Climate Change Capital Group Limited

Report and Financial Statements

31 December 2011

FRIDAY
L1IF7DAY
LD6 28/09/2012 #132
COMPANIES HOUSE

Directors
J Cameron (Chairman)
A Evans
A Kerschen

Secretary
R McCloskey

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

Registered office
3 More London Riverside
London
SE1 2AQ

Directors' report

Registered No 06527842

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The consolidated loss for the year, after taxation, is £3 9m (2010 - loss of £5 2m) The directors do not recommend the payment of any dividends

Principal activities

The group is an investment manager and advisor specialising in the opportunities generated by the transition to the low carbon economy

Review of business

The group s key financial indicators during the year were as follows

	2011	*2010*
Turnover (£000s)	17,779	18,410
Operating loss (£000s)	(3,518)	(3,920)
Loss after tax and minority interest (£000s)	(3,936)	(5,153)
Shareholders' funds (£000s)	3,370	7,199
Commitments to funds managed by the group (£m)	864	948

The group's reported turnover decreased to £17 8m in 2011 compared to £18 4m for the previous year Turnover was negatively impacted by the following

- Lower management fees recognised for Carbon Funds of £6,207k (2010 £8,868k) Following the end of the funds' investment period on 31 December 2009, the management fee earned by the company is no longer based on investors' capital commitments to the fund, but on actual committed capital of the fund, a figure which naturally reduces over time,

- Lower management fees from the Climate Change Property Fund of £949k (2010 £1,380k) Following the sale of the 77-80 Gracechurch Street, London property the invested capital of the fund on which management fees are charged reduced, and

- Lower management fees from the Ventus VCTs of £1,008k (2010 £1,393k) Fees in 2011 were only earned up until the end of August, at which date the investment management contract was transferred to a new manager

- No income generated in 2011 from discontinued operations (£1,786k) following the sale of its 60% interest in M J Bradley & Associates LLC in July 2010

Mainly offset by

- During 2010 the United Nations Framework Convention on Climate Change's (UNFCCC) decision to scrutinise the HFC23 methodology caused a delay in the issue of Certified Emission Reductions (CERs) In 2011 the UNFCCC re-initiated issuance of HFC23 CERs As a result, the company earned income related to HFC23 projects of £2,855k in the year (2010 net reduction of £451k),

- Advisory success fees of £964k were earned during the year (2010 Nil) partly offset by a reduced level of retainer fees £275k (2010 £397k), and

- Higher management fees from the Climate Change Capital Private Equity Fund of £4,550k (2010 £4,243) due to favourable currency impacts in the second half of 2011 compared to 2010

Directors' report

Registered No. 06527842

Review of business (continued)

The long term fundamentals associated with the world economy's transition to a low carbon economy remain very positive, and with its clear sector focus the group remains strategically well positioned However, short term business conditions have remained difficult, particularly with respect to fundraising for new fund products

Total commitments to funds managed by the company reduced to £864m This is mainly caused by the transfer of the investment management contract for the Ventus VCTs in 2011

The group remains well capitalised The group's tier 1 capital combined with the additional lower tier 2 capital arising from the £3 4m loan note issue during 2010 provides total capital resources well in excess of the minimum capital resources required by the FSA This position has been further strengthened following the acquisition of the group by Bunge Limited in March 2012, at which time a proportion of the tier 2 capital that was previously ineligible for regulatory purposes has been converted into wholly eligible tier 1 capital

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statement

Environmental policies

In respect of environmental policies, the group focuses on two key missions

1 being 'carbon neutral', and
2 operating sustainable work practises with regards waste, water and energy consumption

To achieve these missions, a sustainability team has been established, to co-ordinate and focus the group's efforts Several initiatives were launched in 2009 with the most important being the establishment of a baseline for emissions from which to track improvements

Carbon neutral – a definition a transparent process of *measuring* emissions, *reducing* those emissions and *offsetting* residual emissions such that the net calculated emissions are equal to zero

Measuring emissions the sustainability team has focused on the group's London operations and specifically on the London offices consumption of electricity and the emissions from business related rail and air travel For the year to December 2011 the total emissions in these two areas was estimated at 658 tonnes of CO_2e (2010 - 850)

Reducing emissions: reducing emissions is a vital part of becoming a carbon neutral company The focus in 2011 has been on understanding the level of data at its disposal and identifying areas where the data needs to be improved The data is critical to providing comparatives used in quantifying the levels of reduction achieved

Offsetting emissions: For the year ending December 2011, the group estimated the monetary value of emissions using a price per tonne of carbon of £12 50, and in 2012 will be making a donation of £8,225 to a similar charity to last year to fund practical, local energy solutions that cut carbon, protect the environment, reduce poverty and improve people's lives

