

COOL EARTH ACTION

Annual Report 2019

Cool Earth Action
Company number: 06053314
Charity number: 1117978

This Annual Report includes the Trustees' Annual Report, the Auditor's Report and the Financial Statements for the year ended 31 January 2019.

The trustees present their report and the financial statements for Cool Earth Action (also known as and referred to as "Cool Earth") for the year ended 31 January 2019.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statements and comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association of the charitable company, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

OBJECTIVES AND ACTIVITIES

The charitable objectives for which the charity is established are as follows:

Cool Earth provides grant funding to rainforest communities to support their work in protecting at-risk forest and ensure their voice is heard in agreements that affect the future of rainforest. It also promotes a greater understanding of the role that forest communities play in keeping rainforest ecosystems intact and the role that rainforests play in the supporting life across the planet.

The charity Cool Earth believes that local people are the best custodians of the forest. As such, rainforest villages are at the heart of all of their projects with communities playing the central role in determining how funds are spent to protect their forest.

Cool Earth's community-led model has protected rainforest in partnerships across Brazil, Ecuador, Peru, the Democratic Republic of the Congo and Papua New Guinea. To date, these projects have protected well over a million acres of at-risk rainforest through partnerships with over 8,500 rainforest partners.

Public Benefit

Under Section 17 of the Charities Act 2011, the trustees have followed the Charity Commission's guidance on public benefit. Cool Earth aims to achieve the following objectives:

- To provide grant funding to rainforest communities to support their work in protecting at-risk forest, and ensure their voice is heard in agreements that affect the future of rainforest; and
- To promote a greater understanding of the role that forest communities play in keeping rainforest ecosystems intact, and the role that rainforests play in supporting life across the planet.

Benefits and beneficiaries

The charity strives to promote sustainable development for the benefit of the public. In doing so, the charity provides the following range of benefits:

- Preventing the destruction of rainforest through community-led conservation;
- Protecting habitats for rainforest biodiversity;
- Mitigating climate change through preventing the release of CO₂ from deforestation;
- Building capacity in rainforest communities; and
- Educating the general public on the importance of rainforest protection.

These benefits are, in particular, provided to the following range of beneficiaries:

- Rainforest communities in South America, the Democratic Republic of the Congo and Papua New Guinea; and
- The general public, schools and educators across the UK and internationally.

Trustees' assessment of public benefit

In monitoring the progress of the charity in terms of delivery of public benefit, the trustees use the following measures of success and gather evidence accordingly:

- Developing projects where the rainforest would otherwise be destroyed, and which are strategically located to protect neighbouring forest;
- Assessing and measuring the amounts of forest protected and quantities of CO₂ stored by each partnership through satellite mapping and carbon measurement;
- Monitoring the biodiversity within the project and neighbouring areas to assess protection of fauna and flora; and
- Evaluating the effectiveness of community investments, focusing particularly on income generated from the sale of sustainable, non-timber rainforest products.

CHARITABLE ACTIVITIES

In pursuance of the charitable objectives, the charity undertakes the following principal charitable activity:

Partner Development (also referred to as Programmes)

Cool Earth supports or provides funding to a number of projects overseas, in particular, in Peru, Papua New Guinea and the Democratic Republic of the Congo. These projects involve:

- Investment in the protection and conservation of rainforest that without Cool Earth's support, would otherwise be cleared imminently;
- Investment in sustainable community enterprises that are consistent with rainforest protection;
- Building the capacity of local partners to improve the livelihoods of people living within and near to Cool Earth's partnerships; and
- Supporting local Non-Governmental Organisations ("NGOs") in their conservation activities.

ACHIEVEMENTS AND PERFORMANCE

Strategy

When Cool Earth launched in 2007, climate change was high on political agenda and effective, coordinated global action was seen as imminent. Instead, the impending financial crisis saw it relegated for a decade. We now see climate change rebadged as climate breakdown and rightly backed as a priority for more and more people. Driven by frustration as much as fear, the demand for sensible, effective and immediate actions to tackle an accelerating climate and environmental catastrophe has never been higher.

Cool Earth works to tackle emission levels from deforestation directly. Whilst many charities advocate for policy and behavioural change, few seek to address the source of significant and reducible contributions to global heating. Cool Earth has consequently seen its work interrogated and tested by foundations, companies and individuals who are eager to find the most effective way of contributing to the fight against climate change.

It was gratifying that this scrutiny saw a sharp rise in support. Cool Earth Action and its US sister organisation, Cool Earth Action USA Inc., saw income surge past £3 million at the same time that its reach grew to encompass three more rainforest nations. This growth was driven by Cool Earth's two greatest assets; the wisdom, patience and calibre of its rainforest partners and its steadfast supporter base. Both have shaped the strategy, priorities and impact of the organisation.

