

**Friends of
the Earth**

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 2007

Company Number 1012357



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FRIENDS OF THE EARTH LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

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FRIENDS OF THE EARTH LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Friends of the Earth Limited is a company limited by guarantee, not having a share capital and is governed by its memorandum and articles of association

Company Registration Number	1012357
Registered Office	26-28 Underwood Street, London N1 7JQ
Tel	020 7490 1555
Fax	020 7490 0881
email	info@foe.co.uk
Web site	http://www.foe.co.uk

The majority of the Directors of the company are appointed by election from the Friends of the Earth Limited Local Groups. The remainder are co-opted for their skills and expertise. One third retire each year and may offer themselves for re-appointment. The Directors are responsible for setting policy and agreeing strategy. Those who held office during the year were

W Abbasi (appointed July 2006)	A Mc Murray (appointed Oct 2006)
S Clarke (retired July 2006)	J Mellor (retired Oct 2006)
D Coleman	C Parsons (appointed January 2006)
S Counsell (Chair, appointed January 2006)	F Pennycook (appointed October 2006)
S Edwards (appointed Oct 2006)	V Phillips (retired Oct 2006)
M Hammond	A Rae
J Kenward	U Luhde (Jan 2007)
A Lockley	P Whitney
M Jacob (died Oct 2006)	

The Board has 4 sub-committees: a Resources Committee (which looks at Finance, IT, HR), a Strategy and Performance Committee, an Activism Committee and a Governance Committee. The first three committees enable appropriate scrutiny and monitoring of different areas of the Friends of the Earth Ltd's work. The Governance Committee focuses on ensuring the quality of governance continually improves.

Company Secretary	S Welsh
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The day to day management is delegated to the Chief Executive (A Juniper), the Organisational Management Team (made up of employees selected for their expertise in the various activities of the organisation) and the Company's other staff.

Principal Advisors

Registered Auditors	Bankers
haysmacintyre	Co-operative Bank
Chartered Accountants	Manchester Business Centre, 1 Balloon Street,
Fairfax House, 15 Fulwood Place	Manchester, M60 4EP
London, WC1V 6AY	

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 May 2007

OBJECTIVES OF FRIENDS OF THE EARTH LIMITED

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

This has been a year of impact, inspiration and results. We have seen campaign successes across many strands of work including climate, food and waste. At the heart of these successes has been our growing local, national and international networks, comprising experts, activists and dedicated supporters who have helped us capture the imagination of thousands of people and gain their trust. Here are some highlights.

Climate change

Friends of the Earth Limited has worked closely with Friends of the Earth Trust in supporting its climate change campaign, the Big Ask. We motivated Local Groups and activists to lobby their MPs for a Climate Change Bill and succeeded in getting thousands of postcards signed in support. We seized the opportunity to get the Bill published a year earlier than anticipated during the Big Ask Big Month Big Lobby in October 2006 when we achieved mass mobilisation with the help of 180 Local Groups. By November 130,000 people had contacted their MP, two thirds of whom signed the Early Day Motion or equivalent in support of the Bill.

The result was a Climate Change Bill announced much earlier than we had dared to hope. But we still have unfinished business – the Bill is not yet law. Our campaign continues to get a Climate Change Law passed that sets tough targets, commits Government to annual reporting and includes emissions from aviation and shipping in its accounting.

Food for life

The food and farming industry is increasingly adopting practices that put profit before people and the planet. In the past 12 months we have worked to reduce the impact of supermarket power, contamination by genetically-modified food (GM) and intensive farming. We have helped people understand that producing high quality food need not destroy the environment and have put in place strategies to ensure this is what the future holds. Here's how.

i) Guarding against GM

A Government consultation into whether non-GM crops can be grown safely alongside GM crops began in July 2006. Our campaign calling for stricter co-existence rules generated over 11,000 responses to the consultation.

As a result of our work, Wales is maintaining a tough stance on this consultation. Going into Welsh Assembly elections in 2007, all parties claimed they did not want GM crops grown in Wales – in a bid to avoid the food contamination we have encountered in England.