Directors' report

Registered No 06527842

Principal risks and uncertainties

The principal risks and uncertainties facing the group are

- *Operational risk*

  Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events (including the risk of a major event disrupting business operations), it includes legal and financial crime risks

  To manage these risks, each business area is reviewed individually on a rotating basis by the Climate Change Capital Group Limited Group Risk Committee ("GRC") which meets three times a year, is chaired by a non-executive director GRC considers the risk and compliance exposures faced by the group Formal reports are submitted by business heads for review and challenge by the GRC

  The group has business continuity plans in place for all of its businesses, and has invested in back-up IT infrastructure at a third party disaster recovery site

  The internal Compliance functions reviews regularly the risk of legal and regulatory failure, including breach of legal contracts, financial regulation and terms of investment

- *Business risk*

  Defined as risk to the group arising from changes in its business, including the risk that the group may not be able to carry out its business plan and its desired strategy A principal risk is the availability of opportunities for the investment of funds under management and the associated market volatility of these assets

  Each fund for which the group is investment manager has a formal Investment Committee ("IC"), chaired by persons independent of the investment team The IC is the approval body for investments and exits by the funds

- *Concentration risk*

  Defined as the risk related to concentration of business activities or counterparty exposures to single or related activities or entities

  This risk is monitored on an ongoing basis by the directors

- *Exposure to credit market interest rate and liquidity risk*

  The group does not lend so credit risk is limited to the risk that losses may arise as a result of the group's counterparties failing to meet their obligations to pay Clients of the advisory business are invoiced monthly, and investment management fees are called quarterly in advance from investors with no record of bad debt Details of the group's debtors are shown in note 12 to the financial statements

  Market risk is defined as the impact on the group due to changes in market prices of financial instruments The group does not trade on its own account and therefore does not have market risk of any significance The main risk to the group in this category relates to currency exposure on management fees which are received in foreign currencies The group has policies in place to lock-in the GBP value of expected future fees using currency forward contracts covering beyond the current accounting period

  Liquidity risk is the risk that the group will be unable to meet its financial obligations as they fall due as assets held cannot be realised The group has no borrowings and holds its surplus cash balances in deposit accounts of short maturity

  The group has a weekly treasury review meeting, chaired by the group's Chief Financial Officer, to monitor and control risks related to the liquidity of the group

Directors' report

Registered No. 06527842

Future developments

The directors continue to explore growth options for the group The group is currently focused on building our energy infrastructure asset management business The group continues to develop these new fund ideas as well as planning follow-on funds as existing funds approach the end of their investment period

Charitable contributions

During the year, the group made contributions totalling £1,385 In addition, further contributions of £8,225 to UK based climate conscientious charities were provided for to be paid in 2012 and £13,500 paid to similar charities in relation to the 2010 provision for offsetting emissions

Directors/officers of the company

The current directors are shown on page 1

I Temperton was appointed on 27 September 2011 and resigned on 19 March 2012
A Evans was appointed on 19 March 2012
A Kerschen was appointed on 4 July 2012
S Mays resigned on 26 September 2011
R Abbott resigned on 1 November 2011
J Boven resigned on 19 March 2012
V Cox resigned on 19 March 2012
G Geiger resigned on 19 March 2012
P Wheeler resigned on 19 March 2012
M Macleod resigned on 15 May 2012

R McCloskey was appointed as Secretary on 15 August 2012, on which day S Robert-Tissot resigned

Purchase of own shares

The group has set up an Employee Benefit Trust (EBT) which in previous years has purchased shares in the company, although there were no purchases made during the current year as set out in note 16

Regulation

The new Basel II Accord replaces the 1988 Basel Capital Accord The supervisory objective of the Basel II Accord is to promote safety and soundness in the financial system and require credit institutions and investment firms to maintain appropriate levels of capital to cover the risks inherent in their business model The European Capital Requirements Directive establishes a revised regulatory capital framework across Europe based on the Basel II rules In the UK the European Capital Requirements Directive has been implemented by the FSA in its regulations through the General Prudential Sourcebook and the Prudential Sourcebook for Banks, Building Societies and Investment Firms

The FSA framework is structured around three pillars Pillar 1 specifies minimum capital requirements Pillar 2 describes the supervisory review process and outlines the internal capital adequacy assessment process ('ICAAP') required by firms applying Pillar 1 methodologies Pillar 3 requires disclosure of risk management and capital information to the market these can be found on the Climate Change Capital website

Directors' report

Registered No. 06527842

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Appointment of auditors

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the appointment of Deloitte LLP as auditor of the company