From San Francisco to Sololo, input from Cool Earth's 'critical friends' have ensured the 2020-2025 strategic plan will replicate and scale up emission reductions from forest protection. The plan rests on four assumptions:

1. **PROTECTING RAINFOREST IS AN ESSENTIAL CLIMATE ACTION.** Reducing emissions from rainforest loss is one of the only strategies we can feasibly deliver by 2030 to avoid catastrophic climate change.
2. **WE MUST GET BETTER AT DOING IT.** Numerous approaches exist to protect rainforest, but much work is needed to find what works, in what context and, most critically, at what price.
3. **COMMUNITY-LED MEANS COMMUNITY CONTROLLED** Local people are key to successful rainforest protection and from the moment potential partners approach Cool Earth with the drive and the ideas to protect their forest, the partnership is community-led.
4. **EVALUATED APPROACHES DRIVE SCALE & REPLICATION.** Giving people the rights and resources to protect their forest is the first step. Using a consistent 'apples to apples' approach to evaluate and learn from what works best is at the heart of Cool Earth's efforts to tackle climate change.

These assumptions have underpinned Cool Earth's work for many years, but they are more apposite than ever.

Rainforest protection as a critical climate action was underpinned by the IPCC report on global warming 1.5°C above pre-industrial levels¹. It confirmed that almost a quarter of all emission reductions which can be achieved by 2030 relate to rainforest.

The importance of innovation has never been clearer to a climate lobby that, over the past year, has perfected its protest tactics but is still light on effective proposals.

Research that demonstrates the effectiveness of community-led protection grows by the month. Perhaps most importantly of all, is the appetite amongst funders, epitomised by Effective Altruists, who are prepared to invest generously and consistently in smart, evidence-based approaches to apparently intractable challenges.

Prioritising local control

People who have the most to lose from the destruction of their trees are the best possible custodians when they are able to take back control. Cool Earth seeks to do this by increasing their resilience to external pressures and empowering them to protect their forest. To prevent the threat of forest destruction by illegal loggers, palm oil companies and extraction businesses like mining, the organisation helps villages develop sustainable livelihoods that out-price deforestation. The methods employed vary depending on the local drivers of deforestation and the communities' aims. They have included improved agroforestry techniques and crop harvests, clean water and sanitation support, market access for food and craft products and better health and educational facilities.

It is essential that Cool Earth's work benefits all members of the village or community, not just a select few. As such, each partnership strives to ensure that the voices of all are heard, holding community meetings at times that all can attend to voice their ideas, concerns and feedback. As a learning organisation, Cool Earth continues to build links with universities and experts both in the UK and abroad to share knowledge and relevant experience. Direct household payments have been trialled in a Papua New Guinea partnership recently. Research shows that this method may be the best way of avoiding elite capture: feedback from beneficiaries suggests that this will ensure each household can spend the funds on what matters to them most.

Replication and Scaling

Using the insights and experience of well-established partnerships to drive replication is a key part of Cool Earth's mission. By working in all three of the world's major rainforest biomes and, as of 2018, across 13 partnerships, Cool Earth shares local knowledge in order to develop the best ways to protect rainforest. From the moment potential partners make a first approach us to the point at which communities have sustainable livelihoods that keep rainforest standing, the successes and failures of each partnership plan are monitored, evaluated and shared.

¹ Special Report on Global Warming of 1.5°C, 2018, Intergovernmental Panel on Climate Change.

This has meant considerable investment during the year in additional Monitoring and Evaluation capacity. Grants from the European Regional Development Fund have added to Cool Earth's expertise in remote sensing and access to more precise data sets for canopy analysis. This has included the integration of community knowledge and on-the-ground data collection to map land use and support improved use of forest resources. Initial trials with the Asháninka in Peru have been very successful with high levels of community engagement and a form of 'ground truthing' will be incorporated into future partnership plans.

Investment in primary research has not been restricted to historic land use. Working with Artificial Intelligence expert Dr Seth Flaxman of Imperial College London, Cool Earth is applying innovative deep learning methods to satellite imagery and geospatial data to develop a system that can produce spatial forecasts of future deforestation events. Understanding where deforestation is likely to occur before it happens will help inform early intervention and planning with Cool Earth partner communities.

Working with the University of Leicester, Cool Earth's monitoring and evaluation team will trial the Forest Sentinel service, a new forest change detection system based on high resolution satellite data. If successful, the system will be rolled out across in-country teams and partners. In collaboration with the University of Exeter, Cool Earth is providing a PhD opportunity within the Centre for Circular Economy. This four-year doctorate will help better understand the use of agroforestry practices to secure food production for subsistence and livelihood development alongside forest conservation and maintenance of biodiversity and soil health. Related to this work is the roll-out of a parabiology programme based on the research of Dr Mika Peck of the University of Sussex. This will establish biodiversity research amongst rainforest communities. With training to carry out a range of technical tasks including collection of raw field data, analysis, interpretation and dissemination of results, local women and young people will gain environmental awareness and a crucial new income.

