only by environment, development and climate ministries but also those dealing with finance, economics and business.

Throughout 2011 the Institute also continued to provide expert input into several spin-offs from the main TEEB initiative, including national studies in the Netherlands, Norway and the Nordic countries. This work will continue into 2012, together with projects on TEEB for wetlands and the relevance of

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TEEB for the major United Nations Conference on Sustainable Development held in Rio de Janeiro in June 2012.

d.) Natural resource use

The Institute published two DEEP policy papers related to resource use, one on EU natural resources policy in general and another looking at problems related to the implementation of EU waste legislation. Other activities included hosting stakeholder discussions in early 2011 prior to the publication of the EU's Roadmap to a Resource Efficient Europe and holding meetings with the EU Environment Commissioner's private office on the Roadmap to a Resource Efficient Europe. We have worked with a group of national governments to bring impetus to implementing of the Roadmap, which has the potential to drive policy forward over the next eight years. This role has included facilitating EU wide meetings of national ministries and the Commission in The Hague and Vienna.

Water is a focal issue for EU policy in 2012. European countries consume far more than their share of the world's diminishing stock of natural resources and do so at considerable environmental cost. This is not an easy problem to address as the solutions lie not only in the more efficient use of resources but in more sustainable consumption patterns. The EU is in the early stages of a long process of recognising this problem and moving in the direction of developing an effective long-term policy, or set of policies, to address it. This relatively new focus for EU environmental policy encompasses policy related to a whole range of specific sectors. Our work on this issue has therefore been correspondingly broad in its scope. A few examples are provided below related to water, agriculture, biodiversity and waste.

The Institute undertook a project for the European Commission on the evaluation of the effectiveness, efficiency and coherence of European regulation on water policy. The project, the first of a series of policy 'fitness checks' by the European Commission, aimed to review the fitness for purpose of the entire body of EU water legislation. 2011 also saw the conclusion of SCENES, a major four-year research project on the future of Europe's waters. This resulted in a whole series of published articles and presentations at expert and public conferences.

We drafted an opinion for the European Parliament's Science and Technology Options Assessment unit (STOA) on the scope, objectives and specifications of a medium-term technology assessment project on the sustainable management of natural resources. This looked in particular at the management of water as a natural resource, and the broader deployment of natural resources in the agricultural sector.

Biodiversity and nature is also an important natural resource, but is often undervalued or not fully considered in economic terms. One politically sensitive but influential project estimated the total economic 'value' of the ecosystems within the EU's Natura 2000 conservation sites to be in the region of €200 to €300 billion per year.

We began a major project in 2011 on the use of economic instruments to improve waste management in Europe. The study looked at the role and results of a range of policy instruments including landfill and incineration taxes, 'pay-as-you-throw' schemes for households, and 'producer responsibility' schemes that aim to make the producers of certain products (such as packaging and electrical goods) financially responsible for the management of resultant waste. The project continued into 2012 and will feed into a major forthcoming review of EU waste policy.

e.) Agriculture

Discussions on the future of the Common Agricultural Policy (CAP) continued apace during 2011, to develop the key measures to implement EU agricultural policy after 2013. This policy reform presents an opportunity to incentivise good environmental management of land for the benefit of biodiversity, water quality, soil, landscape and other priorities but the right policy instruments will be needed to achieve this. The Institute continued to make strong contributions to debates on this topic throughout the year, maintaining active engagement and dialogue with key officials in the EU institutions and with

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other stakeholders at a high level. Our briefings and analysis are widely used. There was a group of studies in train during the year. One study for the European Commission looked at the ways in which measures under the CAP affect biodiversity, identifying how the measures have performed to date and how they might be improved in the future. The study underlined the importance of the CAP as a key source of funding for biodiversity, with greater potential beyond 2014. The complex and geographically specific relationship between agriculture and biodiversity, requires tailored measures, flexible policy responses and investment in advice for farmers. The results of another project on the costs of environmental considerations related to rural land management were used to brief senior European Commission officials in relation to the future CAP debate. A third study for the Commission looked at the use of 'agri-environment' schemes that aim to encourage the sustainable use of agricultural land. This study produced a database of all basic land management activities that are supported by such schemes, which provided a valuable information resource for other studies and helped to inform the debate over new CAP measures.

