

GLOBAL CANOPY FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 OCTOBER 2010 TO 31 MARCH 2012

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Registered Company Number: 04293417

Registered Charity Number: 1089110

**GLOBAL CANOPY FOUNDATION
TRUSTEES' REPORT**

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the 18-month period ended 31st March 2012. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the annual report and financial statements of the charity.

REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|-----------------------|--|
| OTHER WORKING NAME | Global Canopy Programme |
| CHARITY NUMBER | 1089110 |
| COMPANY NUMBER | 4293417 |
| ADMINISTRATIVE OFFICE | 23 Park End Street Oxford OX1 1HU |
| TRUSTEES | Dr W Wint L C N Bury H Murray-Philipson E Mott |
| EXECUTIVE DIRECTOR | A Mitchell |
| AUDITORS | Critchleys LLP Greyfriars Court Paradise Square Oxford OX1 1BE |
| SOLICITORS | Charles Russell 8-10 New Fetter Lane London EC4A 1RS |
| BANKERS | Barclays Bank Plc 211-213 Banbury Road Oxford OX2 7HH |

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Global Canopy Foundation is a charitable company limited by guarantee and was set up on 25th September 2001. It is governed by a memorandum and articles of association.

The Board of Trustees meet quarterly and administer the charity. An Executive Director is appointed by the Trustees to manage its day-to-day operations. New Trustees are appointed following a personal recommendation by a member of the Board and provision of a CV. Copies of the Charity Commission's relevant literature concerning the responsibilities of Trustees is given to all new Trustees, who are also offered the opportunity of participating in charity training courses provided by Charles Russell LLP, the charity's Solicitors.

The Global Canopy Programme (the activities of which are hosted by the charitable company The Global Canopy Foundation) is guided by its Board of Trustees, its Board of Advisers and its Scientific Advisory Group. Global Canopy Programme (GCP) is also a member of the International Canopy Network (ICAN).

To achieve its objects, the Global Canopy Programme (GCP) produces a Strategic Review every three years, outlining key strategies, goals and objectives, and measures of success for each programme. The Strategic Review also sets out budget projections for the period and recommends any necessary changes in the organisation's governance and management to achieve the expected results. In conjunction with the Strategic Review an Annual Plan is produced, providing the operational tool for managing the charity's activities and performance.

Change of Accounting Reference Date

The Global Canopy Foundation has moved its financial year from an October to September period to an April to March period. The charity has transitioned to the new dates with an 18-month accounting period from 1st October 2010 to 31st March 2012. The previous financial year followed the UK academic year (since the charity's inception it has been linked to Oxford University and research). With key international conferences now occurring in the autumn it is more natural to conduct the GCP's annual planning process after these conferences rather than before them. Furthermore, as the charity has grown and received larger donations and more government contracts it has become more practical to shift its accounting year to match that of key funders.

Canopy World Ltd

Established in May 2005, as a wholly owned subsidiary of the charity, through which the charity runs canopy training activities related to the charity's objectives. Andrew Mitchell is the company's sole Director and Belinda Bramley is the Company Secretary. Canopy World Ltd. is currently dormant.

VivoCarbon (Investments) Ltd

VivoCarbon (Investments) Ltd (VCI) was established on 26th November 2007, as a wholly owned subsidiary of the charity. Through VCI the charity held a 25% stake in Canopy Capital Ltd, which was in effect donated to the charity by Hylton Murray-Philipson and Andrew Mitchell, Directors of Canopy Capital Ltd, for a nominal sum of £30. This stake was divested in 2010.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

Risk Management

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial or otherwise. A review has been carried out by the Trustees, which is regularly updated, of the major risks to which the charity is exposed and the Trustees believe that systems and procedures are in place to mitigate the major risks identified.

OBJECTIVES

The charity's objects are to promote conservation of the natural environment, and in particular the tropical and temperate forest canopies of the world, through a collaborative programme of research and education.

Vision: A world that values, accounts for, and safeguards natural capital as vital to human wellbeing and lasting prosperity.

Mission: Demonstrate the scientific, political, and business case for forests as natural capital that underpins climate, food, water, health, and energy security for all.

To realise its vision and mission, GCP has established five key strategies to provide evidence of the value of forests as natural capital in underpinning climate, water, food, energy and health securities, and facilitate different actors across sectors to value them accordingly.

- **Science:** providing the evidence base for the role of tropical forests in underpinning well-being from local to global scales through the provisioning of ecosystem services;
- **Communities:** empowering local communities to harness and benefit from the value of forests as natural capital;
- **Policy:** creating the conditions necessary for national and international policymakers to incorporate forests as natural capital in domestic and international policies;
- **Business:** reducing the drivers of deforestation through engaging with and educating companies and investors on five key forest risk commodities;
- **Finance:** leveraging finance for forests through engaging the private sector.

The main activities and expected outcomes in each of these five key areas are guided by the charity's Strategic Review which is undertaken every three years.

ACTIVITIES AND ACHIEVEMENTS

Growth

In 2011 the Global Canopy Programme celebrated its tenth anniversary, a good time to reflect on its achievements, mission and work going forward. Over these past 10 years the organisation has evolved into a dynamic think tank focussed on incubating innovative solutions to halt tropical deforestation in the fields of science, communities, policy, business and finance.

