

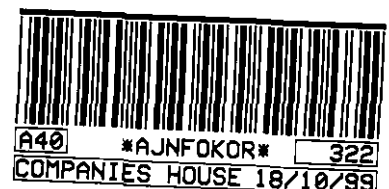
FRIENDS OF THE EARTH LIMITED

(A company limited by guarantee
and not having a share capital)

REPORT AND ACCOUNTS

for the year ended 31 May 1999

Company Number 1012357



FRIENDS OF THE EARTH LTD

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 1999

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FRIENDS OF THE EARTH LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Full Name of Company: Friends of the Earth Limited

Status: A company limited by guarantee and not having a share capital

Governing Document: Memorandum and Articles of Association

Company Registration Number: 1012357

Registered Office: 26-28 Underwood Street
London N1 7JQ
Tel: 0171 490 1555 Fax: 0171 490 0881
e-mail: info@foe.co.uk Web site: <http://www.foe.co.uk>

Directors: S. Clarke, Chair
A. Carter (appointed 7 March 1998)
T. Fletcher (appointed 6 December 1998)
R. Higman
J. Martin (appointed 3 October 1998)
A. Moore
T. Sander (appointed 6 December 1998)
M. Seifert
M. Shepherd
P. Whitney

P. Brissenden, F. Browne, D. Byrne, B. Cumblidge and P. Mobbs
retired 30 October 1998.
J. Stoupe retired 6 March 1999.
T. Shaw retired 7 April 1999
M. Johnston retired 5 June 1999.

Secretary: S. Welsh

Chief Executive: Charles Secrett

Bankers: Co-Operative Bank
Manchester Business Centre
1 Balloon Street
Manchester M60 4EP

Solicitors: Lawrence Graham
190 Strand
London WC2R 1JN

Auditors: Hays Allan, Chartered Accountants
Southampton House
317 High Holborn
London WC1V 7NL

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT

The directors present their report and accounts of the company for the year ended 31 May 1999.

OBJECTIVES OF THE COMPANY

Friends of the Earth Limited exists to protect and improve the environment, through influencing political policies and business practices, inspiring individuals and communities to take personal and political action, and stimulating wide and intelligent debate.

REVIEW OF ACTIVITIES

Our biggest campaign of the year has been on the issue of food. Through intensive political, legal and resulting media work, our Real Food Campaign has played a major role in making genetically modified (GM) food a subject of national debate and has managed to delay, by at least two years, the full commercialisation of GM crops. By mobilising our local groups, and through media stories and public information leaflets, we pressurised the UK's major supermarkets and food manufacturers to remove GM ingredients from their own brands.

Many partnerships have been forged with other organisations around the food issue. In fact, Friends of the Earth was central in setting up the Five Year Freeze, a coalition of over 80 organisations calling for a moratorium on the commercial growing and importation of GM food and crops.

On energy issues, we also concentrated on mobilising consumer action. On the day that householders were able to choose their electricity supplier for the first time (September 1998), we published a league table of the greenest electricity suppliers enabling people to make their choice based on environmental criteria.

Continuing the emphasis we placed on promoting citizen action during the year, May 1999 saw the launch of Friends of the Earth's Campaign Express, a new free advice service for people wanting to take simple actions to help campaign for a better environment. Three free campaign packs per year will be sent to those who sign up for the scheme, each on a priority campaign issue.

Parliamentary campaigning successes of the year have included the Road Traffic Reduction (UK Targets) Act which, promoted by Friends of the Earth and others, became law in July 1998. Another Friends of the Earth Bill, the Recycled Content of Newsprint Bill was launched by FOE, Waste Watch and the Community Recycling Network.

We were also active on the international scene, through over 50 Friends of the Earth International groups spread across the globe. A major success for us and other groups was in stopping the Multilateral Agreement on Investments (MAI) from being ratified in October. Thanks to detailed research and targeted campaigning, this treaty, which would have allowed multinationals to strike down environmental legislation passed by national governments worldwide, was stopped.

Friends of the Earth's network of over 230 local groups has also achieved many successes during the year. These have included a thriving farmers' market set up by Stratford FOE to promote local produce; successful opposition to a greenfield site development the size of Wembley Stadium by Newbury FOE; and a walk-to-school scheme set up by Maidenhead FOE. Meanwhile Chepstow FOE, who persuaded a farmer to pull out of a GM crop experiment, preserved Wales' status as a GM-crop-free zone.

