

Institute for European Environmental Policy, London
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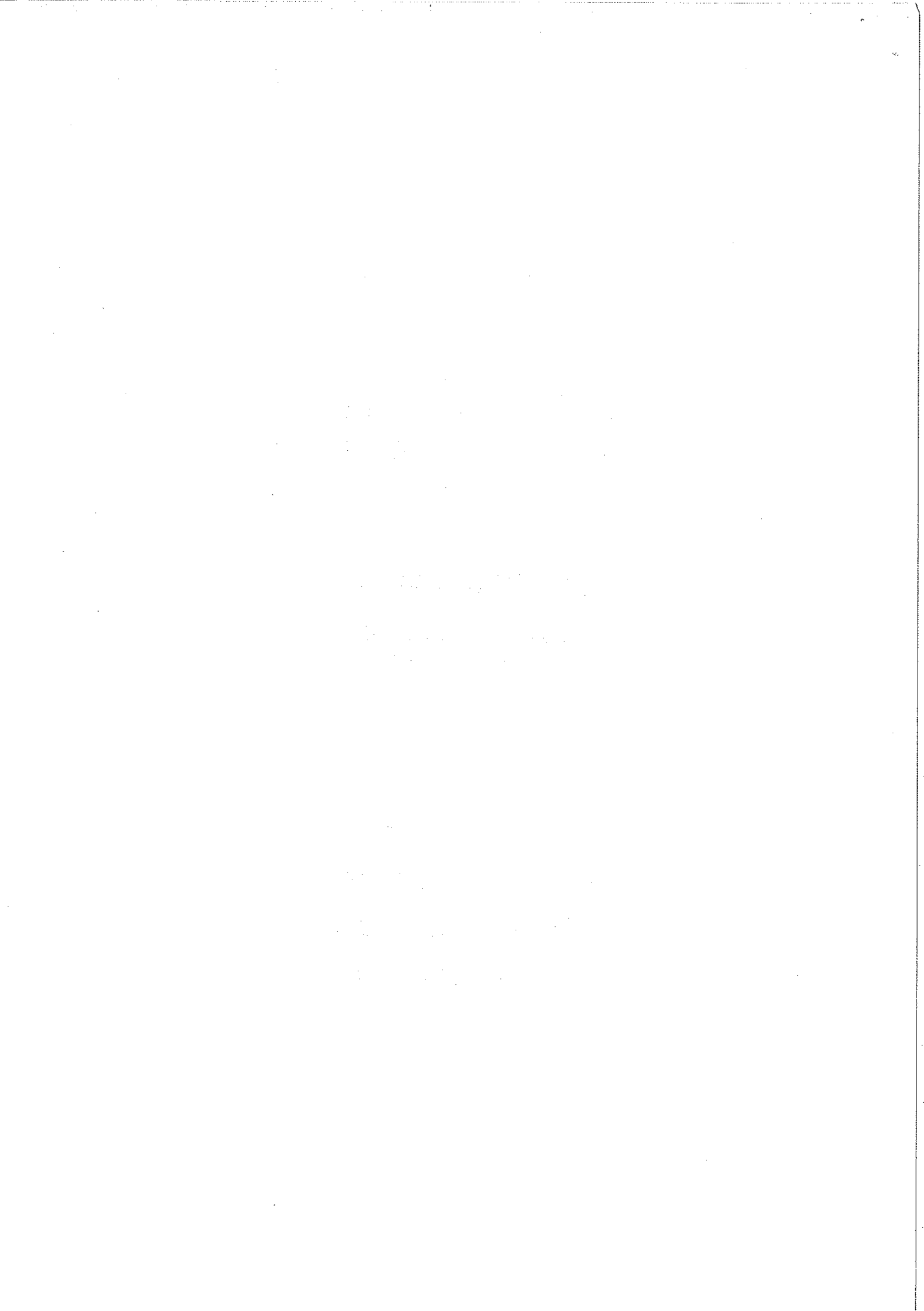


Institute for
European
Environmental
Policy

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

Company No. 2458951
Charity No. 802956

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2007



Institute for European Environmental Policy, London Trustees' Report for 2007

The Institute for European Environmental Policy, London (trading as 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 2007, 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 objects of IEEP 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. Often these policies are 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 important 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, items on our website, presentations to conferences and university students, production of our *Manual of 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 design, implementation and longer term evolution to meet future needs. We aim to cover not only environmental policy, covering pollution control, climate change, waste disposal, 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.