We also undertook work related to CAP reform for the European Parliament and for environmental NGOs. We made suggestions to the European Parliament on the possible policy tools and measures needed in the future CAP to deliver environmental and other public goods, namely that environmental management must be carried out over a far greater proportion of farms, ideally tailored to local conditions, and including more targeted interventions in selected locations. This work fed into the Parliament's consideration of the formal proposals for the future CAP. For BirdLife and RSPB we developed an analysis and independent view on how market support and direct subsidy payments through the CAP (known as 'Pillar One' of the CAP) could best be delivered from an environmental perspective.

The Institute continues to manage the CAP2020 website, which provides an interactive online platform to share thoughtful commentary and analysis on the future development of European agriculture and rural development policy. The website continues to be popular as a forum for discussion between stakeholders. Our staff have also continued to be in great demand to speak at events and conferences on the future of EU agricultural policy.

f.) The Common Fisheries Policy (CFP)

Discussions continued throughout the year on the future of the EU's Common Fisheries Policy (CFP) after 2013, with a draft legislative proposal being published in July. This is another area where the Institute has built up a significant reputation for independent and intelligent policy analysis; indeed the Institute was listed as a co-author of the impact assessment that accompanied the legislative proposal. During the year we continued to work on contributing to the development of the environmental components of the CFP.

A timely and politically important project was undertaken for the European Parliament to identify the future financial needs of the fishing sector and to evaluate the existing financing instrument with a view to making recommendations for the future European Fisheries Fund (EFF). The final report was presented by the Institute to the European Parliament's Fisheries Committee.

The Institute carried out a project funded by the Oak Foundation to review EU legislation on illegal, unreported and unregulated (IUU) fishing. One of the main challenges addressed was the possible means of blocking the import into Europe and sale of illegally caught fish products. The results were fed into the official review of the EU legislation on this topic.

We were also involved in facilitating a better understanding amongst policy-makers and stakeholders of the role of transferable quotas in the future CFP. Many governments use transferable quotas to regulate fishing, setting a species-specific total allowable catch (TAC) and allocating a dedicated portion of the 'quotas' to individuals. When quotas can be bought, sold and leased, they are called transferable. This work, undertaken with the US-based Environmental Defence Fund, included establishing contact with national and European policy-makers and NGOs, and planning a series of meetings to take place during 2012.

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Our public communications on fisheries policy continued with the publication of the bi-annual *E/Anzuelo* newsletter. This newsletter covering contemporary issues in European fisheries policy and the environment is produced free of charge and features lead articles by EU Commissioners and other well-known guest contributors. The spring 2011 edition featured a lead contribution from the European Commissioner for Maritime Affairs and Fisheries.

g.) Energy and Climate policy

Climate policy was a key concern for the Institute in 2011 at several levels. We were involved in the IPCC negotiations, running up to and including the Durban meeting at the end of the year, with a representative in a strategic role on the Belgian delegation. Progress was sometimes painful but the Kyoto Protocol process was kept in play; we were active in promoting the case for this in the press as well as in meetings with policy makers.

Another priority was to examine ways of building support for a more ambitious EU climate policy, shifting the ambition for emission reductions by 2020 from 20 to 30 per cent. With support from a group of NGOs in Brussels we prepared a report with the Oko Institute on how the extra effort involved could be distributed between Member States, with significant investment taking place in Central and Eastern Europe. Financial mechanisms for incentivising this investment were identified and practical options analysed. This report was launched at a public event with high level speakers in Brussels in the summer.

Renewable energy options and the role of biomass and biofuel energy in particular was another priority for the Institute during the year. We played a leading part in a project on Biomass Futures. This aimed to assess the role that biomass (including agricultural crops and waste) can play in meeting EU renewable energy policy targets, to develop tailored information packages for stakeholders, and to inform and support European and national policy makers. A workshop in early 2011 at the European Sustainable Energy Week presented a number of project results to stakeholders, including the availability of domestic biomass in EU countries and how this will change when relevant sustainability considerations are taken into account.