The development of large flagship projects within GCP's five key strategies, and the strengthening of existing global networks in academia, policy, civil society and increasingly the finance sector, have seen a corresponding growth in the charity. Growth indicators include increasing annual income, which in 2010 exceeded the milestone of £1 million for the first time; a diversification in funding sources to include a higher proportion of income from governments; and a further increase in staff over the past 18 months, from 10.6 FTE to 14.4 FTE.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

Alongside increased opportunities and a greater capacity, the rapid growth of the organisation has brought with it new challenges and the need to adapt management processes and governance to ensure the charity remains efficient and dynamic. Over the past 18 months GCP has made several positive steps in this direction, including the appointment of a new Global Programme Director, the implementation of a new accounting system, Financial Force, and database management system, Sales Force.

GCP has also relocated to central Oxford with the aim of strengthening links with the academic, business and student community, to become a nexus for Oxford thinking on forests as natural capital essential to human wellbeing and sustainable prosperity.

Science

The science programme aims to generate cutting edge evidence and tools to meet decision-makers' needs and to foster policies in the Amazon and other tropical forest regions that promote sustainable ecosystem management and enhance human wellbeing. Thus communicating science to policy-makers and business leaders is a critical part of the GCP's work.

Achievements in this period include building a multi-disciplinary North-South research network and designing a research agenda on the links between the natural capital of Amazonian forests and water, food, health, livelihood, climate and energy securities through a UK Government funded ESPA (Ecosystem Services for Poverty Alleviation) capacity-building project. This includes the production of 13 reports linked to the project aimed at governments and policy-makers in the region. (See: www.globalcanopy.org/materials/ecosystem-services-poverty-alleviation-amazonia). GCP also worked with project partners Edinburgh University, the Brazilian Institute for Space Research (INPE) and the Federal University of Rio de Janeiro to develop a 'socio-ecological framework' for the UK ESPA fund to help other research teams tackle the crucial challenge of reducing poverty while conserving, restoring and enhancing natural capital. At the international Planet Under Pressure conference in 2012, GCP utilised this research network to host a session on extreme events and resilience in Amazonia and to lead a discussion on the context of its importance in providing input into regional sustainable development and climate mitigation and adaptation policies.

Building on its expertise in Latin America and in communicating science, GCP, funded by the Foreign Office, has produced a *'Think PINC'* report on the challenges and opportunities facing Brazil in becoming an agricultural and economic superpower whilst maintaining its natural capital upon which its prosperity depends. This work has engaged policy and decision-makers in businesses, civil society and government in Brazil. GCP also teamed up with The Royal Society to host a knowledge sharing and gap-finding event called *'Peak Soya?'* which brought together leading researchers, companies and their investors involved in Amazonian forest risk commodities to explore how current and potential future trends in South American climate, land use and policy could affect commodity supply chains. This meeting highlighted the need for effective science communication and, in this case, for climate data to be presented in a way that can be used by investors in risk assessment.

Over the next year a key focus will be examining the current scientific evidence on the state of climate, food, energy, water and health securities across the Amazon basin to feed into a regional report and high level policy recommendations. Through this work the GCP will aim to maintain the multidisciplinary network of scientists it has built in Amazonia. The science programme will also seek to build in-house capacity and expertise to undertake materiality research in relation to forest risk commodities supporting the GCP's Forest Footprint Disclosure project. The research component across GCP programmes will also be harnessed with new hires in REDD+ policy and economy and finance.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

Communities

In order to reduce deforestation, forest communities must be convinced that their wellbeing will be enhanced and not compromised in the process of implementing national policies such as REDD (Reducing Emissions from Deforestation and Degradation). GCP will continue to develop and implement its *Community Monitoring, Reporting and Verification (MRV)* project in Guyana. This project, funded by the Norwegian Development Agency NORAD, is training Makushi Indian communities to use open-source data software on mobile phones to measure the ecosystem services provided by their forests and aims to give communities a central role in monitoring the health of their forests in return for payments from REDD+. This project aims to give the communities the technology and knowledge to make an informed decision on whether to opt in and benefit from future National REDD Plans such as the Government's Low Carbon Development Strategy. Similarly, on a broader scale, the project aims to build a replicable community forest monitoring protocol to allow the system in the longer term to be scaled up to other regions and communities with different monitoring needs.

Key milestones in this period include the hosting of two training workshops and trials of mobile phone recording technology with the community monitors in Guyana; the initial recording of data by the communities; and the installation of internet to enable the upload of data. More broadly, in developing this Community Forest Monitoring (CFM) System, GCP has fostered and convened a CFM Working Group to innovate and exchange ideas, problems and solutions across NGOs, academics, communities and technology developers working in this field. A policy brief on Community MRV describing the importance and relevance of involving communities in the monitoring and reporting within REDD+ schemes will be launched in Rio+20 in June 2012.

Policy

Increasing the availability, transparency and utility of information for policy-makers is crucial in facilitating the environment for domestic and international policies to recognise the value of forests as natural capital in underpinning human wellbeing.

GCP has continued to track and influence international policy negotiations on forests. As well as attending international policy negotiations including the UN Climate Change Convention and Convention on Biological Diversity, GCP's Executive Director Andrew Mitchell has also been invited to address and chair a wide range of high level conferences, webinars and events including the UNEP-FI Round Table, the International Economic Forum of the Americas/Conference of Montreal and the World Climate Summit.