Many of the key environmental issues, such as climate change and water pollution cannot be tackled by national policy alone. A concerted European effort is required, involving the

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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:

- 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 – including the many variations within Europe;
- Improvements in policy that 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 including the issues of carbon capture and storage and emissions trading for a more sustainable planet.

Review of the Year

Objectives and priorities for 2007

Our objective in 2007 was to continue to maintain an engagement with a wide range of policies affecting the environment and to ensure that work on concrete, specific issues was balanced by an overview of the broad sweep of strategic policy development in Europe. We sought to give greater weight to climate policy during the year but not at the expense of other issues on the environmental agenda, which were in danger of becoming eclipsed by the understandable preoccupation with climate issues. During the year our priorities included:

- Contributing to the development of effective climate change policy in the EU;
- Seeking to increase awareness of the EU Sustainable Development Strategy and work with others to give it greater influence in policy making;
- Undertaking research and analysis directed at preparations for the next round of Common Agricultural Policy Reform – known as the “Health Check”;
- Seeking to increase understanding of the significance of the forthcoming review of the EU budget for the environment and to provide analysis and understanding for those engaging in the debate.
- Contributing to the debate and policy formation of CO₂ emissions from passenger cars.

Achievements and performance 2007

The Institute carried out more than one hundred projects during the year covering topics over a broad spectrum and funded by a wide range of organisations. This project work and the accompanying analysis and close study of European policy form the cornerstone of the Institute's wider public policy work. Over the year this included expert participation at major EU environment events and other platforms, high-level interaction with policy-makers in the European and national institutions, engagement with major NGOs to discuss and explain European policy issues, initiating and organising conferences, seminars and workshops on a variety of topics, and contributing expert opinion and informed comment on EU strategic environmental policy through publications and articles. The London and Brussels offices work

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closely together in pursuing these aims, broadening the Institute's perspective and increasing our contribution in the policy making community.

Considering the objectives in turn, the notable projects and initiatives during the year included:

a.) Climate Change

During the year we worked on many aspects of the climate change debate, both at a technical and more strategic level, with a range of partners. We provided analysis for the European Parliament and organised two well attended debates, one on aviation and another on the implications of limiting global temperature rise to 2°C. We brought together US and EU civil society partners in a "Transatlantic Platform for Action on the Global Environment" and worked closely with the National Resources Defense Council in the US.

We continued to focus on the EU's principal policy instrument to reduce Greenhouse Gas emissions, the Emissions Trading Scheme; one project showed how it might link to other systems as they emerge around the world, feeding directly into the Commission's discussions with other countries.

We were one of a handful of European Institutes leading research into the policy, economic and environmental protection aspects of carbon dioxide capture and storage which is becoming a key element in future strategies for containing climate change. The potential of biofuels and their anticipated environmental costs were examined in projects considering the implications for transport and agricultural policy. Having led a project for the European Commission on rules for labelling equipment containing fluorinated greenhouse gases in 2006, we were pleased that the results were incorporated into law in 2007. In future, equipment containing certain gases covered by the Kyoto Protocol, such as HFCs and PFCs will need to be appropriately labelled. This will affect refrigerators, high voltage switch gear and other items.

b.) Pollution from cars

Following earlier work on CO₂ emissions from cars we played a significant role in the formulation of a new regulatory approach to reducing emissions from new vehicles. We led a team advising the Commission on some of the issues arising from a mandatory rather than a voluntary approach and the costs and benefits of different technical options. The Commission drew significantly on this work when drawing up its proposal for a new regulation to meet the 130 grammes per kilometre standard for CO₂ emissions. This was published in December 2007.

In addition to this key project, we provided advice and analysis to a range of NGOs and government agencies both on CO₂ emissions and other forms of pollution from road vehicles.