This research capacity will continue to enhance the data that Cool Earth and community partners are able to call upon in their work to reduce emissions from deforestation. It also creates an evidence base for advocacy work that Cool Earth is undertaking. In the past, the organisation has assumed that the protection of rainforest is an issue that already has effective advocates, and another was not needed. Following a review of how the small-scale deforestation (which nonetheless represents the majority of rainforest loss) was presented in fora such as the UN's Conference of the Parties, Cool Earth has chosen to invest in bringing voices of rainforest communities to the attention of policy makers. This has combined with a further strengthening of the charity's governance structure and the board was delighted to welcome Professor Dr. Johan Rockström, joint director of the Potsdam Institute for Climate Impact Research. Professor Rockström is internationally recognized on global sustainability issues and his work on planetary boundaries is regarded as the best guide available to the thresholds that must not be crossed if a safe operating space for humanity is to be maintained.

"Fundamentally, human wellbeing on Earth depends on functioning rainforests and Cool Earth has one of the most effective means of conservation that goes hand in hand with community development. I would put rainforests right there at the top of humanity's to-do list, together with the energy transition, if we are to stand a chance of securing a habitable Earth system.

The rainforest's stability is an insurance for my life irrespective of where I live on the planet. That is why supporting Cool Earth is such an important climate action."

Professor Dr. Johan Röckstrom

GOVERNANCE, STRUCTURE AND MANAGEMENT

The charitable company is governed by the rules and regulations set down in its Memorandum and Articles of Association dated 15 January 2007.

The overall strategic direction of the charity is determined by the trustees, who meet formally three times a year. The trustees are responsible for planning and policy making, and accordingly, all key decisions are referred to and taken by the board of trustees.

Company Information

The trustees of the charity, also the directors of the company, who have held office since 1 February 2018 are as follows:

The Rt. Hon. Lord Deben
Mr. Johan Eliasch
Mr. Mark Ellingham
The Rt. Hon. Frank Field MP DL
The Baroness Jenkin of Kennington
Mr. Johan Rockström (appointed 11 December 2018)

The principal address of the charity is Tremough Innovation Centre, Penryn, Cornwall, TR10 9TA and the registered office address of the company is 27 Old Gloucester Street, London, WC1N 3AX.

The charity is registered under the charity number 1117978, and the company is incorporated with the company registration number 06053314.

The trustees have made the following professional appointments:

Solicitor: Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London, EC4R 9HA
Banker: Barclays Bank, Turro Group, Leicester, LE87 2BB
Auditor: RSM UK Audit LLP, Forbury Square, Davidson House, Reading, Berkshire, RG1 3EU
Accountant: RSM Tax and Accounting Limited, 3rd Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN

Mr. Matthew Owen acts in an executive capacity as the Executive Director of Cool Earth Action and is responsible for the day-to-day management of the charitable company. The key management personnel of Cool Earth Action are considered to be Mr. Matthew Owen, Dr. Hannah Pech (Deputy Director) and Mrs. Sarb Remphry (HR and Operations Manager). The remuneration of the key management personnel is decided upon by the board of trustees taking account of performance and the levels of pay in a representative peer group of similar Non-Governmental Organisations.

The trustees are assisted by an Advisory Board of individuals that are neither trustees nor directors.

Trustees' Responsibilities

The trustees, who are the directors of Cool Earth for the purposes of company law, are responsible for preparing their annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company, and of the incoming resources and application of resources, including the income and expenditure of the charitable company, for that period. In preparing those financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and accounting 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 charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of Information to the Auditor

The trustees at the date of approval of this trustees' annual report confirm that so far as each of them is aware, there is no relevant audit information of which the charity's auditor is unaware, and the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that audit information.

Method of Recruitment, Appointment, Election, Induction and Training of Trustees

The original trustees were the founders of the organisation with particular personal interests in attempting to find a way to actively tackle worldwide climate change issues. As and when a future vacancy arises, or should the required mix of skills, experience and knowledge required with the board of trustees change over time, such matters will be considered when recruiting suitable candidates.

In accordance with the company Memorandum and Articles of Association, the minimum number of trustees should not be less than three, but no maximum limit is dictated. It is likely in the future suitable trustee candidates will be identified by the existing trustees or be referred to the existing trustees through the Advisory Board and/or other interested third parties. Appointment as a trustee is by election and requires an ordinary resolution of the members of the charitable company.

All trustees are made aware of and have access to relevant Charity Commission publications and are regularly briefed by their professional advisers on significant developments within the charity sector that are applicable to the charity's circumstances.

New trustees will be provided with both an introduction to the charity, its work and their role within it, and with pertinent copies of paperwork.