GCP has continued to develop the REDD Desk webportal, alongside its project partner Forum on Readiness for REDD, and launched the REDD Countries Database on this capacity building platform. This unique database of REDD+ activities, laws, plans, policies, institutions and financing currently holds information for 7 countries and has funding to expand this to 26 countries by late-2013 to become the most informative resource for REDD Readiness. In developing this resource GCP has contracted and collaborated with multiple regional research partners, building capacity for research on REDD+ in developing countries and strengthening existing networks. The REDD Desk has become a global hub for information on REDD with a broad geographic audience across the 192 countries, with major tropical forest owners and donors dominating the top 50. It receives 10,000 visits each month, underlining its importance as a tool for analysing the status of REDD+ worldwide.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

GCP is currently developing, with UN-REDD and the Democratic Republic of Congo, a National REDD+ Knowledge Management Platform for governments to share and manage their data on REDD+. These platforms aim to engage with and build capacity amongst government REDD+ stakeholders. Funding has been secured to work with a further three governments on platforms.

Over the next year GCP aims to build capacity for REDD through further developing our collaborative resources including the REDD Desk (www.theredddesk.org), the REDD Countries Database and National Knowledge Management Platforms for REDD. The GCP's 'Little Book Series' of condensed reference books which simplify key policy areas in the fight against deforestation, such as *The Little REDD+ Book*, will see two new titles this year addressing the financing of forest conservation and the agricultural drivers of deforestation, as well as an updated review of the Little Biodiversity Finance Book.

Business

Deforestation cannot be halted unless what drives it is effectively tackled. The Forest Footprint Disclosure project (www.forestdisclosure.com) aims to reduce demand-side drivers of deforestation by engaging with private sector companies on behalf of the investment community in order to improve corporate disclosure and understanding of the 'forest footprint' generated by their use of key commodities in their supply chains and operations. The project educates and encourages those companies to engage with their suppliers to improve their business practises.

The GCP's Forest Footprint Disclosure project has continued to establish itself globally. In 2011 the project hired a full-time Director, James Hulse, with extensive experience in the finance sector. Over the past cycle it has increased the number of participating companies from 78 in 2010 to 87 in 2011; the number of companies approached, 357 global companies up from 285 companies; and endorser (investor) support, with 64 financial institutions with assets under management (AUM) worth nearly \$7 trillion endorsing the project in 2011, up from 56 in the 2010 cycle with \$5 trillion AUM. This has all been achieved against the backdrop of the global economic crisis. The third cycle culminated with the launch of the 2011 *FFD Annual Review* on 7th February 2012 in the City of London. This event presented the results of the disclosure request to the private sector and discussed key future areas to be addressed. The detailed analyses supporting the Annual Review, which assess how the disclosing companies' activities directly or indirectly contributed to deforestation, have been shared with the endorsing investors.

In its next phase the project aims to increase engagement from investors and companies in South East Asia, North America and the emerging markets; continue to educate and drive behavioural change amongst companies and investors; and become a hub for research and knowledge transfer around forest risk commodities, including the development of 'forest footprint' metrics. We also anticipate the project working towards a closer relationship with the Carbon Disclosure Project over the coming years.

Finance

A key challenge, even with a UNFCCC agreed formal REDD+ framework, is to get funds to flow to forests at scale. The finance programme's goals are the clear identification and recommendation to policy-makers and the finance sector of the concrete mechanisms and necessary reforms required to leverage public/private sector finance into large-scale forest landscapes, protecting forests and enhancing livelihoods in developing countries.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

The past 18 months has seen the development of this initiative blossom into a full programme, with the hiring of an Environmental Economist to take it forward. Work has focussed on forest bonds as one potential mechanism to leverage large-scale up front finance to forests, and the development of a pilot finance demonstration project in Acre State, Brazil.

GCP hosted, alongside WWF and the Climate Bonds Initiative, an *Unlocking Forest Bonds* workshop which brought together key forest stakeholders to discuss forest bonds as an innovative tool that could potentially release the high level of financing required for REDD+ and forest conservation. The GCP's report on the workshop highlights the strong potential of forest bonds in raising large amounts of finance but crucially the need for more dialogue between the public and private sector. (See: www.globalcanopy.org/materials/unlocking-forest-bonds). Following this work, GCP produced a non-technical guide, *Understanding Forest Bonds*, aimed at policy-makers (see: <http://www.globalcanopy.org/materials/understanding-forest-bonds>) and has fostered a Forest Finance Lab Working Group to exchange knowledge and ideas around these issues.

In addition, GCP secured funds for a pilot finance demonstration project in the State of Acre, Brazilian Amazon. In this case-study region, working with the local government, GCP is investigating and proposing finance mechanisms that would allow the transition from Business-As-Usual to a Sustainable Ecosystem Management scenario. This work will include the development of a cash flow model and other complementary studies to support the design of large scale investment mechanisms to engage private sector investors in a public-private partnership.