By the order of the Board

R McCloskey

R McCloskey
Secretary

28 September 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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) Under company law the directors 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 group and the company and of the profit or loss of the group for that period In preparing those 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, and
- 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 adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Independent auditor's report

to the members of Climate Change Capital Group Limited

We have audited the group and parent company financial statements of Climate Change Capital Group Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Shareholders' Funds, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the 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 company s members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors 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 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements 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 group's and the parent company s affairs as at 31 December 2011 and of the group's loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Climate Change Capital Group Limited (continued)

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, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Lloyd Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 September 2012

Group profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover			
Continuing operations		17,778,545	16,620,355
Discontinued operations		-	1,789,846
Group turnover	2	17,778 545	18,410,201
Administrative expenses		(21,296,779)	(22,330,501)
Operating loss			
Continuing operations		(3,518,234)	(4,114,808)
Discontinued operations		-	194,508
Group operating loss	3	(3,518,234)	(3,920,300)
Loss on sale of operations		-	(933,104)
Interest receivable - banks		89,346	81,947
Interest payable and similar charges	6	(312,024)	(43,390)
Loss on ordinary activities before taxation		(3,740,912)	(4,814,847)
Taxation	7	(184,667)	(280,595)
Loss on ordinary activities after taxation		(3,925,579)	(5,095,442)
Minority interests		(10,103)	(57,274)
Loss for the financial year attributable to members of the parent company	16	(3,935,682)	(5,152,716)

Group statement of total recognised gains and losses

for the year ended 31 December 2011

	2011 £	2010 £
Loss for the financial year	(3,935,682)	(5,152,716)
Exchange difference on retranslation of net assets of subsidiary undertaking	(21,631)	16,841
Unrealised (loss)/gain on revaluation of investments	(50,160)	(37,873)
Total recognised losses relating to the year	(4,007,473)	(5,173,748)

Group reconciliation of shareholders' funds

for the year ended 31 December 2011

	2011	2010
	£	£
Total recognised gains and losses	(4,007,473)	(5,173,748)
Reserve credit for share-based payment plans (note 17)	178,653	27,084
Total movement during the year	(3,828,820)	(5,146,664)
Shareholders' funds at beginning of year	7,198,869	12,345,533
Shareholders' funds at end of year	3,370,049	7,198,869

Group balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible fixed assets	9	105,280	111,473
Tangible fixed assets	10	240,963	563,679
Investments	11	852,980	537,769
		1,199,223	1,212,921
Current assets			
Debtors	12	2,785,309	3,171,448
Cash at bank and in hand		11,587,472	12,777,587
		14,372,781	15,949,035
Creditors: amounts falling due within one year	13	(8,254,475)	(6,198,921)
Net current assets		6,118,306	9,750,114
Creditors amounts falling due after more than one year	13	(3,430,000)	(3,430,000)
Total assets less liabilities		3,887,529	7,533,035
Minority interests		(517,480)	(334,166)
Net assets		3,370,049	7,198,869
Capital and reserves			
Called up share capital	15	1,022,399	1,022,399
Share premium account	16	100,492,637	100,492,637
Revaluation reserve	16	(106,602)	489,440
Reserve for own shares	16	-	(733,782)
Special reserve (share based payment reserve)	16	1,537,244	1,358,591
Profit and loss account	16	(99,575,629)	(95,430,416)
Shareholders' funds		3,370,049	7,198,869

A Evans
Director

28 September 2012

Company balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	11	9,099,000	9,463,627
Current assets			
Debtors	12		
amounts falling due after one year		4,000,000	4,000,000
amounts falling due within one year		772,303	1,520,794
		4,772,303	5,520,794
Cash at bank and in hand		18,123	432,046
		4,790,426	5,952,840
Creditors: amounts falling due within one year	13	(541,227)	(26,589)
Net current assets		4,249,199	5,926,251
Creditors: amounts falling due after more than one year	13	(3,430,000)	(3,430,000)
Net assets		9,918,199	11,959,878
Capital and reserves			
Called up share capital	15	1,022,399	1,022,399
Share premium account	16	100,492,637	100,492,637
Special reserve (share based payment reserve)	16	344,626	165,973
Profit and loss account	16	(91,941,463)	(89,721,131)
Shareholders' funds		9,918,199	11,959,878

A Evans
Director

28 September 2012

Group statement of cash flows

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash outflow from operating activities	3(b)	(754,101)	(4,803,108)
Returns on investments and servicing of finance			
Interest received		89,346	81,947
Interest paid		(30,328)	(43,390)
		59,018	38,557
Taxation			
Corporation tax refund		-	289,012
Overseas tax paid		(230,070)	(321,741)
		(230,070)	(32,729)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(72,802)	(59,610)
Payments to acquire investments in non-group companies		(365,371)	(314,275)
Receipts from issuance of loan notes		-	3,430,000
Partnership loans		173,211	187,461
Minority contribution		-	(296,556)
		(264,962)	(2,947,020)
Acquisitions and disposals			
Sale of subsidiary undertakings		-	580,622
Decrease in cash		(1,190,115)	(1,269,638)