Relationship with Related Parties

In order to maximise the impact of Cool Earth's activities to support communities to protect rainforest, it is the policy of Cool Earth to develop partnerships with local communities and NGOs. On occasions, Cool Earth has become a significant co-funder of conservation projects with a range of organisations who have been selected on the basis of their experience, record of community engagement and commitment to the aims of Cool Earth. Key partners of Cool Earth over the past year have included Fauna and Flora International, Jempe, Tsimi, Yakolima and Umukai.

A trading subsidiary of Cool Earth exists (Cool Earth Limited) but has never traded and remains inactive.

Cool Earth Action USA Inc. is an affiliated non-profit organisation in the USA that is registered as tax-exempt under section 501 (c)(3) of the federal law of the United States. Cool Earth Action USA Inc. does not share trustees or offices with Cool Earth Action but does contribute directly to Cool Earth Action's programmes.

FINANCIAL REVIEW

Income and Fundraising

Cool Earth's income for the year was £2.5 million (2017/2018: £2.3 million) and individuals, businesses and foundations continue to be the primary funding source.

Financial Results of Activities and Events

Total income for the year amounted to £2,493,609 (2017/2018: £2,262,272), and total expenditure was £2,055,831 (2017/2018: £1,794,050) resulting in net income of £437,778 (2017/2018: £468,222).

The trustees are satisfied with the financial performance of the charitable company and its financial position at the balance sheet date.

Reserves Policy

As of 31 January 2019, the charity had "free reserves" of £2,946,986 (31 January 2018: £2,485,264). Beyond the requirements of a prudent working capital base, since 2011 Cool Earth has been developing a Reserves Fund, so it can realise its commitments to community partners even in the event of an income shortfall. A project reserve of £2.1 million was set as a five-year target, calculated on the basis of 18 months of project funding from 2016. This target had been achieved by 31 January 2017.

Investments Policy

The trustees have wide ranging powers to invest the funds of the charity at their discretion and as they think fit. The charity makes use of a Sterling bank account and a US Dollar bank account to hold all the non-reserve funds of the charity as cash so that they are readily available to expend in support of the charity's activities as and when required by the trustees. Reserves are currently held in high interest deposit accounts and should significant funds be received in the future, the trustees will consider suitable investment opportunities.

Risk and Corporate Governance Matters

The trustees recognise that Cool Earth's range of operations in the UK and overseas expose it to a range of risks. In order to manage these risks appropriately and mitigate their impact on the operation and effectiveness of Cool Earth, the trustees have developed a risk strategy that details categories of risk and appropriate management strategies. A risk register is maintained by the Executive Director, which summarises key risks and which the board reviews on a quarterly basis.

As identified on the risk register, the main risks and the measures taken to mitigate them are as follows:

Risk 1: Natural or human induced hazards, such as floods, forest fires and internal conflict impact on Cool Earth's ability to deliver parallel programmes and complete existing partnerships resulting in risk to personal security of staff, partners, assets and resources in country.

Mitigation Action 1: Country Security plans, and escalation processes, are in place to respond, adapt programmes and prepare contingency plans. During this year Hostile Environment Awareness Training was undertaken by key staff and in-country emergency procedures were updated for all Cool Earth's partnerships.

Risk 2: Failure to sustain levels of overall funding for Cool Earth's partnership commitments.

Mitigation Action 2: Cool Earth undertook a review of our fundraising and communications strategy during 2017. This confirmed the strategies already in place to diversify income by geography (an increase in non-sterling funds) and source (a more even division between business, individual and trust funders). Regular giving now accounts for 38% of total income (up from 30% in 2017/18) and no single funder represents more than 15% of total income.

Risk 3: Ineffective information flow, failure of internal controls, and a dispersed geography of programmes leads to a risk that funds could be misappropriated or incorrectly recorded and information not being available to make informed decisions.

Mitigation Action 3: Investments in improved accounting systems and the development of standard accounting policies, procedures and definitions are currently being rolled out across all partnerships.

PLANS FOR FUTURE PERIODS

Future Strategy

The long-term aims of Cool Earth are consistent with its mission to help fund rainforest protection and inform people of the role local people play in conservation and the role of deforestation in climate change. Plans for 2019/20 are:

- Continue to invest in existing programmes in Papua New Guinea, Peru and the Democratic Republic of the Congo;
- Initiate new partnerships in Papua New Guinea, Mozambique, Cambodia and Cameroon;
- Manage the life-cycle of each community partnership to ensure partners dependency does not develop;
- Put in place business plans for income generation that does not depend on Cool Earth's funding;
- Scope out a portfolio of new partnerships that test the Cool Earth model of community led rainforest protection in a range of environmental, socio-economic and cultural contexts;
- Develop Cool Earth's Reserves Fund to safeguard Cool Earth's commitments to partner communities in the event of an income shortfall; and
- Diversify income sources to ensure resilience of Cool Earth's revenue, including improving Cool Earth's online performance and increasing income from business supporters.