Over the next year GCP aims to further develop this new focus area. Our 'Finance for Forests' project will continue to look at innovative mechanisms, including forest bonds, that are able to leverage finance to forests at scale through public/private partnerships, and in this area the project aims to deliver large scale demonstration projects in sub-national contexts. The GCP's finance programme will also seek ways to make the financial sector more accountable for its impacts on natural capital. The aim will be to re-direct funds that negatively impact forests and encourage those that help maintain and restore them as natural capital on corporate and national balance sheets. A first step will be the delivery of the *Natural Capital Declaration* at the Rio+20 UN Conference on Sustainable Development, a call from the finance sector for natural capital considerations to be increasingly taken account of in future investment and lending decisions by banks, investors and insurers and within the global economy. (See www.naturalcapitaldeclaration.org).

FINANCIAL REVIEW

GCP's finances have remained healthy in the 18-month period, despite the prevailing economic conditions. Unrestricted income from foundations, at £279,623 for the period, continues to underpin the GCP and provide essential leeway for the strategic development of new initiatives.

Restricted income was £1,216,673 for the period. Government income (from the UK, Norway and the UN, amongst others) now forms 60% of this income, a proportion that has increased significantly in recent years. The remainder of restricted income is from foundations.

The financial statements show a deficit for the period of £262,590. This is in line with the organisational budget, reflecting the fact that the GCP started the accounting period with high reserves, of £840,779, boosted by three large restricted grants received in advance of the related project activities, in the final quarter of the previous accounting period. These grants were fully spent in the current period.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

At 31st March 2012 unrestricted reserves of £418,070 and restricted reserves of £160,119 were held. The figure for restricted funds represents grants received for specific purposes during the period, which are allocated to particular ongoing projects and are therefore not regarded as free reserves.

One restricted fund, from the Democratic Republic of Congo, shows a deficit of £15,213 at 31st March 2012. The project, to deliver a REDD Desk Knowledge Management platform to the Congolese government, is ongoing, and following World Bank guidelines 90% of the grant is due for settlement in arrears on completion of the project. The GCP expects to receive this income in full in August 2012.

With respect to unrestricted funds, the Trustees' target for free reserves is to cover six months' worth of core expenses, currently estimated at £250,000. These funds are held within our overall unrestricted funds account and are not intended to be accessed unless needed in extremis.

The GCP is engaging with governments and related agencies to implement large and complex projects, which often involve considerable co-financing requirements. Occasionally the charity encounters delays in the grant approval process; furthermore such funders typically provide funding in arrears. To overcome these potential risks the charity needs to maintain sufficient working capital to cover the costs of our flagship projects during any interim period whilst awaiting funding decisions.

Although the level of free reserves at 31st March 2012 exceeds the minimum target set by the Trustees, there are no immediate plans to reduce this level given the remaining difficulties with the current economic environment and the risks inherent in the rapid increase in scale and breadth of the charity's activities over recent years.

FUTURE PLANS

The next few years are crucial for forests. The slow pace of international UNFCCC negotiations and the delay in the introduction of a compliant REDD+ carbon market means that progress outside of this process is crucial from now until 2020 – leveraging funds from the private sector to forests through public/private partnerships; building REDD+ capacity amongst stakeholders; the greening of forest risk commodities' supply chains; and the accounting for natural capital across sectors are some of the key areas we will look to support and drive forward in this period.

PUBLIC BENEFIT

The Trustees have complied with the duty within the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

GCP ultimately aims to halt tropical deforestation. In achieving its mission the charity's unique position as a small and dynamic think tank and project incubator with global networks in academia, forest communities, NGOs, the public and private sector enables it to rapidly make connections and catalyse action in new and emerging fields in the battle against deforestation.

Conserving tropical forests has been identified by the UK Government and the international community as amongst the quickest and most effective methods to effectively tackle climate change, a global problem which affects everyone, including in the UK. More broadly, the ecosystem services provided by forests underpin climate, food, energy, water and health securities and so human well-being from local to global scales.

GLOBAL CANOPY FOUNDATION TRUSTEES' REPORT

The conservation of tropical forests is therefore also vital in poverty alleviation and livelihood security for almost 1.4 billion people amongst the world's poorest communities.

The importance of forests is acknowledged in UN assessments of progress in the Millennium Development Goals, with reversal of deforestation as a key indicator of progress on environmental sustainability.

Whilst it is difficult to measure the GCP's impact, alongside others the charity has helped catalyse the shift of forests to the forefront of international climate change mitigation options. REDD+ (Reducing Emissions from Deforestation and Degradation) as a global mitigation mechanism has retained political momentum despite problems with the flow of funds and the lack of demand for REDD credits ahead of a predicted compliant carbon market in 2020. Despite this progress, deforestation is continuing at unsustainable levels and much more work is required in this space to secure the future of forests.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees 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 trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and 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 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Trustees are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and

Each Trustee has taken all steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditors are aware of that information.

**GLOBAL CANOPY FOUNDATION
TRUSTEES' REPORT**

Auditors

A resolution proposing that Critchleys LLP be re-appointed as auditors of the charity will be put to the Annual General Meeting.

ON BEHALF OF THE TRUSTEES



Edward Mott, Trustee:

30 July 2012

Date:

GLOBAL CANOPY FOUNDATION
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE GLOBAL CANOPY FOUNDATION

We have audited the financial statements of Global Canopy Foundation for the period ended 31 March 2012 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set on page 16, the trustees (who are also the directors of the charitable company for the purposes of the company law) 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 Practises Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period 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.