Reconciliation of net cash flow to movement in net funds

Decrease in cash	(1,190,115)	(1,269,638)
Cash inflow from increase in loans	-	(3,430,000)
Movement in net funds	(1,190,115)	(4,699,638)
Net funds at 1 January	9,347,587	14,047,225
Net funds at 31 December	8,157,472	9,347,587

Notes to the financial statements
at 31 December 2011

1. Accounting policies

Basis of preparation

The financial statements of Climate Change Capital Group Limited were approved for issue by the Board of Directors on 28 September 2012

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of Climate Change Capital Group Limited and all its subsidiary undertakings drawn up to 31 December each year No profit and loss account is presented for Climate Change Capital Group Limited as permitted by section 408 of the Companies Act 2006

All subsidiary undertakings are consolidated in the group financial statements This includes entities which act as general partner to a limited partnership, however the limited partnerships themselves are not consolidated in the case where the general partner only controls the limited partnership in a fiduciary duty for the benefit of the limited partners

In the parent company financial statements investments in subsidiaries are accounted for at the lower of cost and the net recoverable amount

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an intangible asset on the balance sheet and amortised on a straight line basis over its economic life up to a presumed maximum of 20 years It is reviewed for impairment at the end of the first full year following the acquisition, and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable

Goodwill arising on acquisition of overseas subsidiaries is initially recognised based on the foreign exchange rate at the date of acquisition In line with other assets and liabilities of overseas subsidiaries it is then retranslated at the rate of exchange ruling at the balance sheet date

Fixed asset investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value

Financial assets designated as fair value through profit or loss are measured at subsequent reporting dates at fair value, which for investment funds is at their net asset value based on the fair value of the underlying investments

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEV") Valuation Guidelines Fair value is the price at which an orderly transaction would take place between market participants at the balance sheet date

Gains and losses arising from investments, designated as investments held at fair value through profit or loss, are included in the income statement in the period in which they arise, while foreign exchange gains and losses on such investments are included within the changes in its fair value

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such cost includes costs directly attributable to making the asset capable of operating as intended

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	over the lease term
Plant and machinery, fixtures and fittings	-	3 years
Computer equipment	-	3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty The following criteria must be met before revenue is recognised

Advisory and consulting revenue

Revenue from advisory and consulting services is recognised as services are rendered

Management fees

Revenue from the management of funds is recognised on a time basis and in accordance with the terms of the investment management agreement

Interest income

Revenue is recognised as interest accrues using the effective interest method

Contingent fees

Where the right to receive consideration does not arise until the occurrence of a critical event, which is outside of the control of the company revenue is not recognised until that event occurs

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements
at 31 December 2011

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date except the profit and loss account which is translated using the average rate of exchange for the year The exchange difference arising on the retranslation of opening net assets is taken directly to reserves All other translation differences are taken to the profit and loss account

Employee benefits trust

The group has established an employee benefit trust, the principal employer of which is Climate Change Holdings Limited All assets or liabilities under the control of the trusts at the year end are included in the group balance sheet

Forward foreign currency contracts

The criteria for forward foreign currency contracts are

- the instrument must be related to a firm foreign currency commitment,
- it must involve the same currency as the hedged item, and
- it must reduce the risk of foreign currency exchange movement on the group s operations

All contracts are used to hedge committed future transactions, and are not recognised until the transaction occurs

Forward foreign currency contracts are not valued to fair value or shown in the company balance at the year end

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined using an appropriate pricing model In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement

Notes to the financial statements
at 31 December 2011

1. Accounting policies (continued)

Leases

Rentals paid under operating leases are charged in the profit and loss account on a straight line basis over the lease term Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised as net proceeds After initial recognition debt is increased by the finance cost in respect of the reporting year and reduced by payments made in the year

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities Accordingly, a financial instrument is treated as equity if

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the group's own equity instruments

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption The corresponding dividends relating to the liability component are charged as interest expense in the income statement The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs The carrying amount of the equity component is not re-measured in subsequent years

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised

Treasury shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves, as "reserve for own shares" and recognised at average cost, or estimated fair value if this is lower Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to the profit and loss reserve No gain or loss is recognised on the purchase, sale, issue or cancellation of treasury shares

Notes to the financial statements
at 31 December 2011

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary continuing activities, stated net of value added tax

An analysis of turnover by activity is given below

	2011	2010
	£	£
Investment management		
Continuing operations	13,602,354	16,400,009
Advisory/consulting		
Continuing operations	4,176,191	220,346
Discontinued operations	-	1,789,846
	17,778,545	18,410,201