For example, in August 2006 Bayer's experimental GM rice, grown in the United States, was discovered in the UK food chain – but the Food Standards Agency failed to respond adequately. We took the agency to judicial review over its failure to ensure illegal rice was removed from sale in the UK. Although the Judge did not rule the FSA had acted unlawfully, he highlighted mistakes it had made, such as not issuing a single food alert. The Agency has now committed to review how it handled the incident.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

We're also working to prevent GM contamination in Europe. We've inspired the European Commission to put in place emergency legislation to stop GM contaminated rice from being imported from the US, campaigned to reject the Agriculture Council's proposals to allow GM contamination in organic food, and ensured a pro-GM report was thrown out before it influenced EU biotech strategy.

ii) Competing with giants

The growing dominance of big supermarkets is detrimental for consumers, communities and the environment. In the past 12 months we have taken important steps forward in highlighting these negative impacts.

We pushed for the Office of Fair Trading to re-open its investigation into the negative impacts of supermarket power. Our demands saw success when the investigation was referred to the Competition Commission in autumn 2006. We've since put pressure on the Commission to ensure it curbs their power – with growing support from the public. Forty MPs also attended a Supersized Supermarkets event in February 2007 organised in coalition with Action Aid and War on Want.

Government is contemplating weakening planning policy to allow for more out-of-town supermarkets. In response, we published *Shopping the Bullies* in April 2007. The report shows why planning rules need to be strengthened and uses case studies to demonstrate to the Government and Competition Commission that supermarkets are getting away with bullying behaviour in their dealings with local planning authorities.

Our local group network has used elements of our national activity against supermarkets to highlight problems that they feel strongly about in their own area, which in turn adds weight to our overall campaign. More than 100 Shop Local First campaigns have encouraged consumers to change their shopping habits by advocating the environmental and economical benefits of using independent shops.

Putting a stop to the waste

Consuming less and re-using more will help us reduce our environmental impact. This year we have continued our longstanding campaign to cut waste and called for action to stabilise rising levels of waste, further increase recycling and prevent the use of incinerators.

The first phase of our European Stop the Waste campaign, in partnership with other European environmental NGOs, started in November 2006, seizing on an opportunity presented by the European Union's (EU) review of its main waste law. Over 4,000 emails were sent to MEPs as a result of the Stop the Waste online action, which helped to persuade the European Parliament's Environment Committee to support more action on waste prevention.

The campaign continued in February 2007 when we joined our European partners to meet MEPs in Strasbourg who were about to vote on revisions. The majority backed our key demands and voted for all EU countries to stabilise waste volumes at 2008 levels by 2012, recycle 50 per cent of municipal waste and 70 per cent of industrial, construction and demolition waste by 2020. Proposals to re-brand incinerators as 'efficient' were thrown out.

We also want the UK Government to get tough on waste and set an international precedent with stricter policies. In March 2007, we produced a local action guide on food waste collection. It has helped local groups encourage councils to introduce separate kerbside food waste collection – and played a part in shaping revisions to the England Waste Strategy, which we worked hard to influence.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

In the run up to the launch of the revised strategy in May 2007, we pressed for the inclusion of increased recycling targets, a ban on sending waste that can be re-used, recycled or composted to land fill or incineration, a tax on incineration, and for measures to prevent the amount of waste produced from rising beyond 2010 levels

The strategy set an un-ambitious target to recycle just half of household waste by 2020. However, we support much of the strategy, including generating renewable energy by putting food waste into anaerobic digestion, letting councils reward those who recycle more, reducing the use of incinerators and promoting weekly food waste collection

Capacity-building

Working with a broad base of different communities, individuals, organisations and local groups not only helps to shape our agenda, but also supports them in their work. The louder our combined voice becomes, the greater our successes will be.

The global environmental challenge is growing. More local groups and a stronger national and international presence mean we are better placed to implement and support local community campaigns, and support local groups and activists.

More than 21 new groups started up across the UK between June 2006 and May 2007, bringing our network total to 222. Meanwhile, England, Wales and Northern Ireland has twinned with Friends of the Earth in France and Malta to provide support and help develop capacity in these countries.

We're empowering our local contacts through training sessions designed to give them the skills and confidence to tackle environmental problems on their own doorsteps. In May 2007, the Power Up rights and justice training run by Friends of the Earth Trust in Birmingham enabled more than 50 local group members to understand regional legal and planning systems – helping them to ensure their voices are heard when decisions are being made about community developments.

Regional Reach

More campaigns are being made at regional level in **England**. Influencing these will give us greater opportunities to press home the need for sustainable development and practical solutions across the country. To do this, we have created a robust regional network of supports, experts and MPs.

Friends of the Earth **Cymru** is working in coalition with other NGOs and environmental organisations to oppose damaging developments throughout Wales.