Another related focus of work during the year was on the health effects of reliance on the car rather than other transport modes. A report showing the links between obesity, transport and climate change received wide press coverage in August, particularly in relation to children being driven to school.

c.) Agricultural Policy

Agriculture is a critical determinant of land use and management in Europe and shifts in policy affect many aspects of the environment including water quality, the landscape, wildlife habitats and farmland species, soil structure, greenhouse gas emissions and carbon

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sequestration. During the year the Institute was actively engaged in preparations for the next round of Common Agricultural Policy (CAP) reform. The debate, expected to last over a year, began with the publication of broad proposals in November. Our work included:

- A suite of studies on “cross compliance”, the attachment of environmental conditions to agricultural subsidies, a key means of securing that standards are met. We completed a major evaluation of cross compliance in all EU Member States and organised a lively conference on the future of the policy in April.
- We took the lead in evaluating the environmental impact of two important strands of the CAP, the support provided to beef and to dairy farmers. Both are affected by the “Health Check”.
- We looked ahead at how the CAP could contribute to meeting biodiversity and climate policy goals in the EU, both at a strategic level, with a report and policy seminar in Brussels and more specifically by reporting on how the concept of “High Nature Value” farmland could be maintained in practice.

Several projects were undertaken for the European Commission, which was responsible for preparing the Health Check proposals but we engaged actively with other players in the debate. We had several exchanges with the NGO Birdlife, for example, and helped them to launch their environmental vision for the CAP in the autumn.

d.) The EU budget and the environment

Following early work on this topic in 2006 we developed our thinking further during the year and had a series of meetings with officials working in government on the budget question. We considered how far existing EU expenditure benefited the environment and the arguments for EU level interventions on key issues, such as combating climate change and preventing the further decline in biodiversity. We contributed to internal reports on the topic by the UK environment ministry, DEFRA, and by an agency, Natural England. Connections were made with other work in the Institute on regional and on agricultural policy, which together account for a large share of the EU budget.

e.) Other Issues

Amongst many other topics addressed during the year were:

- The future of regional seas in Europe, including the Baltic, Mediterranean and North East Atlantic. We were part of a multi-partner three year research project that examined pressures on regional seas, the implications for conservation and economic exploitation and the prognosis for the future. The research helped to identify which issues could be prioritised in future policy initiatives, such as the Marine Strategy Directive. It attracted attention on BBC Radio 4.
- We made a significant contribution to the practical implementation of an “ecosystem – based approach” to fisheries management in the EU. While attracting considerable support in theory, applying this approach in practice has proved more difficult. We led a complex three year project involving twenty research institutes from eleven Member States aiming to identify and quantify the best biological, ecological and socio-economic indicators for sustainable fisheries management in Europe and participated in a related project on monitoring the process of environmental integration into the Common Fisheries Policy (CFP). The results of the two projects were key considerations in the review of the EU Data Collection Regulation to bring it into line with the ecosystem-based approach. In related

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projects, we undertook analysis of how far the EU's commitment to the ecosystem-based approach has been translated into action since 2002 and engaged in more detailed work on marine protected areas in the UK. Our free European newsletter on Fisheries policy and the environment, *El Anzuelo*, continues to fill an important need for information in this area.

- Measures to reverse the loss of biodiversity in Europe were in principle reinforced in 2007 with a policy of integrating nature conservation activities into all the Community's main funding streams, including support for regional and rural development. This creates the potential for funding badly needed initiatives throughout the continent – provided that national and regional authorities give it priority. This is not to be assumed and the use of EU funding was an important theme during the year. We updated our 2006 Guidance Handbook on EU funding possibilities for Natura 2000 over 2007-13, prepared with WWF. Promoting this approach we ran a series of seminars in different countries to encourage funding applications and with partners developed a web-based tool addressing funding options for site managers,
- EU legislation to protect human health and the environment from the adverse effects of chemical use has advanced greatly in recent years – with the creation of an ambitious regulation known as “REACH” and the establishment of the European Chemicals Agency in Helsinki. We were particularly pleased that Dr Marc Pallemmaerts, head of the Institute's environmental governance team, was appointed as a member of the new Agency's management Board from June 1st. As one of three “representatives of interested parties” his role is to reflect the perspective of environmental bodies.
- In November, we played a leading role in the organisation of a major EU event on developing new indicators for measuring social wellbeing or welfare. Dubbed “Beyond GDP”, the conference initiated by WWF, the OECD, the Club of Rome and several European institutions included presentations by leading political figures and economists. It built momentum for a fresh and less narrowly economic approach for assessing progress. We intend to follow up with further research work over the next few years.
- Efforts have been made in recent years to bring a more systematic framework to the sometimes mysterious process of arriving at proposals for new legislation in Europe. The preparation of “impact assessments” of significant new measures has, in principle, been required. This has the potential to bring a better informed and more balanced approach to decision making. Environmental implications should emerge clearly for example. The Institute played a key role in research on the use of these impact assessments in practice, concluding with a workshop in Brussels in January 2008. This research showed overall improvements in assessments made by the European Commission but still a highly variable performance. The record in many Member States is worse and there remains substantial room for improvement to make this policy tool work better.