An analysis of turnover by geographical market is given below

	2011	2010
	£	£
United Kingdom - Continuing operations	11,511,327	8,211,524
United Kingdom - Discontinued operations	-	3,772
Rest of Europe - Continuing operations	6,163,270	8,408,831
North America - Discontinued operations	-	1,786,074
Other - Continuing operations	103,948	-
	17,778,545	18,410,201

3. Group operating loss

(a) This is stated after charging

	2011	2010
	£	£
Auditor's remuneration (note 4)	147,200	108,000
Depreciation of owned fixed assets (note 10)	377,464	617,990
Operating lease rentals - land and buildings	883,159	984,821
Non-cash compensation charge, FRS 20 (note 17)	178,653	27,084
Amortisation of goodwill (note 9)	6,193	50,749

Notes to the financial statements
at 31 December 2011

3. Group operating loss (continued)

(b) Reconciliation of operating loss to net cash outflow from operating activities

	2011	*2010*
	£	*£*
Operating loss	(3,518,234)	(3,920,300)
Depreciation of tangible fixed assets	377,464	617,990
Amortisation of goodwill	6,193	50,748
Decrease in debtors	386,138	946,877
Increase/(decrease) in creditors	1,819,791	(2,575,649)
Share based payments	178,653	27,084
FX revaluation	(4,106)	20,332
Realised loss on disposal of investments	-	29,810
	(754,101)	(4,803,108)

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	2011	*2010*
	£	*£*
Audit of the financial statements *	89,000	91,000
Other fees to auditors - taxation services	58,200	17,000
	147,200	108,000

* The audit fees of the company are borne by one of its subsidiaries

Notes to the financial statements
at 31 December 2011

5. Staff costs

(a) Staff costs

	2011	2010
	£	£
Wages and salaries	11,484,921	14,221,338
Social security costs	1,319,916	1,418,499
Share-based payment expense	178,653	27,084
	12,983,490	15,666,921

During 2011, the costs associated with redundancy were £662,635 (2010 - £186,675)

The average monthly number of employees during the year was made up as follows

	2011	2010
	No	No
Investment management and advisory	55	74
Business support	-	-
Management	3	3
Administration	22	24
	80	101

(b) Directors' emoluments

	2011	2010
	£	£
Aggregate emoluments in respect of qualifying services	1,216,270	1,147,667
Aggregate value of non cash benefits received	178,653	33,333
	No	No
Number of directors who received shares in respect of qualifying services	2	-
	£	£
In respect of the highest paid director		
Aggregate emoluments	583,806	362,000

The highest paid director exercised share options of £67,850 (2010 - £nil) during the year

During 2011 £390,936 (2010 - £nil) was payable to one director as compensation for loss of office

Notes to the financial statements
at 31 December 2011

6. Interest payable and similar charges

	2011	*2010*
	£	*£*
Bank loans and overdrafts	3,324	17,386
Loan notes	308,700	26,004
	312,024	43,390

7 Taxation

(a) Tax on loss on ordinary activities

	2011	*2010*
Current tax	*£*	*£*
UK corporation tax at 26 5% (2010 28%)	-	-
Tax underprovided in previous years	25 000	-
Foreign tax	159,667	280,595
Total current tax charge (see note 7(b))	184,667	280,595

(b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% The differences are explained below

	2011	*2010*
	£	*£*
Loss on ordinary activities before tax	(3,740,912)	(4,814,847)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 28%)	(991,342)	(1,348,157)
Effects of		
Expenses not deductible for tax purposes (including goodwill impairment)	377,211	236,703
Capital allowances in arrears of depreciation	66,606	121,829
Other timing differences	21,953	(100 002)
Tax losses utilised	-	(53,378)
Tax losses carried forward	574 534	1,216,577
Impact of higher tax rates on overseas earnings	110,705	207,023
Tax underprovided in previous years	25,000	-
Current tax for the year (see note 7(a))	184,667	280,595

Notes to the financial statements
at 31 December 2011

7. Taxation (continued)

(c) Deferred taxation

Group

Deferred tax is analysed as follows

	2011	*2010*
	£	£
Depreciation in advance of capital allowances	522,059	495,961
Tax losses carried forward	3,312,307	2,902,485
Other timing differences	1,667,337	1,755,856
Unrecognised deferred tax asset	5,501,703	5,154,302

Company

Deferred tax is analysed as follows

	2011	*2010*
	£	£
Tax losses carried forward	986,178	814,430
Other timing differences	72,268	29,813
Unrecognised deferred tax asset	1,058,446	844,243