We convinced the Welsh Assembly during a consultation period in October 2006 to ensure renewable energy sources are considered in planning guidelines. We published *A Green Wales Making it Happen* to outline our priorities in the run-up to Assembly elections.

Projects to protect Wales' rich biodiversity are ongoing. We are working with WWF and the RSPB to suggest how money could be better spent on renewable energy projects instead of a £15 billion barrage across the Severn Estuary that would destroy internationally important wildlife sites. A proposed 14km extension to the M4 also threatens a network of Sites of Special Scientific Interest. We are leading a project in alliance with a number of organisations to examine alternatives, including support for public transport.

Northern Ireland has the least protected environment in the UK and Ireland, but we aim to amend this situation through ongoing coalition work with other NGOs calling for an Independent Environmental Protection Agency (EPA). And we are making headway. An independent Government-appointed inquiry, The Review of Environmental Governance, recommended that an EPA be established. Five thousand postcards signed by members of the public in support of the campaign were presented to the Stormont Environment Committee. And four of the five main political parties have also backed our demand.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

FUTURE DEVELOPMENTS

Our work is not yet done - over the coming year we will continue to work with Friends of the Earth Trust to prevent climate change from reaching catastrophic levels. And our strong grass roots networks will continue to play a crucial role in our successes. Our new strategic plan will take us from June 2008 to 2013, with greater emphasis on those areas of work that have the potential to cause irreversible damage to the planet and the people and biodiversity that depend on it.

FINANCIAL REVIEW

The decrease of £0.5 million in total incoming resources to £4.8 million for the year ended 31 May 2007 is due to the fact that we now encourage new supporters to join Friends of the Earth Trust, a registered charity, so they can make their gift to us go further by taking advantage of Gift Aid.

Donations from individual supporters make up 97% of our total income, of which committed giving income (standing orders and direct debits) accounts for 87%. This regular, reliable source decreased by £0.3 million as new supporters joined Friends of the Earth Trust instead - donations from individual supporters of Trust increased by 23%. This regular income enables us to plan our future campaigns with confidence.

Charities and other non-profit organisations which rely on income from individuals often have higher costs of generating funds as generally it is more expensive to raise income in this way. The Directors consider that maintaining the company's financial independence ensures the integrity of its campaigning and information work.

We were disappointed that Legacy income decreased this year, by £0.1 million. However, this source of income is very unpredictable and fluctuates from year to year. Tax advantages make it beneficial to leave legacies to Trust which has found legacy income increase. We thank all those who remember us in their will.

We decreased our expenditure overall by £1.4 million. This is as a result of more work being done by the Trust which, as a charity, can now campaign as long as that campaigning furthers its charitable objects.

The employee and staff costs are detailed in Note 6 to the accounts but this does not take account of the tremendous contribution made by the thousands of volunteers who work throughout the organisation and without whom we could not achieve so much.

RESERVES

Overall there was a surplus of income over expenditure from ordinary activities in the year of £1,126,561. This has increased our reserves to £1,815,491. This level of reserves represents 26 weeks worth of normal operating expenditure and is above our policy detailed in Note 1.

We consider that the policy level of reserves is acceptable for a non-profit organisation of this size and complexity, especially in view of the amount of committed income pledged to the company. Therefore we do plan to spend the unexpectedly high surplus from this year and bring our reserves down in line with our policy.

We have no equity investments and hence these accumulated reserves are primarily represented by bank deposits. Our reserves and investment policies are set out in Note 1 to the accounts.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

Company law requires 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 and 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.

The Directors also confirm that they have made all necessary enquiries and taken such steps that they ought to, to ensure that they become aware of any relevant audit information and that they confirm that the charitable company's auditors have been made aware of such information.

RISK MANAGEMENT

The Directors have considered the major risks to which the company is exposed and confirm that systems have been established to mitigate those risks. This review, carried out annually by the Directors and senior staff, has identified that there are currently no significant risks which require urgent remedial action outside of the company's normal on-going systems and procedures.

RELATED PARTY

The work of Friends of the Earth Limited complements that of Friends of the Earth Trust Limited. The latter is a registered charity and it exists to protect and improve the environment, through campaigning, undertaking research, education and publishing and it provides an information service on environmental problems and their solutions. In 2006, Friends of the Earth Limited made an unrestricted grant of £500,000 to Friends of the Earth Trust.