COOL EARTH ACTION
TRUSTEES' ANNUAL REPORT (Continued)
for the year ended 31 January 2019

FUNDS HELD AS CUSTODIAN

Although the charity will maintain restricted funds to deal with incoming resources that are earmarked for a particular purpose by donors, sponsors, and other funders, the charity does not currently hold, and does not intend to hold, any funds as custodian for any third party.

This report was approved by the trustees on October 2019, and was signed for and on behalf of the board by:

..... Trustee
The Rt. Hon. Frank Field MP DL

..... October 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOL EARTH ACTION

Opinion on financial statements

We have audited the financial statements of Cool Earth Action (the 'charitable company') for the year ended 31 January 2019 which comprise the Statement of Financial Activities, the Balance Sheet and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 January 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOL EARTH ACTION (Continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report, which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Annual Report.

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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOL EARTH ACTION (Continued)

Use of our report

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

Kerry Gallagher (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Davidson House,
Forbury Square,
Reading,
Berkshire, RG1 3EU

..... October 2019

COOL EARTH ACTION
STATEMENT OF FINANCIAL ACTIVITIES
(including Income and Expenditure Account)
for the year ended 31 January 2019

	Notes	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
INCOME FROM:					
Donations and legacies	3	2,323,957	157,700	2,481,657	2,250,743
Charitable activities	4	1,184	-	1,184	1,693
Other trading activities	5	10,294	-	10,294	2,575
Investments	6	474	-	474	7,261
TOTAL		2,335,909	157,700	2,493,609	2,262,272
EXPENDITURE ON:					
Raising funds	7	(493,263)	-	(493,263)	(453,618)
Charitable activities: Project Work	8	(1,455,209)	(107,359)	(1,562,568)	(1,340,432)
TOTAL		(1,948,472)	(107,359)	(2,055,831)	(1,794,050)
NET INCOME/(EXPENDITURE)		387,437	50,341	437,778	468,222
Transfers between funds		-	-	-	-
NET MOVEMENT IN FUNDS		387,437	50,341	437,778	468,222
RECONCILIATION OF FUNDS					
Fund balances brought forward at 1 February 2018		2,622,523	100,000	2,722,523	2,254,301
FUND BALANCES CARRIED FORWARD AT 31 JANUARY 2019	17	3,006,706	150,341	3,160,301	2,722,523

COOL EARTH ACTION
STATEMENT OF FINANCIAL ACTIVITIES
(including Income and Expenditure Account)
for the year ended 31 January 2018

	Notes	Unrestricted Funds £	Restricted Funds £	TOTAL 2018 £	TOTAL 2017 £
INCOME FROM:					
Donations and legacies	3	2,104,743	146,000	2,250,743	1,654,236
Charitable activities	4	1,693	-	1,693	4,233
Other trading activities	5	2,575	-	2,575	1,902
Investments	6	7,261	-	7,261	11,245
TOTAL		2,116,272	146,000	2,262,272	1,671,616
EXPENDITURE ON:					
Raising funds	7	(453,618)	-	(453,618)	(382,005)
Charitable activities: Programmes	8	(1,294,432)	(46,000)	(1,340,432)	(1,121,550)
TOTAL		(1,748,050)	(46,000)	(1,794,050)	(1,503,555)
NET INCOME		368,222	100,000	468,222	168,061
Transfers between funds		-	-	-	-
NET MOVEMENT IN FUNDS		368,222	100,000	468,222	168,061
RECONCILIATION OF FUNDS					
Fund balances brought forward at 1 February 2017		2,254,301	-	2,254,301	2,086,240
FUND BALANCES CARRIED FORWARD AT 31 JANUARY 2018	17	2,622,523	100,000	2,722,523	2,254,301

COOL EARTH ACTION
BALANCE SHEET
as at 31 January 2019

Company Number: 06053314

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	11	32,313	93,429
Tangible assets	12	30,661	43,830
		-----	-----
		62,974	137,259
CURRENT ASSETS			
Investments	13	2,750,000	-
Debtors	14	14,011	44,693
Cash at bank and in hand		415,426	2,723,758
		-----	-----
		3,179,437	2,768,451
LIABILITIES			
Creditors: Amounts falling due within one year	15	(82,110)	(183,187)
		-----	-----
NET CURRENT ASSETS		3,097,327	2,585,264
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES & NET ASSETS		3,160,301	2,722,523
		=====	=====
THE FUNDS OF THE CHARITY			
<i>Restricted income funds</i>	17	150,341	100,000
<i>Unrestricted funds</i>			
General fund	17	3,009,960	2,622,523
		-----	-----
TOTAL CHARITY FUNDS		3,160,301	2,722,523
		=====	=====

The financial statements on pages 13 to 27 were approved by the trustees and authorised for issue on
October 2019, and are signed on their behalf by