The main rate of corporation tax reduced to 26% from 1 April 2011 The 2012 budget on 21 March 2012 proposed that the main rate of corporation tax will reduce by 2% to 24% from 1 April 2012 (an additional 1% to the 1% reduction proposed in the March 2011 budget) The Government has announced its intention to reduce the main rate of corporation tax by 1% per year until 2014, which would take the rate to 22% from 1 April 2014 However, only the reduction in the corporation tax rate to 25% from 1 April 2012 was substantively enacted at the balance sheet date and as such the deferred tax balances of £5,501,703 are disclosed in the financial statements at 25%

The effect of the above UK corporation tax rate reductions on the deferred tax assets reported at 31 December 2011 will depend on the timing of the reversal of the associated timing differences, which will determine at which rate the reversal will be relieved Assuming that all of the relevant timing differences in the company were to reverse at 22%, the group's deferred tax asset balance at 31 December 2011 would be lower by £660,204

8. Loss attributable to members of parent company

The loss dealt with in the financial statements of the parent company was £1,486,550 (2010 - £898,513)

Notes to the financial statements
at 31 December 2011

9. Intangible fixed assets
Group

	Goodwill £
Cost	
At 1 January 2011 and 31 December 2011	123,859
Amortisation	
At 1 January 2011	12,386
Provided during the year	6,193
At 31 December 2011	18,579
Net book value at 31 December 2011	105,280
Net book value at 1 January 2011	111,473

10. Tangible fixed assets

	Leasehold improvements £	*Plant and machinery, fixtures and fittings* £	*Computer equipment* £	*Total* £
Cost				
At 1 January 2011	905,755	559,828	1,149,584	2,615,167
Exchange adjustment	(51,997)	(16,641)	(22,795)	(91,433)
Additions	42,480	-	30,322	72,802
Disposals	(233,005)	(165,086)	(225,572)	(623,663)
At 31 December 2011	663,233	378,101	931,539	1,972,873
Depreciation				
At 1 January 2011	570,112	512,237	969,139	2,051,488
Exchange adjustment	(43,076)	(17,283)	(13,020)	(73,379)
Provided during the year	183,079	47,950	146,435	377,464
Disposals	(233,005)	(165,086)	(225,572)	(623,663)
At 31 December 2011	477 110	377,818	876,982	1,731,910
Net book value				
At 31 December 2011	186,123	283	54,557	240,963
At 1 January 2011	335,643	47,591	180,445	563,679

Notes to the financial statements
at 31 December 2011

11. Investments

Group

	Unlisted Investments £
Cost	
At 1 January 2011	537,769
Additions	365,371
Disposals	-
Revaluation impairment	(50,160)
At 31 December 2011	852,980

All investments are unlisted

During the year the group acquired external investments purchased by Climate Change Capital Private Equity Co-Investment LP totalling £365,371

The historical cost of the investments was £927,415 (2010 - £562,045)

Company

	Total £
Cost	
At 31 December 2011 and 1 January 2011	93,435,898
Amounts provided	
At 1 January 2011	(83,972,271)
During the period	(364,627)
At 31 December 2011	(84,336,898)
Net book value	
At 31 December 2011	9,099,000
At 1 January 2011	9,463,627

Subsidiary undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Name	*Class of shares*	*Proportion of shares held*	*Nature of business*
Climate Change Holdings Limited	Ordinary/Pref	100%	Financial services
Climate Change Capital Limited	Ordinary/Pref	100%	Financial services
Climate Change Capital Private Equity Limited	Ordinary	100%	Financial services
CCC Carbon Services (1)	Ordinary	100%	Management company
CCC Carbon General Partner Limited (1)	Ordinary	100%	Management company
CCC Carbon General Partner II Limited (1)	Ordinary	100%	Management company
Climate Change Capital International Limited (1)	Ordinary	100%	Service company
Climate Change Capital Incorporated (2)	Ordinary	100%	Service company
Climate Change Capital Private Equity (GP) Limited	Ordinary	100%	GP of fund