GLOBAL CANOPY FOUNDATION

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE GLOBAL CANOPY FOUNDATION (continued)**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Board of Trustees for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Robert Kirtland
Senior Statutory Auditor

For and on behalf of:
Critchleys LLP, Statutory Auditor

Oxford

Date: 8/8/2012

GLOBAL CANOPY FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 31 MARCH 2012

| | | Unrestricted | Restricted | Total | Total |
|--|------|----------------|------------------|--|-----------------------------------|
| | Note | Funds | Funds | Funds | Funds |
| | | £ | £ | 1 October 2010 to 31 March 2012 £ | Year ended 30 Sep 2010 £ |
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income | 2 | 297,141 | - | 297,141 | 238,076 |
| Interest receivable | | 4,115 | 525 | 4,640 | 2,173 |
| Incoming resources from charitable activities | 3 | <u>2,276</u> | <u>1,216,148</u> | <u>1,218,424</u> | <u>923,082</u> |
| Total incoming resources | | 303,532 | 1,216,673 | 1,520,205 | 1,163,331 |
| Resources expended | | | | | |
| Costs of generating funds | | | | | |
| Costs of generating voluntary income | 4 | 72,224 | - | 72,224 | 38,465 |
| Charitable activities | 5 | 272,326 | 1,426,406 | 1,698,732 | 945,165 |
| Governance costs | 7 | <u>11,376</u> | <u>463</u> | <u>11,839</u> | <u>15,591</u> |
| Total resources expended | | 355,926 | 1,426,869 | 1,782,795 | 999,221 |
| Net (resources expended)/incoming resources before transfers | | (52,394) | (210,196) | (262,590) | 164,110 |
| Gross transfers between funds | 16 | <u>1,091</u> | <u>(1,091)</u> | <u>-</u> | <u>-</u> |
| Net (resources expended)/incoming resources | 9 | (51,303) | (211,287) | (262,590) | 164,110 |
| Reconciliation of funds | | | | | |
| Funds brought forward | | 469,373 | 371,406 | 840,779 | 676,669 |
| Funds carried forward | | <u>418,070</u> | <u>160,119</u> | <u>578,189</u> | <u>840,779</u> |

GLOBAL CANOPY FOUNDATION

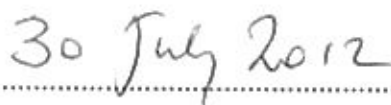
BALANCE SHEET
AT 31 MARCH 2012

| | Note | 2012 £ | 2010 £ |
|---|------|------------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 10 | 11,509 | 2,088 |
| Investments | 11 | <u>4,587</u> | <u>4,587</u> |
| | | 16,096 | 6,675 |
| Current assets | | | |
| Debtors | 12 | 340,644 | 83,544 |
| Cash at bank and in hand | | <u>391,583</u> | <u>817,443</u> |
| | | 732,227 | 900,987 |
| Creditors: amounts falling due Within one year | 13 | <u>(170,134)</u> | <u>(66,883)</u> |
| Net current assets | | <u>562,093</u> | <u>834,104</u> |
| Net assets | | <u>578,189</u> | <u>840,779</u> |
| Funds: | | | |
| Unrestricted funds | 15 | 418,070 | 469,373 |
| Restricted funds | 16 | <u>160,119</u> | <u>371,406</u> |
| Total funds | | <u>578,189</u> | <u>840,779</u> |

The financial statements were approved and authorised for issue by the Trustees on



..... Edward Mott (TRUSTEE)



..... Date

The notes on pages 15 to 23 form part of the financial statements.

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012**1 ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in compliance with all relevant Statements of Accounting Standards, the Companies Act and the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (issued in March 2005).

b) Incoming resources

Incoming resources are included when they are receivable. Donated services and facilities are included at the value to the charity where this can be quantified.

c) Resources expended

Resources expended are accounted for on an accruals basis and include irrecoverable VAT. Wherever possible, costs are allocated to specific charitable activities, governance costs or costs of generating voluntary income, although this does include an estimate of staff time. Office costs are allocated to activities based upon headcount; recruitment costs are allocated to those activities where new staff are deployed and the remaining support costs are allocated in proportion to direct costs (including staff costs) by programme area.

d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is provided on a straight line basis which reflects the anticipated useful lives of the assets and their estimated residual value. Any assets purchased that will be used on a project and are then outside the control of the Trustees are fully depreciated upon purchase.

e) Pensions – defined contribution scheme

Contributions are charged to the profit and loss account as they become payable under the scheme rules.

f) Funds

Income which is restricted to a particular purpose is treated as restricted income in the Statement of Financial Activities. Any unspent balance will be carried forward as a restricted fund.

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objects of the charity.

g) Group accounts

These accounts do not consolidate the results of the charitable company's subsidiaries Canopy World Limited and Vivo Carbon Investments Limited as the effect of consolidating these results would be immaterial.