..... Trustee
The Rt. Hon. Frank Field MP DL

..... October 2019

COOL EARTH ACTION
STATEMENT OF CASH FLOWS
for the year ended 31 January 2019

	Notes	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by operating activities	19	463,048	680,457
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends, interest and rents from investments		474	7,261
Purchase of intangible fixed assets		(1,806)	(39,518)
Purchase of tangible fixed assets		(20,048)	(13,010)
Short term investment (deposited)/withdrawn		(2,750,000)	1,500,000
Net cash (used in)/provided by investing activities		(2,771,380)	1,454,733
CHANGE IN CASH AND CASH EQUIVALENTS IN THE REPORTING PERIOD		(2,308,332)	2,135,190
Cash and cash equivalents at the beginning of the reporting period		2,723,758	588,568
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	20	415,426	2,723,758

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2019

1. ACCOUNTING POLICIES

Company Information

Cool Earth Action is a private company limited by guarantee incorporated in England and Wales. The registered office is 27 Old Gloucester Street, London, WC1N 3AX and the principal place of business is Tremough Innovation Centre, Penryn, Cornwall, TR10 9TA.

The company's principal activity is disclosed in the trustees' annual report.

Basis of Accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the requirements of the Companies Act 2006 and under the historical cost convention.

Within the definitions of FRS 102, the charitable company, which is limited by guarantee, is a public benefit entity.

The financial statements have also been prepared in accordance with the accounting policies set out in more detail below, to comply with the charitable company's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Going Concern

The charitable company is fundamentally dependent upon the continuing financial support of sponsors, supporters and other key funders to remain a going concern. The trustees have formulated financial plans for the future, and as at the date of adoption of these financial statements and on the basis of estimated future cash flows, the trustees are of the opinion that the charitable company will be able to continue its activities and meet all of its liabilities as they fall due for a period of at least twelve months from the date of the adoption of these financial statements. Therefore, these financial statements have been prepared on the going concern basis.

Income

All income is included in the statement of financial activities when the charitable company is entitled to the funds, receipt is probable, and the amount can be quantified with reasonable accuracy. Donations are normally brought into account when received and are stated gross of any attributable tax recoverable.

Government and institutional grants are accounted for on a receivable basis. Donations and grants given for specific purposes are treated as restricted income.

All other income, including investment income, is accounted for on a receivable basis as and when earned by the charity.

Gifts In Kind

The value of gifts in kind is recognised as income where the gross value to the charitable company can be assessed with reasonable accuracy. Where this is not the case, the nature of the gift is disclosed.

1. ACCOUNTING POLICIES (Continued)

Foreign Currencies

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. All exchange gains or losses are included in the statement of financial activities in the period to which they relate.

Expenditure

All expenditure is accounted for on an accruals basis inclusive of any irrecoverable Value Added Tax and is allocated as direct costs in the statement of financial activities where the costs can be identified as being directly related to raising funds or to charitable activity. Where costs cannot be directly attributed, they are allocated to categories on a basis consistent with the budgeted use of the resources concerned or in proportions based upon a suitable ratio applicable to the nature of the cost involved.

Grants payable are recognised in the period in which the approved offer is conveyed to the recipient in those cases where the offer is conditional, such grants being recognised only when the conditions attaching to the award are fulfilled. Grants offered subject to conditions, which have not been met at the balance sheet date, are noted as a potential commitment, but are not treated as a liability.

Governance costs comprise specific direct costs incurred by the charity in relation to operating the charitable company as a charitable company, which includes audit fees, and a proportion of certain other support costs allocated to governance by the trustees.

Intangible Fixed Assets

All intangible assets purchased costing more than £1,000 that have a useful economic life that exceeds one year are capitalised and classified as intangible fixed assets. Intangible fixed assets are stated at historical cost less amortisation. Amortisation is provided on all intangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Website	on a 33% straight-line basis
---------	------------------------------

Tangible Fixed Assets

All tangible assets purchased costing more than £1,000 that have a useful economic life that exceeds one year are capitalised and classified as tangible fixed assets. Tangible fixed assets are stated at historical cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Office & computer equipment	on a 33% straight-line basis
-----------------------------	------------------------------

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are therefore classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

1. ACCOUNTING POLICIES (Continued)

Financial Assets and Liabilities

The charitable company's debtors and creditors that meet the definition of either a financial asset or a financial liability are initially recognised at the transaction value and thereafter are stated at amortised cost using the effective interest method.

Fund Accounting

The general fund comprises the accumulated surpluses of unrestricted income over expenditure, which is available for use in furtherance of the general objectives of the charitable company.

Designated funds are a particular form of unrestricted funds consisting of amounts, which have been allocated or designated for specific purposes by the trustees. The use of designated funds remains at the discretion of the trustees.

Restricted funds are funds subject to specific conditions imposed by donors. The purpose and use of the restricted funds are set out in the notes to the financial statements. Amounts unspent at the period end are carried forward in the balance sheet.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no specific judgements, estimates and assumptions that were critical to the preparation of these financial statements.