Our earlier work on the carbon and wider environmental costs of biofuels, including indirect land use change (the use of unfarmed land to grow food crops, to allow bioenergy crops to be grown on existing agricultural land) continued with an updated report and considerable communication effort. For example, the Institute met senior UK Government officials to explain these issues and potential solutions.

We completed a report for a group of NGOs (RSPB, Friends of the Earth, Greenpeace and the Woodland Trust) on the development of an environmentally responsible bioenergy industry in the UK and the policies required to achieve it. The report looked at the potential contribution of various sources of bioenergy (including waste, agricultural and forestry residues, and agricultural crops) and made recommendations on how to ensure they are used in an environmentally sensitive manner and appropriate scale, following a hierarchy of preferences. The report was launched in the Houses of Parliament, and its contents were used by the NGOs for their own communication and influencing activities.

Other activities included reports for the European Parliament explaining how the EU is financing projects to develop regional infrastructure for renewable energy (wind, solar, biomass, hydroelectric, geothermal), and on the potential for a range of renewable energy sources to deliver climate change benefits.

h.) The car industry and the environment

Addressing the impact of road vehicles on the European environment is a critical challenge and we have played a leading part in the development of European policy on vehicle emissions, particularly in relation to greenhouse gasses. During the year we continued our engagement with the "High Level" EU process of policy development known as CARS 21 (Competitive Automotive Regulatory System for

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the 21st century). This group, including ministries, company leaders and chairmen, several Commissioners, NGOs and other Stakeholders, advises the European Commission on short, medium, and long-term public policy and regulatory options for the European automotive industry. Some of the key topics in which we have been involved relate to the future of fuels and the development of a regulatory framework on carbon dioxide emissions from vehicles. The Institute is one of only two predominantly environment-focussed organisations actively involved with the process.

i.) Other Issues

The Institute also worked on projects related to many other topics during the year, including:

- Green infrastructure, a concept that aims to develop networks of high quality green spaces (such as parks, gardens, open spaces and woodlands) to bring about environmental and quality of life benefits. This was a relatively new item on the policy agenda during 2011, and the Institute made considerable efforts to be involved in relevant debates from the beginning and a report for the Commission has been completed and published.
- The design of more reliable 'sustainability' indicators to take better account of the environmental impacts of economic activities and related policies. For example, the Institute was involved in work looking at indicators to measure economic success, human well-being, environmental protection and long-term sustainability; and the development of a tool for policy-makers on the use of indicators to measure ecological, water and carbon 'footprints' related to consumption.
- DEFRA's Natural Environment White Paper, which was launched in June 2011 and represents the first White Paper on the natural environment in 20 years, with the aim of better protecting, restoring and improving England's natural environment. The Institute actively engaged in the surrounding debates, including helping to organise a meeting on the future of nature conservation in the UK;
- Public participation and communication on the location of plants for carbon capture and storage (CCS), a technology that aims to capture carbon dioxide emitted from fossil fuel use and safely store it underground to prevent its release into the atmosphere;
- The use of private sector finance and other financial institutions to support biodiversity conservation. The Institute was involved in a project on this topic that generated significant interest amongst different stakeholder groups including fund managers and investment banks.

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 2012. 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 challenges and debates that are likely to be critical for the environment in 2012 and these will be priorities for our work in the coming year:

Cross-cutting priorities

- Contributing to the maintenance of a forward looking and sufficiently ambitious agenda on the environment in Europe in the face of economic and competitiveness concerns;
- Contributing to the stronger integration of environmental concerns in the EU Budget, including Cohesion Policy;
- Focussing more attention on biodiversity conservation as a strategic and cross cutting issue at the EU and other governance levels, articulating the benefits to the environment and society more broadly;

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Specific Priorities

- Developing a substantive, convincing and fit for purpose Seventh Environmental Action Programme for the EU;
- Contributing to more environmentally sustainable Common Agriculture and Fisheries policies;
- Helping to shape more sustainable policy on biofuels and bioenergy in Europe;
- Contributing to the renewal of EU water policy taking place in 2012 and the Blueprint for future policy; and
- Helping to move towards a constructive and effective EU position in key international negotiations, including those on climate change.

