

LLINAS

AUDIT

External auditor's report

Financial year: 01/01/2010 - 31/12/2010

GERES

**2, COURS MARECHAL FOCH
13400 AUBAGNE**

Bruno LLINAS
Auditor
Registered with Aix-en-Provence Regional Institute
393 Avenue du Prado
13008 MARSEILLE

EXTERNAL AUDITOR'S REPORTS

GERES
2, COURS MARECHAL FOCH
13400 AUBAGNE

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EXTERNAL AUDITOR'S GENERAL REPORT

**on the financial statements for the year ended 31st December 2010
for the Ordinary General Meeting on 21st September 2011**

Ladies and gentlemen,

In fulfilment of the task assigned to me, I now submit my report on the financial year ended 31st December 2010, which covers:

- The audit of the financial statements of GERES, such as they are enclosed with this report.
- Justification of my assessments
- The specific checks and information required by law.

The financial statements have been drawn up by your Board of Directors and include the following information:

Balance sheet total	€2,493,791
Total operating income	€6,427,505
Net result	€67,950

It is my responsibility, on the basis of my audit, to issue an opinion on these statements.

I - Opinion on the financial statements

I carried out my audit in accordance with the professional standards applicable in France. These standards require the implementation of procedures designed to obtain a reasonable assurance that the financial statements do not contain any significant irregularity. An audit entails inspecting, by means of sample checks, the evidence supporting the data in these financial statements. It also involves appraising the accounting rules applied, the significant estimates made in drawing up the financial statements and their overall presentation. I consider that my audit provides a reasonable basis for the opinion expressed hereunder.

I certify that the financial statements are true and fair according to French accounting standards and principles and give a true picture of operations over the past financial year, as well as of the financial situation and assets of the Association at the end of this financial year.

Without calling into question the opinion expressed above, I would draw your attention to Annexe 4 to the Report which, under the heading "Additional information on the Balance Sheet and Profit and Loss Account", sets out the consequences of the changes in accounting method made in 2010. These concern: recognition of income, recognition of dedicated funds and recognition of administrative expenses.

II – Justification of the assessments

In application of the stipulations of Article L823-9 of the French Code of Commerce as regards the justification of my assessments, I can inform you that these do not call for any particular comment.

Assessments made in this way form part of my audit approach to the financial statements as a whole and have therefore helped me to reach the opinion expressed in the first part of this report.

III – Specific checks and information

In accordance with the professional standards applicable in France, I also carried out the specific checks required by law.

I have no comment to make as to whether the information given in the Board of Directors' report and the documents sent to the members regarding the financial situation and the financial statements is true and in accordance with the financial statements

MARSEILLE, 31st July 2011

(Signature)

Bruno LLINAS
Auditor

BALANCE SHEET - ASSETS

	ASSETS	2010			2009			Variance	
		Gross	Depreciation & provisions	Net	Gross	Depreciation & provisions	Net	€	%
FIXED ASSETS	INTANGIBLE ASSETS								
	Start-up costs								
	Research and development costs								
	Concessions, patents and similar rights								
	Goodwill (including leasehold right)								
	Other intangible assets								
	Advances and payments on account								
	TANGIBLE ASSETS								
	Land								
	Buildings	8 842	8 842	0	8 842	8 842	0	0	0%
	Fixtures, fittings, equipment and tooling								
	Other tangible assets	62 236	37 690	24 546	57 432	25 551	31 881	-7 335	-23%
	Current assets								
	Advances and payments on account								
	FINANCIAL ASSETS (2)								
	Holdings accounted for using the equity method								
	Other shareholdings	774		774	774		774	0	0%
Receivables from shareholdings									
Other equity securities									
Loans									
Other financial assets	3 702		3 702	3 702		3 702	0	0%	
TOTAL I	75 555	46 532	29 023	70 751	34 393	36 358	-7 335	-20,18%	
CURRENT ASSETS	INVENTORY AND WORK IN PROGRESS								
	Raw material supplies								
	Work in progress (goods)								
	Work in progress (services)								
	Intermediate and finished products								
	Goods								
	Advances and payments on account								
	RECEIVABLES (3)								
	Trade receivables								
Other receivables	1 296 884		1 296 884	1 141 194		1 141 194	155 691	13,6%	
Investment securities	0		0	601 005		601 005	-601 005		