FUTURE DEVELOPMENTS

The main priority for the coming year will be the Real Food Campaign, for which a host of resources such as consumer guides, promotional postcards and speakers' sets will be produced. The campaign will focus on consumers, giving them all the information they need to choose safe, healthy food free from antibiotics, pesticides and genetic modification.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

Our parliamentary work next year will include a concerted effort on the Warm Homes Campaign -- Friends of the Earth's call for a 15-year programme to end fuel poverty and stop the ongoing tragedy of winter deaths caused by energy inefficient homes. We will also be pushing for a new Wildlife Bill to be included in the Queen's speech and will be campaigning for the introduction of a 10% traffic reduction target.

FINANCIAL REVIEW

We are very pleased to report that total incoming resources have increased by over £0.5 million to £4 million for the year ended 31 May 1999.

We are very grateful, as always, for the contributions from individual supporters of £3.7 million (91% of the total). In particular we wish to acknowledge the substantial part of this income which is received in the form of committed giving (standing orders and direct debits) and which increased by £0.1 million this year. This regular income enables us to plan our future campaigns with confidence. One third of the increase in total income came from legacies and cannot be relied upon to be repeated in future years, due to the unpredictable nature of this type of income. We thank those who remembered us in their will.

Despite an increase in trading turnover, we were disappointed this year that a major customer went into liquidation owing us a lot of money. This bad debt has had to be written off in this year's accounts and hence we have shown a loss on our trading activities.

Due to savings made in supporter servicing, fundraising and trading costs, we were able to increase our expenditure on campaigning by £0.3 million. This has reaped great rewards in terms of campaign successes. The increase in management and administration expenditure is due to the cost of the work being done for year 2000 compliance.

We continued the programme to upgrade our office furniture to Health and Safety standards in two of our regional offices. We purchased a new accounts software package to ensure Year 2000 compliance. The movement in fixed asset cost and depreciation are detailed in note 9 to the accounts.

The employee and staff costs are detailed in note 6 to the accounts but this does not take account of the invaluable contribution made by the many volunteers who work throughout the organisation, including in our local groups, and without whom we would achieve far less.

Overall there was a current year surplus of income over expenditure from ordinary activities of £168,878. This has increased our accumulated surplus to £1,200,505. This level of reserves represents just over 3 months worth of normal operating expenditure, which directors consider is appropriate for an organisation of our size and complexity. We have no equity investments and hence these accumulated reserves are primarily represented by bank deposits. Our investment policy is set out in note 12 to the accounts.

YEAR 2000 COMPLIANCE

We have completed our assessment of IT systems and are confident that most are either already compliant or can be made so by the end of the year. Wherever possible we utilise standard software packages from major software houses who are committed to delivering in good time whatever Year 2000 modifications to their software are necessary. We have also been taking advantage of replacing systems approaching the end of their useful lives with systems that are Year 2000 compliant. The year 2000 issue does create risk from third parties and we are still reviewing the possible impacts. Preparation for the Millennium will require additional costs to be incurred but this is not expected to be material and the majority is acceleration of spend that would have taken place in any event.

FRIENDS OF THE EARTH LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FRIENDS OF THE EARTH LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

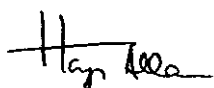
BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1999 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hays Allan

Chartered Accountants

Registered Auditors

Southampton House

317 High Holborn

London

WC1V 7NL

Date: 2nd October 1999

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

IRRECOVERABLE VAT

In common with many other voluntary organisations, Friends of the Earth Ltd is unable to reclaim all of its input VAT. In the year ended 31 May 1999 this amounted to £35,895 (1998: £38,390) which is 1% of our total expenditure.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

DIRECTORS' REMUNERATION

No directors have any interests in the company. S. Clarke, the Chair, received an honorarium of £5,000 to recompense him for time spent on the company's business. No other director received any remuneration for their services during the year.

AUDITORS

Hays Allan have indicated their willingness to continue in office and offer themselves for re-appointment in accordance with Section 385(2) of the Companies Act 1985.