Friends of the Earth Limited rents some of its office space from Friends of the Earth Trust. For administrative efficiency, the two companies also have members of staff in common and share a number of office services.

The value of these transactions is detailed in note 14 to the accounts.

AUDITORS

haysmacintyre 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.

Approved by the Directors on 3 November 2007 and signed on behalf of the board,



S COUNSELL Chair

FRIENDS OF THE EARTH LIMITED

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

We have audited the financial statements of Friends of the Earth Limited for the year ended 31 May 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

Company law requires 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 and 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.

The Directors also confirm that they have made all necessary enquiries and taken such steps that they ought to, to ensure that they become aware of any relevant audit information and that they confirm that the charitable company's auditors have been made aware of such information.

RISK MANAGEMENT

The Directors have considered the major risks to which the company is exposed and confirm that systems have been established to mitigate those risks. This review, carried out annually by the Directors and senior staff, has identified that there are currently no significant risks which require urgent remedial action outside of the company's normal on-going systems and procedures.

RELATED PARTY

The work of Friends of the Earth Limited complements that of Friends of the Earth Trust Limited. The latter is a registered charity and it exists to protect and improve the environment, through campaigning, undertaking research, education and publishing and it provides an information service on environmental problems and their solutions. In 2006, Friends of the Earth Limited made an unrestricted grant of £500,000 to Friends of the Earth Trust.

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The value of these transactions is detailed in note 14 to the accounts.

AUDITORS

haysmacintyre 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.

Approved by the Directors on 3 November 2007 and signed on behalf of the board,

S COUNSELL Chair

FRIENDS OF THE EARTH LIMITED

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

We have audited the financial statements of Friends of the Earth Limited for the year ended 31 May 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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.

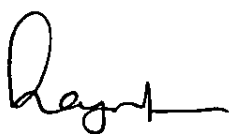
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

FRIENDS OF THE EARTH LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FRIENDS OF THE EARTH LIMITED (continued)

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company at 31 May 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements



haysmacintyre

Chartered Accountants, Registered Auditors

Fairfax House, 15 Fulwood Place, London, WC1V 6AY

3 November 2007

FRIENDS OF THE EARTH LIMITED
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2007

	Notes	2007 £	2006 £
INCOME			
Supporters' contributions	2	4,657,776	5,184,898
Gross profit on trading	3	15,147	17,591
Other	4	129,568	112,177
TOTAL INCOME		<u>4,802,491</u>	<u>5,314,666</u>
EXPENDITURE			
Campaigning & information provision		3,260,906	4,603,896
Supporter recruitment		136,639	159,199
Fundraising		216,801	287,316
Management & administration		61,584	71,138
TOTAL EXPENDITURE	5	<u>3,675,930</u>	<u>5,121,549</u>
NET SURPLUS FOR THE FINANCIAL YEAR		1,126,561	193,173
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR		688,930	495,757
ACCUMLUATED SURPLUS		<u>1,815,491</u>	<u>688,930</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
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2007

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ACCUMLUATED SURPLUS		<u>1,815,491</u>	<u>688,930</u>

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FRIENDS OF THE EARTH LIMITED
BALANCE SHEET AS AT 31 MAY 2007

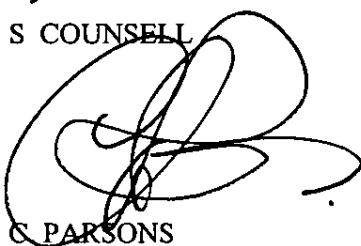
	Notes	2007 £	2006 £
TANGIBLE FIXED ASSETS	9	<u>186,202</u>	<u>289,695</u>
CURRENT ASSETS			
Debtors	10	1,761,380	703,890
Cash at bank		<u>502,328</u>	<u>324,458</u>
		2,263,708	1,028,348
CREDITORS - DUE WITHIN ONE YEAR	11	<u>(634,419)</u>	<u>(629,113)</u>
NET CURRENT ASSETS		<u>1,629,289</u>	<u>399,235</u>
NET ASSETS		<u>1,815,491</u>	<u>688,930</u>
RESERVES			
Accumulated Surplus		<u>1,815,491</u>	<u>688,930</u>

The accounts on pages 9 to 16 were approved by the Directors on 3 November 2007 and were signed on their behalf by