	Liquid assets								
	Cash and cash equivalents	1 165 057		1 165 057	112 038		112 038	1 053 019	939,9%
	Prepaid expenses	2 827		2 827	147 939		147 939	-145 112	-98,1%
	TOTAL II	2 464 768	0	2 464 768	2 002 177	0	2 002 177	462 591	23,10%
accruals	Charges spread over several years (III)								
	Bond redemption premiums (IV)								
	Unrealized exchange loss (V)								
	GRAND TOTAL (I + II + III + IV + V)	2 540 323	46 532	2 493 791	2 072 927	34 393	2 038 535	455 256	22,33%

- (1) of which leasehold right
(2) of which maturing in less than one year
(3) of which maturing in more than one year

BALANCE SHEET - LIABILITIES									
	LIABILITIES	2010			2009			Variance	
		Gross	Depreciation & provisions	Net	Gross	Depreciation & provisions	Net	€	%
ASSOCIATION FUNDS	EQUITY								
	Association funds with no right of recovery	298 196		298 196	248 196		248 196	50 000	20,15%
	Revaluation differences								
	Reserves								
	Statutory or contractual reserves								
	Regulated reserves								
	Other reserves								
	Profit/loss carried forward								
	EARNINGS FOR THE YEAR (surplus + deficit)	67 950		67 950	67 713		67 713	237	0,4%
	OTHER ASSOCIATION FUNDS								
	Association funds with right of recovery								
	Capital contributions								
	Legacies and donations								
	Results under control of third-party funders								
	Revaluation differences								
	Investment subsidies on non-renewable assets								
	Regulated provisions								
Ownership right									
	TOTAL I	366 147	0	366 147	315 909	0	315 909	50 237	15,90%
Provision for risks and	Provisions for risk								
	Provisions for charges	137 343		137 343	66 334		66 334	71 009	107,0%

Dedicated funds	Dedicated funds (operating subsidies)								
	Dedicated funds (other resources)	72 245		72 245	0		0	72 245	
	TOTAL II	209 588	0	209 588	66 334	0	66 334	143 254	215,96%
LIABILITIES (1)	Bond loans								
	Loans from credit institutions (2)								
	Miscellaneous loans and financial liabilities								
	Advances and payments on account								
	Due to suppliers	206 481		206 481	123 883		123 883	82 597	66,7%
	Tax and social security liabilities	241 953		241 953	153 008		153 008	88 945	58,1%
	Accounts payable								
	Other liabilities								
	Liquid debts								
	Deferred income	1 469 623		1 469 623	1 379 400		1 379 400	90 223	6,5%
	TOTAL III	1 918 056	0	1 918 056	1 656 291	0	1 656 291	261 765	15,80%
	Unrealized exchange profit (IV)								
	GRAND TOTAL (I + II + III + IV)	2 493 791	0	2 493 791	2 038 535	0	2 038 535	455 256	22,33%

- (1) of which maturing in more than 1 year
of which maturing in less than 1 year
- (2) of which bank advances

PROFIT AND LOSS ACCOUNT

	2010	2009	VARIANCE	
	€	€	€	%
OPERATING INCOME				
Sales of goods for resale				
Sales of goods and services	1 169 309	4 398	1 164 911	26 488,86%
Stock of finished goods and work in progress				
Capitalized production costs				
Operating subsidy	4 973 228	4 169 666	803 561	19,27%
Gifts	278 972	231 345	47 627	20,59%
Subscriptions	220	290	-70	-24,14%
Legacies and donations				
Write-back of depreciation & provisions and transfer of charges				
Other income	5 777	4 779	998	20,87%
TOTAL I	6 427 505	4 410 478	2 017 027	45,73%
OPERATING EXPENSES (II)				
Purchase of goods for resale				
Inventory variation (goods for resale)				
Purchase of raw materials and other supplies				
Inventory variation (raw materials and other supplies)				
Other non-inventory supplies	317 947	243 977	73 970	30,32%
External services	1 091 089	724 348		
Taxes, duty and similar payments	63 622	60 571	3 051	5,04%
Salaries and pay	973 968	847 794	126 174	14,88%
Social Security	390 313	343 785	46 528	13,53%
Other personnel costs	106 133	84 743		
Depreciation and provisions				
Fixed assets: depreciation				
Fixed assets: provisions	13 001	7 775	5 226	67,21%
Current assets: provisions				
Provision for risks and charges	53 296	5 926		
Grants made by the Association	3 270 468	1 996 721	1 273 747	63,79%
Other expenses (2)			0	
TOTAL II	6 279 836	4 315 640	1 964 196	45,79%
1 - OPERATING RESULT I-II)	147 669	94 838	488 332	55,71%
SHARE OF PROFITS FROM JOINT VENTURES				
Allocated gain or transferred loss (III)				
Allocated loss or transferred profit (IV)				