Communication

IEEP strives to make its work widely available to encourage participation by the wider public in European policy debates. 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 publishing and disseminating our work, including publications that interpret and explain policy issues that often are debated primarily in arcane and specialist language.

Communication includes publishing project reports and summaries, preparing briefings, giving frequent presentations at seminars and conferences, producing a free online newsletter on fisheries issues (El Anzuelo), managing our dedicated 'CAP2020' website on the future of the Common Agricultural Policy, and various other outreach activities. In addition, we provide information and intelligence on European policy developments to the UK statutory nature and conservation agencies, and continue to publish our Manual of European Environmental Policy. The latter underwent a major revamp during 2010 to improve its accessibility and make the information available in an interactive online format. This year it was named as joint winner of the European Information Association's 2011 Awards for European Information Sources.

Our website, (www.ieep.eu) is a central part of our communication effort and is regularly updated with new publications, reports and news items. It features a section that explicitly aims to demystify the EU and its institutions, shedding light on what they do, how EU decision making processes work, how EU legislation affects the environment, and explaining 'eurojargon' and commonly used EU acronyms. A new initiative during 2011 was our occasional Directions in European Environmental Policy (DEEP) series. These policy papers are published periodically on the website to offer insights and contributions to debates on the major policy issues of the day, and as such they help specialist and non-specialist audiences alike to engage with European environmental policy.

Our regular electronic newsletter provides a non-technical summary of our work to a wide range of individuals with an interest in policy questions, and we are continuing to increase our outreach with an active programme of publications and presentations at conferences. In addition, we contribute to both academic journals and more accessible publications.

We receive regular and positive feedback that our analysis and views reach key players in the policy domain and are respected and 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.

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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 2011, the number of staff who worked for IEEP for all or part of the year, was forty including the Director, (2011 Full Time Equivalent FTE: 33, 2010 FTE: 34) . 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 2011 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 have offices in central London and Brussels which are also used for conferences and a series of workshops and seminars. In addition we now have a well established presence in Finland 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. In addition some surplus office space was rented out and the accounts reflect this income and associated costs. The prior year figures have been restated to show the rental income and costs which were previously netted off. Its assets are held for the efficient operation of the company.

Due to some reduction in the number of projects undertaken as lead partner, total gross income in 2011 of £2,411,674 was lower than in 2010: £2,530,032 (restated). 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 was £2,381,182 a reduction on 2010: £2,588,035 (restated). Before taking into account losses on foreign currency exchange, the Institute made a surplus in 2011 of £30,492; a pleasing turn round from the 2010 loss of £58,003.

Several significant new research projects were awarded during the year in addition to those continued from 2010. The Institute has been notified of the success of several proposals and tenders which will be undertaken in 2012 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. 2011 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 £12,174 (2010: £26,374 loss). It is expected that the volatility in exchange rates will continue and the Trustees have therefore put mechanisms in

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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 fund which, after 2011 losses, stands at £61,092 to cover this eventuality. At 31 December 2011, after deducting foreign exchange losses, unrestricted funds stood at £704,435 (2010: £686,117). 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 2011 (2010: nil). 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 £950,000 (approximately six months cover for forecast operating costs, excluding direct project costs, based on the 2012 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 2011 total unrestricted funds were £ 704,435 (2010: £686,117). Of this £61,092 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 £39,285 (2010: £37,101) were committed to fixed assets, leaving £544,058, broadly equivalent to 3.4 months expenditure cover, (2010: £515,750 and 3.1 months) 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.

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.

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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 4 to 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 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 2011 /12 the Trustees considered that the major risks that IEEP might face were in the areas of potential loss of major funders, competition for funds, longer payment terms offered by some funders, 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.

**Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2011**

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 * Retired 29 September 2011
- Ralph Hallo * Joined Finance Committee 14 June 2012
- Sir John Harman (Chair)
- Patricia Henton * Appointed 29 September 2011
- Dr Caroline Jackson
- Paul Meins *
- Derek Osborn CB
- Fiona Reynolds, DBE
- John Stoker * Resigned 6 January 2012
- Judith Ward

* Finance Committee Member. Finance Committee Chair was Graham Dalton to 29 September 2011 and Paul Meins from 29 September 2011.