Notes to the financial statements
at 31 December 2011

11. Investments (continued)

Climate Change Capital Private Equity Co-Investment (GP) Limited	Ordinary	100%	GP of co-invest fund
Climate Change Capital Private Equity Co-Investment LP	Partnership	41%	Co-investment fund
Climate Change Capital Scotland Private Equity (GP) Limited	Ordinary	100%	GP of carried int fund
Climate Change Capital Scotland Private Equity LP	Partnership	40%	Carried interest fund
Climate Change Capital Carbon Fund III Limited	Ordinary	100%	Dormant
Climate Change Advisory Limited	Ordinary	100%	Dormant
Climate Change Consulting Limited	Ordinary	100%	Dormant
Climate Change Developments Limited	Ordinary	100%	Dormant
Climate Change Emissions Limited	Ordinary	100%	Dormant
Climate Change Finance Limited	Ordinary	100%	Financial services
Climate Change Investments Limited	Ordinary	100%	Dormant
Climate Change Research Limited	Ordinary	100%	Dormant
Climate Change Risk Limited	Ordinary	100%	Dormant
Climate Change Trading Limited	Ordinary	100%	Dormant
CCP Carried Interest LP	Partnership	50%	Carried interest fund
Climate Change Property Limited	Ordinary	100%	Dormant
Climate Change Property (GP) Limited	Ordinary	100%	GP of fund
CCP Co-Invest (GP) Limited	Ordinary	100%	GP of co-invest fund
CCP Carried Interest (GP) Limited	Ordinary	100%	GP of carried int fund
CCC Seed Capital (General Partner) Limited	Ordinary	100%	GP of fund
Climate Change Capital (Hong Kong) Limited [3]	Ordinary	100%	Service company
Climate Change Capital (Hong Kong) Investment Consulting Limited [3]	Ordinary	100%	Service company
Climate Change Capital (Tianjin) Management Limited [4]	Ordinary	100%	Financial services
Climate Change Capital (Tianjin) Investment Consulting Limited [4]	Ordinary	100%	Financial services
The CCC Carbon Fund Limited [1]	Ordinary	100%	Dormant
The CCC Carbon Fund II Limited [1]	Ordinary	100%	Dormant
Climate Change Capital Wind Energy Limited [5]	Ordinary	100%	Management company
Climate Change Capital Wind Energy Onshore Hold Co Limited [5]	Ordinary	100%	Dormant
Climate Change Capital Wind Energy Offshore Hold Co Limited [5]	Ordinary	100%	Dormant

All investments other than Climate Change Holdings Limited are held by subsidiary companies

[1] Incorporated in the Cayman Islands
[2] Incorporated in the United States
[3] Incorporated in Hong Kong
[4] Incorporated in China
[5] Incorporated in Channel Islands

Notes to the financial statements
at 31 December 2011

12. Debtors

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Loan notes	-	-	4,000,000	4,000,000
Trade debtors	133,648	320,656	-	-
Amounts owed from group undertakings	-	-	711,208	1,459,699
Other debtors	2,115,625	2,270,777	61,095	61,095
Prepayments and accrued income	536,036	580,015	-	-
	2,785,309	3,171,448	4,772,303	5,520,794

Amounts falling due after more than one year included above are

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Loan notes	-	-	4,000,000	4,000,000

The loan note held by the Company relates to a non-interest bearing agreement with a subsidiary undertaking

13. Creditors

Amounts falling due within one year

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Trade creditors	293,393	326,548	-	-
Accruals and deferred income	7,323,797	2,765,855	530,693	26,004
Other taxes and social security costs	433,715	2,720,629	-	-
Corporation tax payable	25,000	-	-	-
Foreign taxes	75,930	146,862	-	-
Other creditors	102,640	239,027	10,534	585
	8,254,475	6,198,921	541,227	26,589

Amounts falling due after more than one year

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Loan notes	3,430,000	3,430,000	3,430,000	3,430,000

Notes to the financial statements
at 31 December 2011

13. Creditors (continued)

During the year ended 31 December 2010, the company created and authorised the issue of £3,430,000 in Convertible Unsecured Loan Notes, on a maximum 8 year agreement on which, a 9% coupon is payable annually In March 2012, as part of the acquisition by the Bunge Group of Climate Change Capital Group Limited, these Loan Notes were repaid in full to the note holders

14. Obligations under operating leases

Annual commitments under non-cancellable operating leases as set out below

		Land and buildings
	2011	*2010*
		£
Operating leases which expire		
Within one year	-	144,446
In two to five years	897,095	840,375
	897,095	984,821

15. Share capital

	Allotted, called up and fully paid			
		2011		*2010*
	No	*£*	*No*	*£*
"B" ordinary shares of 1p each	102,178,822	1,021,788	102,178,822	1,021,788

	Allotted called up but not paid			
		2011		*2010*
	No	*£*	*No*	*£*
"A" ordinary shares of 1p each	61 095	611	61,095	611

The issued share capital of the company comprises "B" ordinary and "A" ordinary shares They have different rights in relation to shareholder distributions and return of capital as detailed in the Articles of Association of the company The following description is a summary only

The B ordinary shares confer one vote per share, and enjoy priority on the receipt of dividends to the A shares (prior to an "exit conversion") which only receive a dividend after a 12% return to B shareholders has been received for that year and then enjoy 30% of the balance of the dividend distributed After an exit conversion any available profits of the company are distributed among the two classes of share in proportion to the number of shares held by them An exit conversion is a change of control or a listing of the company