- (1) including income relating to previous years
(2) including expenses relating to previous years

FINANCIAL INCOME				
Income from shareholdings				
Income from securities and other financial fixed assets				
Other interest and similar income				
Write-back of provisions and transfers of charges				
Realized gains on exchange differences				
Net income from sale of securities	1 209	5 768	-4 558	-79,03%
TOTAL V	1 209	5 768	-4 558	-79,03%
FINANCIAL EXPENSES				
Depreciation and provisions				
Interest and similar charges	8 683	3 530	5 153	145,97%
Realized losses on exchange differences				
Net loss on sale of securities				
TOTAL VI	8 683	3 530	5 153	145,03%
2 - FINANCIAL PROFIT/LOSS (V-VI)	-7 474	2 237	-9 711	-434,03%
3. CURRENT PROFIT/LOSS BEFORE TAX (I-II + III - IV +V - VI)	140 195	97 075	478 620	44,42%
EXTRAORDINARY INCOME				
Extraordinary operating profit	0	845	-845	
Extraordinary income from capital transactions				
Write-back of depreciation and transfers of charges			0	
TOTAL VII	0	845	-845	
EXTRAORDINARY EXPENSES				
Extraordinary operating expenses	0	30 207	-30 207	
Extraordinary expenses on capital transactions				
Extraordinary depreciation and provisions			0	
TOTAL VIII	0	30 207	-30 207	
EXTRAORDINARY PROFIT/LOSS (VII-VIII)	0	-29 362	29 362	
Tax on property income (IX)				
TOTAL INCOME (I + III + V + VII)	6 428 715	4 417 091	2 011 624	45,54%
TOTAL EXPENSES (II + IV + VI + VIII + IX)	6 288 519	4 349 378	1 503 642	44,58%
INTERMEDIATE BALANCE	140 195	67 713	507 982	107,04%
+ Carry forward of unused funds from previous years			0	
- Commitments against allocated resources	72 245	0	72 245	

5 – SURPLUS (+) OR DEFICIT (-)	67 950	67 713	435 737	0,35%
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6 - MEASUREMENT OF CAPITAL CONTRIBUTIONS AND SPECIAL ACCOUNTS				
INCOME				
Commitments towards associations in the network				
Volunteering				
Services in kind	5 945	0	5 945	
Gifts in kind				
TOTAL X	5 945	0	5 945	
EXPENSES				
Commitments towards associations in the network			0	
Assistance in kind				
Free provision of goods and services	5 945	0	5 945	
Volunteer staff				
TOTAL XI	5 945	0	5 945	

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ADDITIONAL INFORMATION CONCERNING THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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INTRODUCTION

ACCOUNTING RULES AND METHODS

General principles and conventions

The financial statements for the year ended have been prepared and submitted in accordance with the accounting rules laid down by the French National Accountancy Council (CNC), observing the fundamental principles applied in France:

- principle of prudence: the financial statements have been drawn up on a prudent basis to avoid the risk of carry-over to future periods
- principle of consistent methods: accounting information is consistent over successive periods
- going concern principle: comparisons can be made from period to period
- principle of inviolability of the opening balance: the opening balance for the financial year corresponds to the closing balance before distribution
- principle of independence of financial years
- principle of historic cost: goods acquired for a consideration are recognized under assets on the date of entry at their purchase cost and those acquired free of charge at their sale value
- principle of non-offsetting: no offsetting is done between asset and liability items or between income and expenditure items
- materiality principle: the annexes present any information of significant importance required to explain the balance sheet and profit and loss account

Recognition method for administrative expenses

Administrative expenses are charged to projects at 31/12/10 in proportion to the progress of the project in question.

ANNEXE 1

ADDITIONAL INFORMATION CONCERNING THE BALANCE SHEET

Measurement of tangible assets

The gross value of the tangible components of fixed assets corresponds to the entry value of the assets, inclusive of the costs needed to make the assets fit for use but excluding costs incurred in purchasing them.

For depreciable assets, the net book value at year-end corresponds to actual value at year-end; no capital gains or losses are recorded.