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.

VAT number GB 648 7001 33

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

Auditor

Buzzacott LLP, 130 Wood Street, London EC2V 6DL

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2011

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 16 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 2011:

Oak Foundation

European Climate Foundation

Villum Foundation

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.

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2011

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. Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 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.

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 auditor is 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.

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2011

Statement of Directors' Responsibilities (continued)

Auditor

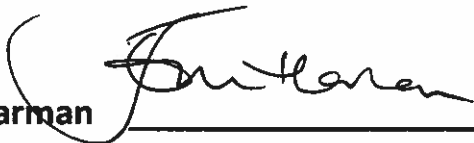
Buzzacott LLP was appointed as auditor from 4 November 2009. As auditor in office, Buzzacott LLP will automatically be deemed to be re-appointed under the provisions of the Companies Act 2006 until further notice.

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: 5 September 2012

Independent Auditor's 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 2011 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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

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;

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

- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of trustees' remuneration specified by law are not made;
- 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: 5 September 2012

Institute for European Environmental Policy, London
Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the year ended 31st December 2011

	Note	Unrestricted Funds £	Restricted Funds £	Total 2011 £	Total * 2010 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Investment income - interest received		855	-	855	836
Income from property (surplus space)		78,614	-	78,614	74,645
<i>Incoming resources from Charitable Activities:</i>					
Grants and donations	2	50	318,920	318,970	301,945
Research projects		2,012,928	-	2,012,928	2,144,473
Other incoming resources		307	-	307	8,133
Total Incoming Resources		<u>2,092,754</u>	<u>318,920</u>	<u>2,411,674</u>	<u>2,530,032</u>
Resources Expended					
<i>Costs of Generating Funds:</i>					
Expenditure related to generating income from property		78,614	-	78,614	74,645
<i>Charitable Activities:</i>					
Research projects		1,910,851	318,920	2,229,771	2,444,336
<i>Governance costs</i>		72,797	-	72,797	69,054
Total Resources Expended	3	<u>2,062,262</u>	<u>318,920</u>	<u>2,381,182</u>	<u>2,588,035</u>
Net Incoming /(Outgoing) Resources before other recognised gains		30,492	-	30,492	(58,003)
Other recognised gains and losses					
Net losses on foreign exchange	3	<u>(12,174)</u>	-	<u>(12,174)</u>	<u>(26,734)</u>
Net movement in funds for the year		18,318	-	18,318	(84,737)
Fund Balances Brought Forward		<u>686,117</u>	-	<u>686,117</u>	<u>770,854</u>
Fund Balances Carried Forward	12,13	<u><u>704,435</u></u>	<u><u>-</u></u>	<u><u>704,435</u></u>	<u><u>686,117</u></u>

* 2010 figures have been restated to reflect grossing up of property income and related costs (see note 3)

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

The notes on pages 21 to 28 form part of these Financial Statements.

Institute for European Environmental Policy, London

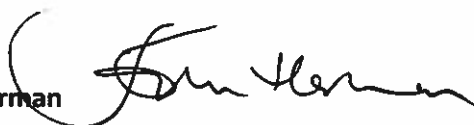
Balance Sheet as at 31st December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Tangible Fixed Assets	7		39,285		37,101
Current Assets					
Debtors	8	943,677		1,108,955	
Cash at bank	9	<u>534,226</u>		<u>467,810</u>	
		1,477,903		1,576,765	
Creditors: Amounts falling due within one year	10	<u>(812,753)</u>		<u>(927,749)</u>	
Net Current Assets			<u>665,150</u>		<u>649,016</u>
Total Assets			<u><u>704,435</u></u>		<u><u>686,117</u></u>
Represented by:					
Unrestricted Funds	12		704,435		686,117
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>704,435</u></u>		<u><u>686,117</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 5 September 2012 and signed on its behalf by:

Sir John Harman
Chair



The notes on pages 21 to 28 form part of these Financial Statements.