S COUNSELL

Chair of the Board



C. PARSONS

Director

FRIENDS OF THE EARTH LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2007

	Notes	2007 £	2006 £
Net incoming resources for the year		1,126,561	193,172
Adjusted by:			
Interest receivable		(28,271)	(6,305)
Depreciation charges		132,070	180,120
Loss on disposal of tangible fixed assets		-	-
(Increase) in debtors		(1,057,490)	(386,476)
Increase in creditors		5,306	37,060
NET CASH INFLOW FROM ACTIVITIES		<u>178,176</u>	<u>17,572</u>
Returns on investments and servicing of finance			
Interest received		28,271	6,305
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>28,271</u>	<u>6,305</u>
Capital Expenditure			
Payments to acquire tangible fixed assets	9	(28,577)	(172,844)
Receipts from disposal of assets		-	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(28,577)</u>	<u>(172,844)</u>
INCREASE/(DECREASE) IN CASH		<u>177,870</u>	<u>(148,967)</u>
ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2006		324,458	473,425
Net cash inflow/(outflow)		177,870	(148,967)
Balance as at 31 May 2007		<u>502,328</u>	<u>324,458</u>

FRIENDS OF THE EARTH LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2007

	Notes	2007 £	2006 £
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Adjusted by			
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Returns on investments and servicing of finance			
Interest received		28,271	6,305
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Capital Expenditure			
Payments to acquire tangible fixed assets	9	(28,577)	(172,844)
Receipts from disposal of assets		-	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(28,577)</u>	<u>(172,844)</u>
INCREASE/(DECREASE) IN CASH		<u>177,870</u>	<u>(148,967)</u>
ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2006		324,458	473,425
Net cash inflow/(outflow)		177,870	(148,967)
Balance as at 31 May 2007		<u>502,328</u>	<u>324,458</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared under the historical cost basis, in accordance with applicable accounting standards

Income

Income arising from supporters' contributions and donations is accounted for as and when received. Legacy income is credited when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Trading turnover consists of both sales from our Local Group mail order catalogue and of commission from the Natural Collection catalogue. Turnover represents amounts invoiced, excluding VAT.

Other income is accounted for on the accruals basis.

Fixed Assets

Fixed assets are stated at cost and are depreciated in equal annual instalments over their estimated useful lives as follows -

Fixtures, fittings and furniture	10 years
Computers and office equipment	4 years
Computer software	Individual purchases costing over £20,000 are depreciated over 4 years once software is in use

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

The company needs reserves in order to be able to cope with the difficulties of predicting levels of voluntary donations and to cover contingencies and unforeseen opportunities. The Directors review annually the level of reserves required and our policy is to maintain the minimum necessary to fund reasonably foreseeable working capital cash requirements. Our current policy is to hold 3-8 weeks of normal operating expenditure in reserves.

Investments

Friends of the Earth Ltd does not hold any equity investments. Any spare cash that we have available is invested in banks that have an effective environmental policy, namely the Co-operative Bank and Triodos Bank.

Foreign Currencies

Transactions in foreign currencies are translated at the rates ruling at the date of the transaction.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

2. SUPPORTERS' CONTRIBUTIONS

	2007	2006
	£	£
Committed giving (standing orders and direct debits) including magazine subscriptions	4,179,649	4,476,319
Legacies	19,452	97,232
Other supporters' contributions	458,675	611,347
	<u>4,657,776</u>	<u>5,184,898</u>

3. TRADING

	2007	2006
	£	£
Trading turnover	19,672	19,238
Cost of sales	-4,525	-1,647
	<u>15,147</u>	<u>17,591</u>

4. OTHER INCOME

Bank Interest	28,271	6,305
Pub Sales	60,065	49,808
Miscellaneous	41,232	56,064
	<u>129,568</u>	<u>112,177</u>

Miscellaneous income includes Local Group licences and Conference Fees

5. EXPENDITURE

The surplus for the year is after charging		
Staff costs (see note 6)	1,894,859	2,457,070
Depreciation of fixed assets	132,070	180,120
Auditors - statutory audit	7,900	7,678
Hire of equipment under operating leases (see note 8)	17,973	37,180
Building leases rentals (see note 8)	120,053	112,943
	<u></u>	<u></u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

6. EMPLOYEES AND STAFF COSTS

Salaries	1,671,494	2,187,523
National Insurance	166,983	204,215
Pension	<u>56,382</u>	<u>65,332</u>
	<u>1,894,859</u>	<u>2,457,070</u>

The average number of persons (full-time equivalent) employed by the company during the year was 56 (2006 83)

Number of employees who earn over £60,000	<u>1</u>	<u>1</u>
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This salary was split equally between Friends of the Earth Trust Ltd and Friends of the Earth Ltd

The company operates a Group Personal Pension Plan for the benefit of its employees. This is administered separately from the company. The company matches contributions made by employees up to 6% of their salary each year and these costs are charged to the statement of financial activities as incurred.