Statement of assets

	Gross value 01/01/10	Increases	
		Revaluations	Acquisitions
Other intangible asset items			
General fixtures and fittings	8,842	0	0
Transport equipment			
Office and computer equipment, furniture	57,432	0	5,665
Loans, other financial assets	4,476	0	0
GRAND TOTAL	70,751	0	5,665

	Decreases		Gross value 31/12/10	Revaluation value
	Item to item	Disposals/ Decommissioning		
Other intangible asset items	0	0	0	0
General fixtures and fittings	0	0	8,842	8,842
Transport equipment	0	0	0	0
Office and computer equipment, furniture	0	861	62,236	62,236
Loans, other financial assets	0	0	4,476	4,476
GRAND TOTAL	0	861	75,555	75,555

Statement of depreciation

The straight line depreciation method over a useful life of 3-5 years is used to adjust and measure the association's assets

	Amount 01/01/10	Appropriation	Decrease Write-backs	Amount 31/12/10
Other intangible asset items				
General fixtures and fittings	8,842	0	0	8,842
Transport equipment				
Office and computer equipment, furniture	24,378	13,312	0	37,690
GRAND TOTAL	33,221	13,312	0	46,532

Breakdown of appropriations for the year	Straight-line depreciation	Declining balance depreciation	Extraordinary depreciation	Exceptional depreciation	
				Appropriation	Write-backs
Other intangible asset items	0				
General fixtures and fittings	0				
Transport equipment	0				
Office and computer equipment	13,312				
GRAND TOTAL	13,312	0	0	0	0

ANNEXE 2

ADDITIONAL INFORMATION CONCERNING THE BALANCE SHEET

Measurement of provisions

Changes in provisions for risks and charges in 2010 concern:

- An increase in the provision for end-of-service allowance which now covers three employees over the age of 50 who have more than five years' seniority.
- Posting of a new provision for the strategy seminar that will be held in Cambodia in 2012 and attended by the major part of GERES teams.

Statement of provisions

Provisions for risks and charges	Amount 01/01/10	Increase Appropriation	Decrease Write-back	Amount 31/12/10
Provision for litigation				0
Other provisions for risks and charges	84,047	53,296	0	137,343
TOTAL	84,047	53,296		137,343

Provisions for depreciation	Amount 01/01/10	Increase Appropriation	Decrease Write-back	Amount 31/12/10
Other provisions for depreciation	0			0
TOTAL	0	0	0	0

Portfolio of investment securities

Investment securities have been recognized at their purchase cost (excluding bank charges). In the event of sale of securities of the same type, the recognition method for investment securities is FIFO (First In First Out).

In the event of latent capital loss on certain securities, it has been decided not to make provision for depreciation until the sale has been made.

	Purchase date	Purchase price	Price at 31/12/10	Capital gain or loss
				0
TOTAL INVESTMENT SECURITIES				0

ANNEXE 3

ADDITIONAL INFORMATION CONCERNING THE BALANCE SHEET

Statement of maturities of receivables and liabilities

Statement of receivables	Gross amount	Maturing in 1 year	Maturing in more than 1 year
Invoicing			
Trade receivables	1,833	1,833	
Personnel and related accounts	654	654	
Various debtors	704,270	704,270	
TOTAL	706,758	706,758	

Statement of liabilities	Gross amount	Maturing in 1 year	Maturing in 1 – 5 years	Maturing in more than 5 years
Suppliers and related accounts	201,540	201,540		
Personnel and related accounts	10,107	10,107		
Social security and other social institutions	81,029	81,029		
Taxes and duties	867	867		
Various creditors	4,941	4,941		
TOTAL	298,484	298,484	0	0

Income receivable

Amount of income receivable included in the following balance sheet items	Amount
Income receivable	590,126
TOTAL	590,126

Charges payable

Amount of charges payable included in the following balance sheet items	Amount
Provision for paid holidays	102,617
Provision for social security charges on paid holidays	47,333
Various charges payable	0
TOTAL	149,950

Prepaid expenses and deferred income

Prepaid expenses			Amount
GENERALI	ANA79	Insurance	884
GEG	ANA 88	Electricity	108
GEG	ANA11	Electricity	60
GEG	ANA11	Electricity	52
GEG	ANA11	Electricity	151
Liautard	ANA 88	Rent	640
GRENKE	ANA11	Photocopier rental	933
TOTAL			2,827