Institute for European Environmental Policy, London
Company registration number : 2458951 (England and Wales)

Institute for European Environmental Policy, London

Notes to the Accounts

For the year ended 31st December 2011

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 2011

2 Grants and Donations Receivable	Donations Unrestricted £	Grants Restricted £	2011 £	2010 £
European Commission various Grants	-	245,378	245,378	21,791
German Marshall Fund	-	-	-	44,456
Oak Foundation	-	15,000	15,000	8,141
Villum Foundation	-	57,196	57,196	-
European Climate Foundation	-	21,674	21,674	49,303
Executive Agency for Competitiveness and Innovation	-	26,742	26,742	28,793
IEEA	-	(11,181)	(11,181)	(6,783)
Others	50	-	50	269
	50	354,809	354,859	145,970
Movement in deferred income	-	(35,889)	(35,889)	155,975
	<u>50</u>	<u>318,920</u>	<u>318,970</u>	<u>301,945</u>

3 Total Resources Expended	Direct Project Costs £	Staff Costs £	Other Costs £	2011 Total £	2010 * Total £
Costs of generating funds: in respect of property income	-	14,400	64,214	78,614	74,645
Costs of activities in furtherance of the objects:					
Grants	12,090	243,622	63,208	318,920	301,676
Projects	441,826	1,223,867	245,158	1,910,851	2,142,660
Governance	-	48,357	24,440	72,797	69,054
Other resources expended	-	-	-	-	-
	<u>453,916</u>	<u>1,530,246</u>	<u>397,020</u>	<u>2,381,182</u>	<u>2,588,035</u>

(note 4)

* 2010 figures have been restated to reflect grossing up of property income and related costs, this had no effect on the overall result but increased both income and expenditure by £74,645 compared with amounts previously reported.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2011

3 Total Resources Expended (continued)

Other Costs include	Costs of generating funds	Projects	Governance	2011 Total	2010 *
	£	£	£	£	£
Property occupancy costs:					
- operating leases	40,814	133,049	4,384	178,247	174,818
- other	23,400	55,477	3,375	82,252	43,081
Staff planning days	-	-	-	-	368
Telephone, postage , copying and stationery:					
- operating leases	-	5,044	-	5,044	4,301
- other	-	41,908	-	41,908	48,823
Auditors remuneration:					
- current year	-	-	7,500	7,500	6,650
- in respect of prior year	-	-	-	-	(900)
- accountancy and other	-	-	4,000	4,000	600
Payroll services	-	8,831	-	8,831	7,578
Legal and professional	-	250	-	250	6,698
Depreciation	-	15,756	519	16,275	23,075
IT and computer support	-	21,953	723	22,676	25,429
Irrecoverable VAT	-	3,476	-	3,476	5,093
Other costs	-	22,622	3,939	26,561	35,311
	<u>64,214</u>	<u>308,366</u>	<u>24,440</u>	<u>397,020</u>	<u>380,925</u>
Other resources expended				-	-
Total other costs				<u>397,020</u>	<u>380,925</u>

* 2010 figures have been restated to reflect grossing up of property income and related costs

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2011

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

Costs of generating funds: costs and basis of allocation

Nature of cost	Allocation basis	2011 Total £	2010 * Total £
Staff salaries and pensions	Estimate of staff time	14,400	13,200
Property occupancy costs	pro rata to staff cost allocation	64,214	61,445
Services and other operating expenses	Actual and estimated use	-	-
Professional fees	Actual and estimated use	-	-
Depreciation	pro rata to staff cost allocation	-	-
Total		78,614	74,645

Grant and Project costs and basis of allocation

Nature of cost	Allocation basis	2011 Total £	2010 Total £
Staff salaries and pensions	Estimate of staff time	1,467,489	1,430,591
Property occupancy costs	pro rata to staff cost allocation	188,526	149,851
Services and other operating expenses	Actual and estimated use	95,003	110,171
Professional fees	Actual and estimated use	9,081	14,276
Depreciation	pro rata to staff cost allocation	15,756	22,353
Total		1,775,855	1,727,242

Governance costs and basis of allocation

Nature of cost	Allocation basis	2011 Total £	2010 Total £
Staff salaries and pensions	Estimate of staff time	48,357	46,224
Property occupancy costs	pro rata to staff cost allocation	7,759	6,604
Services and other operating expenses	Actual and estimated use	4,662	9,154
Professional fees	Actual cost main audit and governance	11,500	6,350
Depreciation	pro rata to staff cost allocation	519	722
Total		72,797	69,054