Signed on behalf of the board,



S. Clarke
Chair of Board

Approved by the board on: 2nd October 1999

FRIENDS OF THE EARTH LIMITED**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 1999**

	Notes	1999 £	1998 £
INCOME			
Supporters' contributions	2	3,677,522	3,327,434
Gross (loss)/profit on trading	3	(16,399)	23,362
Other		377,247	123,503
TOTAL INCOME		<u>4,038,370</u>	<u>3,474,299</u>
EXPENDITURE			
Campaigning & information provision		3,111,648	2,782,172
Supporter servicing		208,836	226,407
Supporter recruitment		281,837	253,591
Fundraising		168,850	175,053
Trading		2,918	10,140
Management & administration		95,403	79,083
TOTAL EXPENDITURE	5	<u>3,869,492</u>	<u>3,526,446</u>
NET SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		168,878	(52,147)
EXCEPTIONAL ITEM			
Prior year irrecoverable VAT repayment	8	<u>-</u>	<u>430,767</u>
Surplus		168,878	378,620
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		1,031,627	653,007
ACCUMULATED SURPLUS		<u>1,200,505</u>	<u>1,031,627</u>

All recognised gains and losses are included in the income and expenditure account.

All transactions during the year are derived from continuing activities.

FRIENDS OF THE EARTH LIMITED**BALANCE SHEET AS AT 31 MAY 1999**

	Notes	1999 £	1998 £
TANGIBLE FIXED ASSETS	9	<u>195,565</u>	<u>199,566</u>
CURRENT ASSETS			
Stocks		20,636	39,157
Debtors	11	258,020	332,966
Cash at bank and in hand	12	1,157,554	781,330
		<u>1,436,210</u>	<u>1,153,453</u>
CREDITORS - DUE WITHIN ONE YEAR	13	<u>(431,270)</u>	<u>(321,392)</u>
NET CURRENT ASSETS		<u>1,004,940</u>	<u>832,061</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,200,505</u>	<u>1,031,627</u>
RESERVES			
Accumulated surplus		<u>1,200,505</u>	<u>1,031,627</u>

The accounts on pages 6 to 12 were approved by the board of directors on 2nd October 1999 and were signed on its behalf by:



S Clarke
Chair of the Board

FRIENDS OF THE EARTH LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 1999

	Notes	1999 £	1998 £
Operating profit/(loss)		168,878	(52,147)
VAT repayment	8	-	430,767
Interest receivable		(64,889)	(48,006)
Depreciation charges		97,156	96,861
Decrease/(Increase) in stocks		18,521	(33,324)
Decrease in debtors		74,946	59,475
Increase/(Decrease) in creditors		109,878	(92,239)
NET CASH INFLOW FROM ACTIVITIES		<u>404,490</u>	<u>361,387</u>
 Returns on investments and servicing of finance			
Interest received		64,889	48,006
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>64,889</u>	<u>48,006</u>
 Capital expenditure			
Payments to acquire tangible fixed assets	9	(93,155)	(54,678)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(93,155)</u>	<u>(54,678)</u>
 INCREASE IN CASH		<u>376,224</u>	<u>354,715</u>
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 1998		781,330	426,615
Net cash inflow		376,224	354,715
Balance as at 31 May 1999		<u>1,157,554</u>	<u>781,330</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 1999

1 ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared on the historical cost basis and in accordance with applicable accounting standards.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Income

Income arising from supporters' contributions and donations is accounted for as and when received.

Trading turnover consists of sales from our mail order catalogue and represents amounts invoiced, excluding value added tax.

Other income is accounted for on the accruals basis.

Fixed Assets

Fixed assets are written off in equal annual instalments over their estimated useful lives as follows:

Office furniture	-	10 years
Computers & office equipment	-	4 years
Computer software	-	2 years

Operating Leases

Payments made under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Reserves

Reserves are accumulated in order to have sufficient cash to meet any reasonably foreseeable circumstances and thus ensure the financial independence of the organisation.

2 SUPPORTERS' CONTRIBUTIONS

	1999	1998
	£	£
Committed giving (standing orders and direct debits)	2,587,470	2,472,380
Legacies	226,038	54,019
Other contributions	864,014	801,035
	<u>3,677,522</u>	<u>3,327,434</u>

3 TRADING

Trading turnover	68,222	61,268
Cost of sales	(43,173)	(37,906)
Bad debt written off in the year	(41,448)	-
Gross (loss)/profit on trading	<u>(16,399)</u>	<u>23,362</u>

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1999

4 CORPORATION TAX

The majority of the company's income is not taxable. Tax is only payable on trading activities. For the year ended 31st May 1999 the liability is nil (1998: nil).