Communication

One of the goals of the year was to strengthen the communication of the results of the Institute's work, particularly to policy makers. We invested in a series of improvements in the website and issued a number of project summaries and press releases. We sought to extend media coverage particularly in relation to the major European conference on “Beyond GDP” held at the year end at which we played a major role. Our series of joint policy seminars with the Free University of Brussels was well attended during the year. Our ability to host events

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has also been improved with the larger and better equipped meeting room in the new Brussels office which was put to use after we occupied the premises in September.

It is always difficult to measure the level of influence that a single organisation has on decision making, the design of policy and the analysis that underlies the ultimate policy outcomes. However, we received regular and positive feedback that our analysis and views reach key players and are taken seriously. Several of our reports during the year fed directly into EU policy decisions.

Plans for the future

The broad aims of the Institute to contribute to improved understanding and better policy decisions in Europe will remain highly relevant in 2008. We will be particularly concerned to increase our focus on the development of climate policy in Europe and attendant energy and transport issues. Legislation concerning vehicle emissions from cars will be an issue of continuing importance. The approaching review of the Common Agricultural Policy in 2008 will raise opportunities for reform that will be a priority for our agricultural and rural policy work. Similarly, the deadline of 2010 for stopping biodiversity decline requires more intensive analysis and policy review of the kind that the Institute can offer. We are giving more weight to certain global issues, including the role of the USA in climate and fisheries policy and how this relates to EU policy.

Resources and thanks to staff

During 2007, the number of research staff, including the Director, was twenty-four (2006: twenty-two) and they were supported by six administrative staff (2006: five). 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 2007 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 and plans to move to a nearby office in 2008 when the existing lease expires. The Brussels office, now in its fifth 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, a dinner debate held for the June Board meeting and a series of workshops and seminars. The Brussels office moved to new premises in September 2007 and the new offices offer modern working space for the team and more extensive meeting rooms.

Financial Review

The Institute's funds have been applied in furtherance of the company's objects, detailed above and to a small extent for governance of the charity. Its assets are held for the efficient operation of the company and there is no difference in value from that shown in the accounts.

Activities continued to expand during the year. Total income increased from £1,931,849 in 2006 to £2,143,790 in 2007. The increase in income was accompanied by a significant increase in sums paid to project partners who aided us in the delivery of the higher level of research. With total expenditure on activities increasing from £1,807,661 to £2,137,514 and after gains

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on foreign currency exchange, the Institute made a surplus in 2007 of £10,019 (2006: £117,598). The lower surplus reflects the cyclical nature of certain project work undertaken by the Institute characterised by activity peaks in 2006 and the first half of 2007. In the latter half of the year the research activity remained strong while at the same time new research and project ideas were developed. Notification of the success of several tenders came right at the end of the year. The work on these will be undertaken in 2008 and beyond. At 31 December 2007 unrestricted reserves stood at £479,498 (2006: £469,479). 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 October 2008, and the lease on its new office in Brussels which runs until a break clause in 2013.

No assets are held on behalf of any other charity or trustee. 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, and is not financially dependent on the support of any particular individuals or organisations.