Other recognised gains and losses

	2011 Total £	2010 Total £
(Losses)/gains on foreign exchange	(12,174)	(26,734)

* 2010 figures have been restated to reflect grossing up of property income and related costs

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2011

4 Employee information	2011 No.	2010 No.
The average number of employees (Full time equivalents) during the period was:		
Director, management, research and writing	28	28
Finance and administration	<u>5</u>	<u>6</u>
	<u>33</u>	<u>34</u>
The total costs of these employees were:		
	2011 £	2010 * £
Wages and salaries	1,243,768	1,232,423
Social Security costs	210,407	188,900
Pension	<u>71,087</u>	<u>56,615</u>
	1,525,262	1,477,938
Other staff costs	<u>4,984</u>	<u>12,077</u>
Total staff costs per note 3	<u>1,530,246</u>	<u>1,490,015</u>
* 2010 figures have been restated to reflect grossing up of property income and related costs		
	2011 No.	2010 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 £3,939 (2010 - expenses relating to 10 Directors £7,627). 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

Cost	Furniture & Equipment £
Brought forward at 1st January 2011	124,460
Additions	18,459
Disposals	<u>(28,325)</u>
Carried forward at 31st December 2011	<u>114,594</u>
Depreciation	
Brought forward at 1st January 2011	87,359
Charge for the year	16,275
Eliminated on Disposal	<u>(28,325)</u>
Carried forward at 31st December 2011	<u>75,309</u>
Net Book Value	
At 31st December 2011	<u>39,285</u>
At 31st December 2010	<u>37,101</u>

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 2011

8	Debtors	2011	2010
		£	£
	Trade debtors	418,040	334,098
	Prepayments and accrued income	520,376	762,397
	Other debtors	5,261	12,460
		943,677	1,108,955
	All amounts fall due within one year.		
9	Cash at Bank	2011	2010
		£	£
	Bank	534,226	467,810
		534,226	467,810
10	Creditors: Amounts falling due within one year	2011	2010
		£	£
	Trade creditors	121,149	226,406
	Taxation and Social Security	50,901	51,744
	Rent deposits	11,027	8,943
	Deferred income (see below)	463,287	283,874
	Accruals	166,389	356,782
		812,753	927,749
	<u>Deferred income</u>	2011	2010
		£	£
	Balance brought forward:		
	Research projects	216,270	277,910
	Grants and donations	67,604	223,579
	Released in the year	(283,874)	(501,489)
	Deferred in the year:		
	Research projects	359,794	216,270
	Grants and donations	103,493	67,604
		463,287	283,874
	Balance carried forward	463,287	283,874

11 Financial Commitments

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

	2011	2010	2011	2010
Property and equipment leases due to end in:	Property	Property	Equipment	Equipment
	£	£	£	£
Up to one year	-	-	2,135	-
One to five years	174,416	175,557	1,812	5,038

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2011

12 Unrestricted Funds

	Balance at 01.01.2011	Income & other gains	Expenditure	Funds transfers	Balance at 31.12.2011
	£	£	£	£	£
Unrestricted Reserves	552,851	2,092,754	(2,062,262)	-	583,343
Designated Foreign Exchange Fund	73,266	(12,174)	-	-	61,092
Designated Premises Fund	60,000	-	-	-	60,000
Total Unrestricted Funds	<u>686,117</u>	<u>2,080,580</u>	<u>(2,062,262)</u>	<u>-</u>	<u>704,435</u>

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, that the Institute should set aside a designated reserve fund of £100,000 against the possibility of future exchange losses. In 2011 the exchange losses were £12,174 (2010 - losses £26,734) and these have been charged against the designated fund. The Trustees consider the remaining balance of £61,092 to be adequate.

Designated Premises Fund

The Institute has retained a designated premises reserve of £60,000 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 2011 (2010: £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 2011 the company had 12 members (2010 : 12). The company is a registered charity number 802956.

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15 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 £71,087 (2010: £ 56,615).

16 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 £535 (2010: £713) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.

17 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.