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

| | | | |
|----------|--|------------------|----------------|
| 2 | VOLUNTARY INCOME | 2012 | 2010 |
| | | £ | £ |
| | Rufford Foundation | 100,000 | 50,000 |
| | Ernest Kleinwort Charitable Trust | 20,000 | 20,000 |
| | Waterloo Foundation | 50,000 | 60,000 |
| | John Ellerman Foundation | 60,000 | - |
| | Dulverton Trust | 20,000 | - |
| | CHK Charities | - | 50,000 |
| | Roche | - | 40,000 |
| | Donated services | 17,518 | - |
| | Other donations and gift-aid | <u>29,623</u> | <u>18,076</u> |
| | | <u>297,141</u> | <u>238,076</u> |
| 3 | INCOMING RESOURCES FROM CHARITABLE ACTIVITIES | 2012 | 2010 |
| | | £ | £ |
| | Science | 44,685 | 63,729 |
| | Communities | 191,994 | 112,834 |
| | Policy | 146,547 | 316,599 |
| | Business | 692,993 | 389,646 |
| | Finance | 93,820 | - |
| | Capacity Building | - | 1,398 |
| | Conservation & Societal Benefits | - | 27,253 |
| | Other | <u>48,385</u> | <u>11,623</u> |
| | | <u>1,218,424</u> | <u>923,082</u> |
| 4 | COSTS OF GENERATING VOLUNTARY INCOME | 2012 | 2010 |
| | | £ | £ |
| | Salaries | 49,090 | 29,375 |
| | Direct costs | 14,904 | 9,090 |
| | Support costs | <u>8,230</u> | - |
| | | <u>72,224</u> | <u>38,465</u> |

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

| 5 | CHARITABLE ACTIVITIES | Activities undertaken directly | Support costs (note 6) | Total 2012 £ | Total 2010 £ |
|---|----------------------------------|--------------------------------------|------------------------------|--------------------|--------------------|
| | Science | 75,400 | 5,381 | 80,781 | 77,257 |
| | Communities | 206,276 | 42,606 | 248,882 | 13,229 |
| | Policy | 324,405 | 49,900 | 374,305 | 352,713 |
| | Business | 628,852 | 166,419 | 795,271 | 447,354 |
| | Finance | 96,024 | 30,942 | 126,966 | - |
| | Strategic Development | 58,936 | 3,414 | 62,350 | - |
| | Capacity Building | - | - | - | 572 |
| | Conservation & Societal Benefits | - | - | - | 40,373 |
| | Other | <u>9,500</u> | <u>677</u> | <u>10,177</u> | <u>13,667</u> |
| | | <u>1,399,393</u> | <u>299,339</u> | <u>1,698,732</u> | <u>945,165</u> |

| 6 | SUPPORT COSTS | 2012 £ | 2010 £ |
|---|---------------|-----------|-----------|
|---|---------------|-----------|-----------|

| | | |
|---------------|----------------|----------------|
| Support costs | <u>307,733</u> | <u>187,149</u> |
|---------------|----------------|----------------|

Support activities include finance and administration, office and organisational management and communications and networks.

Office costs are allocated to activities based upon headcount; recruitment costs are allocated to those activities where new staff are deployed and the remaining support costs are allocated in proportion to direct costs (including staff costs) by programme area.

| 7 | GOVERNANCE COSTS | 2012 £ | 2010 £ |
|---|------------------|-----------|-----------|
|---|------------------|-----------|-----------|

| | | |
|-----------------------|---------------|---------------|
| Staff costs | 6,061 | 9,504 |
| Audit and accountancy | 3,919 | 3,877 |
| Other direct costs | 1,695 | 2,210 |
| Support costs | <u>164</u> | <u>-</u> |
| | <u>11,839</u> | <u>15,591</u> |

| 8 | STAFF COSTS | 2012 £ | 2010 £ |
|---|-------------|-----------|-----------|
|---|-------------|-----------|-----------|

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 623,968 | 310,898 |
| Social security costs | 67,392 | 32,795 |
| Pension contributions | <u>7,666</u> | <u>3,319</u> |
| | <u>699,026</u> | <u>347,012</u> |

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)**8 STAFF COSTS (continued)**

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

| | No | No |
|--------------------------------------|-----------|----------|
| Director | 1 | 1 |
| Administrative and programme support | <u>11</u> | <u>9</u> |

The number of employees whose annual emoluments exceeded £60,000 in the period was as follows:

| | | |
|-------------------|----------|----------|
| £60,000 - £70,000 | <u>1</u> | <u>1</u> |
|-------------------|----------|----------|

For this higher paid employee, pension contributions of £5,128 were payable during the period.

No trustee received any remuneration during either period. One trustee received reimbursed expenses of £nil. (2010: £5,789).

| 9 NET INCOMING RESOURCES is stated after charging: | 2012 £ | 2010 £ |
|---|-----------|---------------|
| Depreciation | 10,662 | 2,001 |
| Auditor's remuneration | 3,600 | 2,500 |
| Rent payable | 49,437 | <u>16,269</u> |

10 FIXED ASSETS - TANGIBLE ASSETS

| | Furniture & Fittings £ | Computer equipment £ | Office equipment £ | Total £ |
|--------------------------|------------------------------|----------------------------|--------------------------|---------------|
| Cost | | | | |
| At 1 October 2010 | - | 19,274 | 2,775 | 22,049 |
| Additions | <u>6,378</u> | <u>12,059</u> | <u>1,646</u> | <u>20,083</u> |
| At 31 March 2012 | <u>6,378</u> | 31,333 | 4,421 | 42,132 |
| Depreciation | | | | |
| At 1 October 2010 | - | 18,069 | 1,892 | 19,961 |
| Provision for the period | <u>352</u> | <u>9,868</u> | <u>442</u> | <u>10,662</u> |
| At 31 March 2012 | <u>352</u> | 27,937 | 2,334 | 30,623 |
| Net book value | | | | |
| At 31 March 2012 | <u>6,026</u> | <u>3,396</u> | <u>2,087</u> | <u>11,509</u> |
| At 30 September 2010 | <u>-</u> | <u>1,205</u> | <u>883</u> | <u>2,088</u> |