Notes to the financial statements
at 31 December 2011

15. Share capital (continued)

On a return of capital prior to an exit conversion, assets are distributed first to the holders of B shares in such amount as is required to ensure their aggregate return up to a particular value Thereafter, to the holders of A shares to the value of their subscription price, and subsequently to the holders of B shares and A shares in the ratio of 70 30 The threshold is set by reference to the original subscription price for B shares increased at an annual hurdle rate of 12% After an exit conversion the assets are distributed in payment of the shares' subscription price and then in proportion to the number of shares held A shares carry the right to vote only following an exit conversion Ownership of A shares is restricted to Managing Directors of the group

16. Reserves

Group	*Share premium account* £	*Revaluation reserve* £	*Own shares* £	*Special reserve* £	*Profit and loss account* £
At 1 January 2011	100,492,637	489,440	(733,782)	1,358,591	(95,430,416)
Loss for the year	-	-	-	-	(3,935,682)
Loss on revaluation of investments	-	(77,982)	-	-	27,822
Exchange difference on investment in subsidiary undertakings	-	(518,060)	-	-	496,429
Distribution of treasury shares	-	-	733,782	-	(733,782)
Share based payment	-	-	-	178,653	-
At 31 December 2011	100,492,637	(106,602)	-	1,537,244	(99,575,629)

Company	*Share premium account* £	*Special reserve* £	*Profit and loss account* £
At 1 January 2011	100,492,637	165,973	(89,721,131)
Loss for the year	-	-	(1,486,550)
Award of own shares	-	-	(733,782)
Share based payment	-	178,653	-
At 31 December 2011	100,492,637	344,626	(91,941,463)

The special reserve is the cumulative effect of the equity-settled share based payment charge

Notes to the financial statements
at 31 December 2011

17. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2011 is £178 653 (2010 - £27,084)

Non-executive director award

During 2008, a share based award was granted to non-executive directors The fair value of these shares is estimated as at the date of grant based on the last known market price The award vests annually in equal instalments over three years and shares are to be issued to the directors at each vesting date provided they remain in service at that time – unvested shares are forfeit if directors resign

The following table lists the parameters of the award

	31 December 2011
Award date	1 May 2008
Number of shares at 1 1 11	33,333
Number of shares exercised	33,333
Number of shares at 31 12 11	-
Vesting period	Annually over 3 years
First vesting date	30 April 2009
Market price at date of award	£1 00
Market price at date of exercise	£0 07

The expense recognised for this scheme in respect of employee services received during the year to 31 December 2011 is £9,028 (2010 - £27,084) As of 31 December 2011, all awards under the scheme are fully and unconditionally vested

Senior executive award

During 2011, a share based award was granted to two senior executives in office at the time The fair value of these shares is estimated as at the date of grant based on the most recent valuation undertaken The award vested immediately

The following table lists the parameters of the award

	31 December 2011
Award date	4 March 2011
Number of shares awarded and exercised	2,423,210
Number of shares at 31 12 11	-
Vesting period	Immediate
First vesting date	4 March 2011
Market price at date of award and exercise	£0 07

The expense recognised for this scheme in respect of employee services received during the year to 31 December 2011 is £169,625 (2010 - £nil)

18. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £63,635 (2010 - £429,551) for the group and £nil (2010 - £nil) for the company The amount relates to commitments to co-invest alongside third party funds managed by the group into investee companies

Notes to the financial statements
at 31 December 2011

19. Derivatives

The group purchases forward foreign currency contracts to hedge currency exposure on group's future commitments The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows·

	2011	*2010*
	£	*£*
Forward foreign currency contracts, unrealised gain/(loss)	109,925	330,412

In addition, during 2010 the group entered into an emission reduction purchase agreement ("ERPA") with a project counterparty in Uzbekistan, whereby the group undertook to assume the obligations of buyer as principal

An ERPA is a long term contract to purchase Certified Emission Reductions ("CERs") from a Clean Development Mechanism project A project is initially registered by the United Nations and CERs are then issued on a periodic basis as the project's emission reductions are monitored and verified

The group has contracts covering 8 9 million tonnes of CERs, and will pay a floating price (percentage of then market index) upon issuance

The group expenses all costs incurred in connection with the contract Assuming the project is successfully registered and issues CERs to the maximum contracted volume, the undiscounted fair value of the contracts held at the balance sheet date, determined by reference to the forward price curve for CER futures, is as follows

	2011	*2010*
	£	*£*
Forward ERPA contracts, unrealised gain/(loss)	6,858,941	18,000,000

20. Related party transactions

During the year, the company recognised an interest charge of £308,700 (2010 £26,004) in relation to the Convertible Unsecured Loan Notes issued to shareholders during the year At 31 December 2011, the total amount owed to shareholders was £3,738,700 (2010 £3,456,004)

21. Post balance sheet events

On 19 March 2012, CCC International Holdings Limited, a wholly owned subsidiary of the Bunge Limited group, acquired a controlling interest in Climate Change Capital Group Limited