Reserves policy

The Trustees considered that a reserve level within the range £400,000-£450,000 would be the minimum appropriate at 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 2007 total unrestricted reserves were £479,498 (2006: £469,479) of which £20,000 were designated for the costs which may arise on termination of the London and Brussels leases and £36,005 (2006: £34,093) were committed to fixed assets, leaving £423,493 (2006: £415,386) of free reserves, as defined by the Charity Commission. These reserves are effectively the charity's working capital and are in the range specified. However further increases in future are necessary and the Trustees are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

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.

In accordance with the Articles of Association, Trustees/Directors are appointed by applying in writing to become members of the company, and an ordinary resolution is submitted to the Board to appoint them as Director, both of which proposals are voted upon by simple majority at the next meeting of the Board. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors serve for 6 years, and are eligible for re-appointment.

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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 ongoing process.

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:

- Gareth Bendon *
- Graham Dalton *
- Ralph Hallo
- Dr Caroline Jackson, MEP (Chair)
- Paul Meins *
- Derek Osborn CB
- Fiona Reynolds, DBE
- Judith Ward

* Finance Committee Member. Committee Chair was Gareth Bendon

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Officers

Director of the Institute	David Baldock
Secretary	Jonathan Taylor (Resigned 20th September 2007) Claire Froomberg (Appointed 20th September 2007)

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

28 Queen Anne's Gate, London SW1H 9AB

Bankers

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

Solicitors

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

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

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, Oreade Breche. 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 2007:

Esmée Fairbairn Foundation
The Baltic Foundation
The German Marshall Fund
Greenpeace Foundation
The Oak Foundation
Royal Society for the Protection of Birds
World Wide Fund for Nature

Many projects were funded by the European Commission, the European Environment Agency, the Organisation for Economic Cooperation and Development, the United Nations, the UK

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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 directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and 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.

Statement of Disclosure of Information to Auditors

So far as each of the Trustees, at the time the report is approved, are aware there is no relevant audit information of which the Company's auditors are unaware and the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Kingston Smith LLP have acted as auditors to the company for the past year and, as auditors in office, are automatically deemed to be re-appointed under the provisions of the Companies Act 2006.

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Small Companies Exemption

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

On behalf of the Board:

Caroline Jackson Caroline Jackson Date 12 July 2008
Chair

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 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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 Auditors

The responsibilities of trustees (who are also the directors of the Institute for European Environmental Policy, London for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31st December 2007 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information provided in the Trustees' Annual Report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 18/7/2008

V.S. Smith LLP
Kingston Smith LLP
Chartered Accountants
and Registered Auditors

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Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the year ended 31st December 2007

	Note	Unrestricted Funds £	Restricted Funds £	Total 2007 £	Total 2006 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Investment income - interest received		2,108	-	2,108	3,106
<i>Incoming resources from Charitable Activities:</i>					
Grants	2	-	84,601	84,601	65,345
Movement in Deferred Income		-	516	516	(11,550)
Research projects		2,138,286	-	2,138,286	1,957,606
Movement in Deferred Income		(82,248)	-	(82,248)	(86,657)
Other incoming resources		527	-	527	3,999
Total Incoming Resources		<u>2,058,673</u>	<u>85,117</u>	<u>2,143,790</u>	<u>1,931,849</u>
Resources Expended					
<i>Charitable Activities:</i>					
Grants		-	85,117	85,117	53,795
Research projects		1,990,643	-	1,990,643	1,700,567
<i>Governance costs</i>		61,754	-	61,754	49,899
<i>Other resources expended</i>		-	-	-	3,400
Total Resources Expended	3	<u>2,052,397</u>	<u>85,117</u>	<u>2,137,514</u>	<u>1,807,661</u>
Net Incoming Resources before other recognised gains and losses		6,276	-	6,276	124,188
Other recognised gains and losses					
Net gains / (losses) on foreign exchange	3	3,743	-	3,743	(6,590)
Net movement in funds for the year		10,019	-	10,019	117,598
Fund Balances Brought Forward		<u>469,479</u>	-	<u>469,479</u>	<u>351,881</u>
Fund Balances Carried Forward	12,13	<u><u>479,498</u></u>	<u><u>-</u></u>	<u><u>479,498</u></u>	<u><u>469,479</u></u>

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

The notes on pages 15 to 21 form part of these Financial Statements.