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

| | | | |
|-----------|---|--------------|--------------|
| 11 | FIXED ASSET INVESTMENTS | 2012 | 2010 |
| | | £ | £ |
| | Company | | |
| | Investment in subsidiary companies brought forward | 4,587 | 4,587 |
| | Disposals | <u>-</u> | <u>-</u> |
| | Investments in subsidiary companies carried forward | <u>4,587</u> | <u>4,587</u> |

The Foundation owns 100% of the issued share capital of Canopy World Ltd, a company incorporated in England and Wales. The company provides training in canopy access. A summary of the results is shown below:

| | | |
|--------------------------------------|-------------|----------------|
| | 2012 | 2010 |
| | £ | £ |
| Profit and loss account | | |
| Turnover | - | 1,398 |
| Expenditure | 545 | (1,944) |
| Gift aid to Global Canopy Foundation | <u>-</u> | <u>-</u> |
| Retained profit/(loss) for period | <u>545</u> | <u>(546)</u> |
| Balance Sheet | | |
| Assets | - | 2,297 |
| Liabilities | <u>-</u> | <u>(2,842)</u> |
| Net Assets | <u>-</u> | <u>(545)</u> |
| Share capital | 1 | 1 |
| Profit and loss | <u>(1)</u> | <u>(546)</u> |
| Shareholders' funds | <u>-</u> | <u>(545)</u> |

The Foundation also owns 100% of the issued share capital of Vivo Carbon Investments Limited. This company is now dormant. A summary of the assets and liabilities is shown below (there is no activity in the profit and loss account).

| | | |
|----------------------|-------------|-------------|
| | 2012 | 2010 |
| | £ | £ |
| Balance Sheet | | |
| Assets | <u>50</u> | <u>50</u> |
| Share capital | <u>50</u> | <u>50</u> |

These accounts do not consolidate the results of the charitable company's subsidiaries Canopy World Limited and Vivo Carbon Investments Limited as the effect of consolidating would be immaterial.

GLOBAL CANOPY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)**

12 DEBTORS

| | 2012 £ | 2010 £ |
|-------------------|----------------|---------------|
| Trade debtors | 317,614 | 58,467 |
| Grants receivable | 9,000 | 20,912 |
| Prepayments | 12,330 | 2,651 |
| Other debtors | <u>1,700</u> | <u>1,514</u> |
| | 340,644 | 83,544 |

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2012 £ | 2010 £ |
|---------------------------------------|----------------|---------------|
| Trade creditors | 148,810 | 35,335 |
| Other taxes and social security costs | 14,896 | 11,164 |
| Accruals and deferred income | 6,378 | 19,945 |
| Owed to subsidiary undertakings | <u>50</u> | <u>439</u> |
| | 170,134 | 66,883 |

14 OPERATING LEASE COMMITMENTS

As at 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

| | 2012 £ | 2010 £ |
|---------------------------|------------------|------------------|
| Land and buildings | | |
| Within two and five years | 35,325 | <u>-</u> |

15 UNRESTRICTED FUNDS

| | 2012 £ | 2010 £ |
|---------------------------------------|------------------|------------------|
| At 1 October 2010 | 469,373 | 417,199 |
| Net incoming resources for the period | <u>(51,303)</u> | <u>52,174</u> |
| At 31 March 2012 | 418,070 | 469,373 |

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

16 RESTRICTED FUNDS

| | Balance at Incoming Resources | | | Balance at | |
|---------------------------------------|-------------------------------|-----------|----------|------------|----------|
| | 1/10/10 | resources | expended | Transfers | 31/3/12 |
| | £ | £ | £ | £ | £ |
| Science | | | | | |
| 1 ESPA | - | 10,265 | 10,265 | - | - |
| 2 FCO Brazil | - | 30,000 | 29,990 | - | 10 |
| Other | - | 4,420 | 4,420 | - | - |
| | - | 44,685 | 44,675 | - | 10 |
| Communities | | | | | |
| 3 NORAD | 101,643 | 191,994 | 217,407 | - | 76,230 |
| | 101,643 | 191,994 | 217,407 | - | 76,230 |
| Policy | | | | | |
| 4 Ashden Trust | - | 20,000 | 20,000 | - | - |
| 5 Rufford Maurice Laing Foundation | 8,517 | - | 8,517 | - | - |
| 6 Russells | - | 10,000 | 10,000 | - | - |
| 7 Conservation International | 3,100 | 1,103 | 3,112 | (1,091) | - |
| 8 CLUA | 153,441 | 62,153 | 197,952 | - | 17,642 |
| 9 Democratic Republic Of Congo | - | 1,553 | 16,766 | - | (15,213) |
| 10 UN FAO | - | 24,533 | 25,818 | - | (1,285) |
| 11 UN REDD | - | 15,325 | 15,325 | - | - |
| 12 CBD | - | 10,247 | 3,041 | - | 7,206 |
| Other | - | 1,633 | 1,633 | - | - |
| | 165,058 | 146,547 | 302,164 | (1,091) | 8,350 |
| Business | | | | | |
| 13 DFID | - | 436,294 | 436,294 | - | - |
| 14 The Esmee Fairbairn Foundation | - | 100,000 | 97,527 | - | 2,473 |
| 15 The Waterloo Foundation | - | 62,525 | 62,525 | - | - |
| 16 CLUA | 39,192 | 94,174 | 133,366 | - | - |
| | 39,192 | 692,993 | 729,712 | - | 2,473 |