7. DIRECTORS' REMUNERATION

No directors have any interests in the company. S Counsell, the Chair, received an honorarium of £5,780 (2006 £5,752) to recompense him for time spent on the company's business, in accordance with arrangements agreed on his appointment. No other director received any remuneration for his or her services as a director during the year.

8. OPERATING LEASES

The company leases buildings and equipment on short term leases and these are subject to re-negotiation at various intervals specified in the leases. The annual rental paid on leases in operation during the year was £138,026 (2006 £150,123). As at 31 May 2007, the minimum annual commitments under the leases are as follows:

	2007	2006
	£	£
Building operating leases renewed annually	55,518	125,409
Building operating leases which expire within 5 years	35,154	44,594
Building operating leases which expire after 5 years	70,544	23,000
Equipment operating leases	<u>58,603</u>	<u>58,603</u>
	<u>219,819</u>	<u>251,606</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

9. FIXED ASSETS

	Computers			
	Office	and Office	Computer	
	Furniture	Equipment	Software	Totals
	£	£	£	£
COST				
Balance at 1 June 2006	281,410	620,702	352,627	1,254,739
Additions	98	28,479	-	28,577
Disposals	-	-	-	-
Balance at 31 May 2007	<u>281,508</u>	<u>649,181</u>	<u>352,627</u>	<u>1,283,316</u>
DEPRECIATION				
Balance at 1 June 2006	218,559	527,103	219,382	965,044
Charge for the year	17,119	48,090	66,861	132,070
Disposals	-	-	-	-
Balance at 31 May 2007	<u>235,678</u>	<u>575,193</u>	<u>286,243</u>	<u>1,097,114</u>
NET BOOK VALUE				
At 31 May 2007	<u>45,830</u>	<u>73,988</u>	<u>66,384</u>	<u>186,202</u>
At 31 May 2006	<u>62,851</u>	<u>93,599</u>	<u>133,245</u>	<u>289,695</u>

10. DEBTORS

	2007	2006
	£	£
Trade debtors	20,006	29,120
Prepayments and accrued income	79,276	102,578
Amount due from Friends of the Earth Trust Ltd	1,395,948	483,948
Other debtors	<u>266,150</u>	<u>88,244</u>
	<u>1,761,380</u>	<u>703,890</u>

11. CREDITORS - DUE WITHIN ONE YEAR

Trade creditors	276,907	126,602
Accruals and deferred income	163,178	174,585
Interest-free loans	5,000	18,093
Other creditors	<u>189,334</u>	<u>309,833</u>
	<u>634,419</u>	<u>629,113</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

12. 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 2007 the number of members was 11 (2006 11)

13. 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

14. RELATED PARTY TRANSACTIONS

The relationship between Friends of the Earth Trust Limited and Friends of the Earth Limited is explained in the Directors' Report on page 6. During the year Friends of the Earth Trust Limited paid Friends of the Earth Limited for the following items

Shared office services (*)	<u>1,039,687</u>	<u>463,771</u>
Total expenditure by Friends of the Earth Trust	1,039,687	463,771
Less rent charged by Friends of the Earth Trust	<u>(86,954)</u>	<u>(73,465)</u>
Net Due	<u>952,733</u>	<u>390,306</u>
Amount owing by Friends of the Earth Trust at year end	<u>1,395,948</u>	<u>483,948</u>

* Shared office services include the costs of finance, personnel, IT and office facilities support functions which the Directors consider is a cost effective means of acquiring these services

During the year ended 31 May 2007, Friends of the Earth Limited made no grant to Friends of the Earth Trust (2005/06 £500,000)

15. CORPORATION TAX AND VAT

The majority of the company's income is not taxable. Tax is only payable on any taxable profit from trading activities. For the year ended 31 May 2007 the liability is Nil (2006 nil)

In common with many other voluntary organisations, Friends of the Earth Limited is unable to reclaim all of its input VAT. In the year ended 31 May 2007 this amounted to £41,986 (2006 £78,845), which is 1% of our total expenditure