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Balance Sheet as at 31st December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Tangible Fixed Assets	7		36.005		34.093
Current Assets					
Debtors	8	731.771		551.446	
Cash at bank	9	<u>278.074</u>		<u>382.839</u>	
		1.009.845		934.285	
Creditors: Amounts falling due within one year	10	<u>(566.352)</u>		<u>(498.899)</u>	
Net Current Assets			<u>443.493</u>		<u>435.386</u>
Total Assets			<u><u>479.498</u></u>		<u><u>469.479</u></u>
Represented by:					
Unrestricted Funds	12		479.498		469.479
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>479.498</u></u>		<u><u>469.479</u></u>

The accounts have been prepared under the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved by the board and authorised for distribution on 12 July 2008 and signed on its behalf by:

Caroline Jackson

Dr Caroline Jackson
Chair

The notes on pages 15 to 21 form part of these Financial Statements.

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2007

1 Accounting Policies

Basis of Accounting

These financial statements have been prepared under the historical cost convention and in accordance with the provisions of Companies Act 1985, the revised Statement of Recommended Practice (SORP 2005) "Accounting and Reporting by Charities" and applicable accounting standards. These financial statements have also been drawn up in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

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

Revenue grants are accounted for when receivable. Income for core research projects is recognised as costs are incurred, surpluses are recognised on completion of the project; advance payments in respect of uncompleted projects are carried forward in the accounts as deferred income.

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, closing balance sheet year end balances have been revalued at the exchange rate ruling at that date where applicable. Provision is made for significant losses arising on overseas debtors at the period end as a result of currency fluctuations since the invoice date. All differences on exchange are reflected in the Statement of Financial Activities.

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 projects.

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2007

2	Grants and Donations Receivable		2007	2006
			£	£
	JNCC		-	1,000
	Oak Foundation		30,000	-
	Esmée Fairbairn Foundation		49,745	49,745
	Baltic Sea Foundation		4,856	-
	Greenpeace Environmental Trust		-	14,600
			<hr/>	<hr/>
			84,601	65,345
	Movement in deferred income		516	(11,550)
			<hr/>	<hr/>
			85,117	53,795
3	Total Resources Expended	Direct	2007	2006
		Project	Total	Total
		Costs	£	£
		£		
	Costs of activities in furtherance of the objects			
	Grants	14,804	85,117	53,795
	Projects	697,768	1,990,643	1,700,567
	Governance	-	61,754	49,899
	Other resources expended	-	-	3,400
		<hr/>	<hr/>	<hr/>
		712,572	2,137,514	1,807,661
		(note 4)		
	Other Costs include	Projects	Governance	2007
				Total
		£	£	£
				£
	Property occupancy costs - operating leases	83,974	6,466	90,440
	Property occupancy costs - other	40,546	3,122	43,668
	Staff planning days	11,270	-	11,270
	Telephone, postage, copying and stationery - operating leases	3,094	-	3,094
	- other	24,733	-	24,733
	Auditors remuneration - current year	-	5,350	5,350
	Auditors remuneration - in respect of prior year	-	1,760	1,760
	Accountancy & other services provided by auditors	12,498	-	12,498
	Payroll services	3,944	-	3,944
	Legal and professional	12,043	-	12,043
	Depreciation	22,948	860	23,808
	Computer costs	32,550	-	32,550
	Irrecoverable VAT	2,018	-	2,018
	Other costs	26,190	3,224	29,414
		<hr/>	<hr/>	<hr/>
		275,808	20,782	296,590
	Other resources expended			3,400
	Total other costs		<hr/>	<hr/>
			296,590	284,524

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2007

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

Grant and Project costs and basis of allocation

		2007 Total £	2006 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	1,087,380	973,466
Property occupancy costs	pro rata to staff cost allocation	124,520	105,566
Services and other operating expenses	Actual and estimated use	99,855	123,592
Professional fees	Actual and estimated use	28,485	21,305
Depreciation	pro rata to staff cost allocation	22,948	17,621
Total		<u>1,363,188</u>	<u>1,241,550</u>