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

16 RESTRICTED FUNDS (continued)

Finance

| | | | | | |
|-----------------------------------|---------------|---------------|---------------|---|---------------|
| 17 CHK Charities Fund | - | 40,000 | 5,673 | - | 34,327 |
| 18 British Airways | 12,420 | - | 5,142 | - | 7,278 |
| 19 Prince of Monaco Foundation | 53,093 | 16,489 | 54,942 | - | 14,640 |
| 20 Synchronicity Earth | - | 10,000 | 10,000 | - | - |
| 21 CDKN | - | 25,040 | 13,229 | - | 11,811 |
| Other | - | 2,291 | 2,291 | - | - |
| | <u>65,513</u> | <u>93,820</u> | <u>91,277</u> | - | <u>68,056</u> |

Other

| | | | | | |
|----------------------------------|---|---------------|---------------|---|--------------|
| 22 Dulverton Trust | - | 5,000 | - | - | 5,000 |
| 23 Garfield Weston Foundation | - | 10,000 | 10,000 | - | - |
| 24 Oak Foundation | - | 31,634 | 31,634 | - | - |
| | - | <u>46,634</u> | <u>41,634</u> | - | <u>5,000</u> |

| | | | | | |
|-------|----------------|------------------|------------------|----------------|----------------|
| Total | <u>371,406</u> | <u>1,216,673</u> | <u>1,426,869</u> | <u>(1,091)</u> | <u>160,119</u> |
|-------|----------------|------------------|------------------|----------------|----------------|

Notes:

- Conclusion of a grant from UK Government's ESPA programme ("Ecosystem Services for Poverty Alleviation"), towards building a multi-disciplinary North-South research network and designing a research agenda on the links between the natural capital of Amazonian forests and water, food, health, livelihood, climate and energy securities.
- Grant from the British Embassy in Brasilia to produce and launch the "Think PINC" report, a power map for Proactive Investment in Natural Capital, based upon Brazil's forests.
- Funded by NORAD, the Norwegian Government development agency, this project sets out to establish the world's first community ecosystem monitoring programme linked to REDD payments, in Guyana.
- Funds to support the position of GCP Policy Analyst from the Ashden Charitable Trust.
- 5-7. The GCP's "Little Biodiversity Finance Book", launched at the UN Biodiversity Conference in Nagoya in October 2010, was funded by the Rufford Maurice Laing Foundation, Benindi Fund and Lord James Russell.
8. This grant from the Climate and Land Use Alliance supported the development and launch of the REDD Countries Database, with comprehensive information on 3 countries and several more underway. The grant also funded the reprinting of the "Little Climate Finance Book" for COP16 of the UNFCCC.
9. This project is to deliver a REDD Desk Knowledge Management platform to the Congolese government. Following World Bank guidelines 90% of the grant is due for settlement in arrears on completion of the project. The GCP expects to receive this income in full during 2012.

GLOBAL CANOPY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

16 RESTRICTED FUNDS (continued)

Notes:

- 10. Grant from the UN Food and Agriculture Organisation to perform a REDD Desk gap analysis and data integration exercise.
- 11. Grant to create a website template and related training materials for use by countries participating in REDD.
- 12. The Convention on Biological Diversity grant is for an update of the "Little Biodiversity Finance Book" and production of a "Little Forest Finance Book".
- 13-16. Funds received from the UK Department for International Development ("DFID"), the Esmee Fairbairn Foundation, the Waterloo Foundation and the Climate and Land Use Alliance were all used in the period to support the running of the GCP's Forest Footprint Disclosure project.
- 17. The grant from CHK Charities is for various events in support of the "Natural Capital Declaration", a joint initiative of GCP, UNEP Finance Initiative and FGV.
- 18-21. Funds from British Airways, the Prince of Monaco Foundation, Synchronicity Earth and the Climate Development and Knowledge Network (itself funded by DFID) are supporting the GCP's work to develop an innovative cash flow model and other complementary studies to support the design of large scale investment mechanisms for forests.
- 22. In addition to supporting the GCP with an unrestricted grant, the Dulverton Trust has provided £5,000 towards the establishment of an Internship Programme at the GCP.
- 23. A grant from the Garfield Weston Foundation enabled the GCP to facilitate the Ghost Forest exhibition at the Museum of Natural History in Oxford during 2011.
- 24. Oak Foundation provided a grant to support the recruitment of the GCP's new Director of Programmes.

17 ANALYSIS OF NET ASSETS BY FUND

| | Unrestricted | Restricted | Total |
|--------------------|----------------|----------------|----------------|
| | £ | £ | £ |
| Fixed assets | 16,096 | - | 16,096 |
| Net current assets | 401,974 | 160,119 | 562,093 |
| | <u>418,070</u> | <u>160,119</u> | <u>578,189</u> |