Deferred income			Amount
Coordination Sud	ANA14	Management training FRIO	2,016
Ashden Awards	ANA44	Ashden Awards India	2,326
AFD	ANA52	Cellars Kapisa I + II	48,130
European Union	ANA53	Housing/agriculture Tajikistan	269,937
AFD	ANA55	PSH Afghanistan	246,758
Various funders - carbon finance	ANA59	Firewood Cambodia	503,904
BMF	ANA63	NEXUS	97,116
EDF	ANA64	Batteries Mali	1,300
EU	ANA67	SET UP	180,922
CR	ANA74	BDM	28,849
CR	ANA75	AGIR Cinema	22,097
CR	ANA77	ELPE	3,549
ADEME	ANA78	Monitoring: fuel poverty	1,430
ADEME	ANA84	Biogas	10,000
ADEME	ANA85	Composting: carrying cases	12,184
Danone	ANA93	CO2 Solidaire	12,417
ADEME	ANA81	Composting sector	9,820
CG	ANA86	Middle school waste	16,867
TOTAL			1,469,623

ANNEXE 4

ADDITIONAL INFORMATION CONCERNING THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The changes in accounting method made in 2010 concern:

- 1) recognition of income
- 2) recognition of dedicated funds
- 3) recognition of administrative costs

1) Recognition of income	Old method		New method		Current postings	
	2010	2009	2010	2009	2010	2009
Account 4180 Invoices to issue	590,126	369,090	0	0	0	369,090
Account 4860 Income receivable	0	0	590,126	369,090	590,126	0
TOTAL	590,126	369,090	590,126	369,000	590,126	369,090
Account 7060 Agreements	-6,282,355	-3,876,650	0	0	0	-3,876,650
Account 7068 Adjustment of income	147,466	-289,333	0	0	-1,010,310	-289,333
Account 7071 Sale of carbon credits	0	0	-1,309,915	-1,150,136	-1,161,662	0
Account 7085 Sale of work	-524	-4,398	-524	-4,398	-524	-4,938
Account 7088 Income: Related activities	-7,123	0	-7,123	0	-7,123	0
Account 7410 Employment subsidy	0	-3,683	0	-3,683	0	-3,683
Account 7420 Public subsidies	0	0	-4,003,329	-2,403,837	-3,085,319	0
Account 7421 Private subsidies	0	0	-821,646	-612,011	-877,599	0
Account 7480 Gifts	-29,338	-27,250	-29,338	-27,250	-29,338	-27,250
Account 7481 Gifts CO2 Solidaire	-249,634	-204,095	-249,634	-204,095	-249,634	-204,095
Account 7560 Members' subscriptions	-220	-290	-220	-290	-220	-290
Account 7580 Reimbursement of costs	-5,777	-4,779	-5,777	-4,779	-5,777	-4,779
Account 7680 Financial gains	-1,209	-5,768	-1,209	-5,768	-1,209	-5,768
Account 7780 Extraordinary income	0	-845	0	-845	0	-845
TOTAL	-6,428,715	-4,417,091	-6,428,715	-4,417,691	-6,428,715	-4,417,091
2) Recognition of dedicated funds						
Account 1910 Dedicated funds	0	0	72,245	0	72,245	0
Account 4870 Deferred income	1,541,867	1,379,400	1,469,623	1,379,400	1,469,623	1,379,400
TOTAL	1,541,867	1,379,400	1,541,867	1,379,400	1,541,867	1,379,400
Account 6894 Commitment to fulfil	0	0	72,245	0	72,245	0
Account 7068 Adjustment of income	-938,065	-289,333	-1,010,310	-289,333	-1,010,310	-289,333
TOTAL	-938,065	-289,333	-938,065	-289,333	-938,065	-289,333

3) Recognition of administrative expenses

According to the old method, charging of administrative expenses as project costs was aggregated with the income adjustment entry posted at the end of the year (on account 7068).

According to the new method, there are two separate accounting entries: administrative expenses charged as project costs and income adjustment (on the corresponding 7xxx accounts).

Insofar as the administrative expenses entry is posted to the same 659 account as both project cost and operational resource, there is no impact on the presentation of the financial statements.

Bruno LLINAS
Auditor

**Registered with Aix-en-Provence Regional Institute
393 Avenue du Prado
13008 MARSEILLE**

EXTERNAL AUDITOR'S SPECIAL REPORT

ON REGULATED AGREEMENTS

**Concerning the financial statements for the year ended 31st December 2010
for the Ordinary General Meeting on 21st September 2011**

Ladies and Gentlemen,

In my capacity as external auditor of your Association, I must now submit to you my report on any regulated agreements notified to me. It is not part of my task to research the possible existence of such agreements.

I can inform you that I have not been notified, during the financial year ended 31st December 2010, of any agreement covered by Article L 612-5 of the French Code of Commerce.

Marseille, 31st July 2011

(Signature)

Bruno LLINAS
Auditor