Governance costs and basis of allocation

		2007 Total £	2006 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	40,972	36,859
Property occupancy costs	pro rata to staff cost allocation	9,588	7,518
Services and other operating expenses	Actual and estimated use	3,224	922
Professional fees	Actual cost main audit and governance	7,110	3,920
Depreciation	pro rata to staff cost allocation	860	680
Total		<u>61,754</u>	<u>49,899</u>

Other recognised gains and losses

	2007 Total £	2006 Total £
Gains / (losses) on foreign exchange	<u>3,743</u>	<u>(6,590)</u>

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2007

4 Employee information	2007 No.	2006 No.
The average number of employees during the period was:		
Director, research, teaching and writing	24	22
Finance and administration	6	5
	30	27
The total costs of these employees were:		
	£	£
Wages and salaries	905,427	810,845
Social Security costs	144,319	123,784
Pension	40,618	47,856
	1,090,364	982,485
Other staff costs	37,988	27,840
Total staff costs per note 3	1,128,352	1,010,325

One employee received emoluments between £70,001 and £80,000 (2006 - 1 in range £60,001 to £70,000).

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. Three Directors were reimbursed for expenses incurred attending meetings in the year totalling £776 (2006 - three Directors received £560).

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 2007	96,012
Additions	25,720
Disposals	(22,808)
Carried forward at 31st December 2007	98,924
Depreciation	
Brought forward at 1st January 2007	61,919
Charge for the year	23,808
Eliminated on Disposal	(22,808)
Carried forward at 31st December 2007	62,919
Net Book Value	
At 31st December 2007	36,005
At 31st December 2006	34,093

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 2007

8 Debtors	2007	2006
	£	£
Trade debtors	399,298	239,652
Prepayments and accrued income	331,505	311,794
Other debtors	968	-
	<u>731,771</u>	<u>551,446</u>

All amounts fall due within one year.

9 Cash at Bank	2007	2006
	£	£
Bank	278,074	382,839
	<u>278,074</u>	<u>382,839</u>

10 Creditors: Amounts falling due within one year	2007	2006
	£	£
Bank overdraft	-	28,004
Trade creditors	139,690	176,981
Taxation and Social Security	48,103	29,077
Rent deposits	7,602	-
Deferred income	276,763	195,031
Accruals	94,194	69,806
	<u>566,352</u>	<u>498,899</u>

11 Financial Commitments

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

	2007	2006
Property leases due to end in:	Property	Property
	£	£
Less than one year	46,075	13,650
Two to five years	-	57,000
Greater than five years	44,128	-
	<u>90,203</u>	<u>70,650</u>

IIEP is in the process of negotiating a lease on new premises for the London office. Further details are given in the Trustees' Report.

Equipment leases due to end in:	Other	Other
	£	£
Less than one year	-	-
Two to five years	3,095	3,095
Greater than five years	-	-
	<u>3,095</u>	<u>3,095</u>

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2007

12 Unrestricted Funds

	Balance at 01.01.2007	Income & other gains	Expenditure	Funds transfers	Balance at 31.12.2007
	£	£	£	£	£
Unrestricted Reserves	449,479	2,062,416	(2,052,397)	-	459,498
Designated Premises Fund	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Unrestricted Funds	<u><u>469,479</u></u>	<u><u>2,062,416</u></u>	<u><u>(2,052,397)</u></u>	<u><u>-</u></u>	<u><u>479,498</u></u>

Designated Premises Fund

The Institute set aside £20,000 in 2005 for future obligations on concluding its current office leases in both London and Brussels (dilapidations, etc); and for initial costs (contribution towards feasibility studies and other preparatory work) in relation to the possibility of joining in the so called *GreenHouse* building project in London. A consortium of environmental organisations is exploring the possibility of jointly taking a landmark 'green' office building in a major central London building development. Further contributions to the fund may be made in future years when more information is available about these costs.

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 2007 (2006: £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 2007 the company had 11 members (2006 : 11). The company is a registered charity number 802956.

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.

	£
Balance held at 1st January 2007	-
Funds received in the year	81,374
Disbursements made	<u>(81,374)</u>
Balance held at 31st December 2007 (included in bank and in other creditors)	<u><u>-</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 £40,168 (2006: £ 47,856)

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2007

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 £408 (2006: £65) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.