5 EXPENDITURE

Included within expenditure are the following items:

	1999 £	1998 £
Donation to Friends of the Earth Trust Ltd	-	17,000
Staff costs (see note 6)	1,673,066	1,512,819
Depreciation of fixed assets	97,156	96,861
Auditors' remuneration	7,095	8,050
Hire of equipment under operating leases (see note 7)	42,783	41,598
Building leases rentals (see note 7)	<u>134,208</u>	<u>134,608</u>

6 EMPLOYEES AND STAFF COSTS

Salaries	1,525,868	1,380,242
National Insurance	<u>147,198</u>	<u>132,577</u>
Total staff costs	<u>1,673,066</u>	<u>1,512,819</u>

The average number of persons employed by the company during the year was 75 (1998: 71).

S. Clarke, the chair, received an honorarium of £5,000 (1998: £1,250) to recompense him for time spent on the company's business. No other director received any remuneration for their services during the year.

7 OPERATING LEASES

The company leases buildings and equipment on short-term leases. The annual rental on these leases was £176,991 (1998: £176,206). The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. The minimum annual rentals under the operating leases are as follows:

Building operating leases renewed annually	95,768	98,072
Building operating leases which expire within 5 years	15,866	7,678
Building operating leases which expire after 5 years	28,000	28,000
Equipment operating leases	<u>44,769</u>	<u>46,796</u>
	<u>184,403</u>	<u>180,546</u>

8 EXCEPTIONAL ITEM

In 1998 we were pleased to receive a repayment of VAT which amounted to £430,767. This amount related to VAT that we had paid over the previous 8 years and which, due to a ruling made in 1993, we found we were able to recover.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1999

9 FIXED ASSETS	Office Furniture	Computers & Office Equipment	Computer Software	Totals
COST	£	£	£	£
Balance at 1 June 1998	166,070	564,858	-	730,928
Additions	11,713	58,723	22,719	93,155
Disposals	-	-	-	-
Balance at 31 May 1999	<u>177,783</u>	<u>623,581</u>	<u>22,719</u>	<u>824,083</u>
DEPRECIATION				
Balance at 1 June 1998	34,895	496,467	-	531,362
Charge for the year	17,778	68,019	11,359	97,156
Disposals	-	-	-	-
Balance at 31 May 1999	<u>52,673</u>	<u>564,486</u>	<u>11,359</u>	<u>628,518</u>
NET BOOK VALUE				
At 31 May 1999	<u>125,110</u>	<u>59,095</u>	<u>11,360</u>	<u>195,565</u>
At 31 May 1998	<u>131,175</u>	<u>68,391</u>	-	<u>199,566</u>

10 CAPITAL COMMITMENTS	1999	1998
	£	£
Capital expenditure contracted for but not provided for in the accounts	<u>9,966</u>	<u>-</u>

11 DEBTORS		
Trade debtors	30,820	31,272
Prepayments and accrued income	30,553	216,168
Amount due from Friends of the Earth Trust Ltd	86,341	59,305
Other debtors	<u>110,306</u>	<u>26,221</u>
	<u>258,020</u>	<u>332,966</u>

12 CASH AT BANK AND IN HAND

Friends of the Earth does not hold any equity investments. Any spare cash that we have available is invested in banks that have an environmental policy, namely the Co-operative Bank and Triodos Bank. We seek to influence the investment policies of those banks by actively engaging in discussions with them and by running relevant campaigns.

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1999

	1999	1998
	£	£
13 CREDITORS - DUE WITHIN ONE YEAR		
Trade creditors	114,255	111,065
Taxation and National Insurance payable	54,735	49,932
Accruals and deferred income	230,506	123,519
Interest-free loans	5,000	5,000
Other creditors	26,774	31,876
	<u>431,270</u>	<u>321,392</u>

14 LIABILITY OF MEMBERS

In the event of a winding up, each member of the company is liable to contribute an amount not exceeding £1. At 31 May 1999 the number of members was 11 (1998: 11).

15 RECONCILIATION OF MOVEMENTS IN RETAINED FUNDS

There are no changes for the current or previous year other than the retained surplus in the income and expenditure account.