3. DONATIONS AND LEGACIES	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Donations received from individuals and on-line through the charity's website	1,310,229	-	1,310,229	1,043,478
Other donations received from corporate and other similar supporters	1,004,528	157,700	1,162,228	1,163,765
Donations in kind:				
Event costs	3,500	-	3,500	-
Staff costs	-	-	-	37,500
Accommodation costs	5,700	-	5,700	6,000
	2,323,957	157,700	2,481,657	2,250,743

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

4. CHARITABLE ACTIVITIES	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Forest produce sales	1,184	-	1,184	1,693
	=====		=====	=====
5. OTHER TRADING ACTIVITIES	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Shop sales and other similar income	10,294	-	10,294	2,575
	=====		=====	=====
6. INVESTMENTS	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Bank interest receivable on short term cash deposits	474	-	474	7,261
	=====		=====	=====
7. RAISING FUNDS	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Direct costs	178,940	-	178,940	158,798
Donations in kind:				
Event costs	3,500	-	3,500	-
Support costs - see note 9 (30%)	310,823	-	310,823	294,820
	-----	-----	-----	-----
	493,263	-	493,263	453,618
	=====		=====	=====
8. PROGRAMMES	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	TOTAL 2018 £
Direct costs	755,575	81,738	837,313	652,519
Support costs - see note 9 (70%)	699,634	25,621	725,255	687,913
	-----	-----	-----	-----
	1,455,209	107,359	1,562,568	1,340,432
	=====		=====	=====

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

9. SUPPORT & GOVERNANCE COSTS	Support costs £	Governance costs £	TOTAL 2019 £	TOTAL 2018 £
Donations in kind:				
Staff costs	-	-	-	37,500
Accommodation costs	5,700	-	5,700	6,000
Staff costs (85:15) - note 10	525,321	92,704	618,025	522,333
Staff recruitment, training and welfare (70:30)	18,837	8,073	26,910	65,262
Travel and subsistence expenses (85:15)	54,811	9,672	64,483	57,256
Premises operating lease costs (70:30)	52,483	22,492	74,975	83,175
Other premises costs (60:40)	2,320	1,546	3,866	5,294
Communications costs (40:60)	13,226	19,240	33,066	30,446
Other costs (50:50)	14,370	14,370	28,740	13,808
Legal and professional fees (90:10)	48,761	5,418	54,179	44,531
Auditor's remuneration:				
Audit fee	-	12,300	12,300	12,300
Accountancy and advisory services	-	6,123	6,123	8,607
Amortisation (75:25)	47,192	15,730	62,922	58,575
Depreciation - owned assets (75:25)	24,913	8,304	33,217	34,322
Exchange losses/(gains)	11,572	-	11,572	3,324
	819,506	216,572	1,036,078	982,733

Support costs are allocated directly based on activity and thereafter using the ratios, which are based on estimated assessed impact of the costs involved.

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

10. STAFF COSTS	2019	2018
	No.	No.
The average monthly number of persons employed by the charitable company (excluding trustees) during the year was, as follows:		
Support staff	18	16
	==	==
	£	£
Staff costs for the above persons:		
Wages and salaries	567,260	484,447
Social security costs	47,331	32,165
Pension contribution pension scheme costs	3,434	5,721
	-----	-----
	618,025	522,333
	=====	=====

During the year, one employee earned total emoluments in the range £60,001 to £70,000 (2017/2018: one employee in the range £60,001 to £70,000) and in respect of that one employee, the charitable company paid pensions contributions amounting to £4,803 (2017/2018: £2,287).

During the year, the total amount of employee benefits received by key management personnel for their services to the charitable company amounted to £188,794 (2017/2018: £139,532).

No trustee received any remuneration for services provided to the charity as a trustee during the current or previous year. No trustee was reimbursed in respect of expenses incurred on behalf of the charity during the current or previous year.

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

11. INTANGIBLE ASSETS	Website £
Cost:	
1 February 2018	206,673
Additions	1,806
31 January 2019	<u>208,479</u>
Amortisation:	
1 February 2018	113,244
Charge for the year	62,922
31 January 2019	<u>176,166</u>
Net book value:	
31 January 2019	32,313 =====
31 January 2018	93,429 =====
12. TANGIBLE ASSETS	Office & computer equipment £
Cost:	
1 February 2018	301,294
Additions	20,048
31 January 2019	<u>321,342</u>
Depreciation:	
1 February 2018	257,464
Charge for the year	33,217
31 January 2019	<u>290,681</u>
Net book value:	
31 January 2019	30,661 =====
31 January 2018	43,830 =====

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

13. INVESTMENTS	2019 £	2018 £
Short term cash deposit	2,750,000 =====	- =====
14. DEBTORS	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	12,403	41,793
Other debtors	428	-
Prepayments and accrued income	1,180	2,900
	----- 14,011 =====	----- 44,693 =====
15. CREDITORS	2019 £	2018 £
Amounts falling due within one year:		
Trade creditors	36,559	3,723
Amounts due to Cool Earth Action USA Inc.	-	135,112
Other taxation and social security costs	13,717	10,465
Other creditors	3,894	5,947
Accruals	27,940	27,940
	----- 82,110 =====	----- 183,187 =====
16. FINANCIAL INSTRUMENTS	2019 £	2018 £
Financial assets:		
Debt instruments measured at amortised cost	2,762,831 =====	41,793 =====
Financial liabilities:		
Measured at amortised cost	64,499 =====	31,663 =====

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

17. THE FUNDS OF THE CHARITY

	Balance at 1 February 2018 £	Income £	Expenditure £	Transfers between funds £	Balance at 31 January 2019 £
Restricted income funds:					
Papua New Guinea restricted fund	100,000	157,500	(107,359)	-	150,341
	<u>100,000</u>	<u>157,500</u>	<u>(107,359)</u>	<u>-</u>	<u>150,341</u>
Unrestricted income funds:					
General fund	2,622,523	2,335,909	(1,948,472)	-	3,009,960
	<u>2,722,523</u>	<u>2,493,609</u>	<u>(2,055,831)</u>	<u>-</u>	<u>3,160,301</u>
	=====	=====	=====	=====	=====
	Balance at 1 February 2017 £	Income £	Expenditure £	Transfers between funds £	Balance at 31 January 2018 £
Restricted income funds:					
Peru restricted fund	-	40,000	(40,000)	-	-
Papua New Guinea restricted fund	-	106,000	(6,000)	-	100,000
	<u>-</u>	<u>146,000</u>	<u>(46,000)</u>	<u>-</u>	<u>100,000</u>
Unrestricted income funds:					
General fund	2,254,301	2,116,272	(1,748,050)	-	2,622,523
	<u>2,254,301</u>	<u>2,262,272</u>	<u>(1,794,050)</u>	<u>-</u>	<u>2,722,523</u>
	=====	=====	=====	=====	=====

The Peru restricted fund (formerly called the Ashaninka Fund) was originally set up in 2009 to recognise donation income received from Brother International Europe Limited to be used in order to conserve not less than 1,000 acres of endangered rainforest in Cool Earth's Ashaninka project in Peru, and to provide support to the communities in this project. The Peru restricted fund is still used to account for specific donation income received for the benefit of the charitable company's projects in Peru and the related restricted expenditure.

The Papua New Guinea restricted fund was set up in 2017 to account for specific donation income received for the benefit of the charitable company's projects in Papua New Guinea and the related restricted expenditure.

COOL EARTH ACTION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 January 2019

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

As at 31 January 2019:	Fixed assets £	Current assets £	Current liabilities £	Total £
Restricted income funds:				
Papua New Guinea restricted fund	-	150,341	-	150,341
Unrestricted income funds:				
General fund	62,974	3,029,096	(82,110)	3,009,960
NET ASSETS	<u>62,974</u> =====	<u>3,179,437</u> =====	<u>(82,110)</u> =====	<u>3,160,301</u> =====
As at 31 January 2018:	Fixed assets £	Current assets £	Current liabilities £	Total £
Restricted income funds:				
Papua New Guinea restricted fund	-	100,000	-	100,000
Unrestricted income funds:				
General fund	137,259	2,668,451	(183,187)	2,622,523
NET ASSETS	<u>137,259</u> =====	<u>2,768,451</u> =====	<u>(183,187)</u> =====	<u>2,722,523</u> =====

19. RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	2019 £	2018 £
Net income for the reporting period	437,778	468,222
Adjustments for:		
Dividends, interest and rents from investments	(474)	(7,261)
Amortisation charges	62,922	58,575
Depreciation charges	33,217	34,322
Decrease in debtors	30,682	26,452
(Decrease)/increase in creditors	(101,077)	100,147
Net cash provided by operating activities	<u>463,048</u> =====	<u>680,457</u> =====

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank and in hand	<u>415,426</u> =====	<u>2,723,758</u> =====

21. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At 31 January 2019, the charitable company was committed to make the following total future minimum payments under non-cancellable operating leases:		
In respect of land & building leases –		
Within one year	<u>-</u> =====	<u>23,131</u> =====

22. RELATED PARTY TRANSACTIONS

In the year ended 31 January 2017, the UK charitable company assisted in the set-up of a similar charity located in the United States of America and called Cool Earth Action USA Inc. This US charity is independent of Cool Earth Action but has identical charitable objectives and is focused on raising funds from the general public in the USA.

During the year, the UK charitable company collected cash receipts on behalf of Cool Earth Action USA Inc. and at the balance sheet date, £Nil (31 January 2018: £135,112) was owed to Cool Earth Action USA Inc.

During the current and previous year, the trustees provided donations-in-kind to the charity by way of incurring expenses personally and not seeking reimbursement from the charity in respect of those expenses.

There were no other related party transactions during the current or previous year.