

**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 2008

Company Number 1012357

FRIDAY



A592U5E3

A59

05/12/2008

216

COMPANIES HOUSE

FRIENDS OF THE EARTH LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2008

CONTENTS	Page
Legal and Administrative Information	1
Directors' Report	2 - 7
Auditors' Report	8 - 9
Income and Expenditure Account	10
Balance Sheet	11
Cashflow Statement	12
Notes to the Accounts	13 - 17

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	A. Lockley (resigned February 2008)
D. Coleman	U Luhde
S. Counsell (Chair)	A. Mc Murray
S. Edwards	C. Parsons
H. Griffiths (appointed November 2007)	F. Pennycook
M. Hammond	A. Rae
J. Kenward (resigned November 2007)	P. Whitney

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: E. Kavanagh

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 2008.

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 supported Friends of the Earth Trust in its climate change campaign, the Big Ask. We have motivated our Local Groups and activists to lobby their MPs for a Climate Change Bill which is strong and includes emissions from shipping and aviation.

Not just food for thought

We continue to look for new ways to get to the heart of the challenges that we face, and have ventured into a new area of campaigning by influencing competition policy on supermarkets. We put the spotlight on the negative impacts they have on communities and the environment, and steered the outcome of the Competition Commission inquiry into their trading practices and impacts on smaller shops. What's more we've harnessed the public's growing concern about supermarket dominance and shown them ways to stand up to chain store giants.

The Commission has remained under consistent pressure from us and our supporters since the start of the inquiry, which was instigated by Friends of the Earth, the Association of Convenience Stores and other allies in 2006. We have followed the inquiry closely, influencing thinking at each stage, and securing key wins including in February 2008 the Commission backing down on damaging recommendations to free up the planning system to allow more out-of-town supermarkets to be built.

We engaged thousands of people, helping them understand the harsh reality of supermarket practices and giving them the opportunity to make a positive difference. Around 35,000 postcards and emails were sent to the Commission asking for a stricter code of conduct for supermarkets – 11,500 of which were via Friends of the Earth postcard and online actions.

The Commission published its final report in April 2008 agreeing to two of our key demands: to toughen up the Code of Practice which governs dealings between supermarkets and their suppliers; and to recommend the appointment of an independent Ombudsman to police it.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

Our actions had positive repercussions when we took the Food Standards Agency (FSA) to Judicial Review over its failure to act on illegal genetically modified (GM) rice in February 2007. When a second GM contamination was discovered in December 2007, the FSA called a scoping meeting with the food industry and NGOs before issuing a food alert to local authorities. The EU has since issued an Emergency Decision to block further imports of GM-contaminated rice to prevent widespread contamination.

Our work to keep close tabs on the big three supermarkets and to put a stop to GM contamination will continue. We will push for policy frameworks that allow sustainable farming methods and local shops to flourish. Over the next five years our work will raise awareness of the adverse impacts of food production and build public support for targets to reduce these impacts as we place extra emphasis on climate change and biodiversity.

Living within our limits

We have a responsibility to respect the planet's natural limits. But understanding what these limits are must come first. We have made progress in showing why and how we can consume less and re-use more in the UK and across Europe.

We continue to identify and take opportunities to influence EU waste policy at European Commission and Parliament level – the EU sets most of the environmental laws for member states, including the UK. Therefore campaigning at European level is important to ensure that the right targets are set to guide the UK Government in the way that it deals with waste. It is also important that Friends of the Earth England, Wales and Northern Ireland aligns its work at EU level with that of Friends of the Earth Europe. Our co-ordinated approach is streamlined and has greater impact, allowing us to share campaign skills and achieve campaign wins on a larger scale.

We supported local independent campaigners in setting up the UK Without Incineration Network (UKWIN) in March 2007 to co-ordinate the growing number of anti-incinerator campaigns across the UK. These campaigns have been formed in response to the increase in planned incinerators since EU targets stopped biodegradable waste going to landfill. Over the past year UKWIN has secured funding, appointed a part-time co-ordinator and set up a steering committee with Friends of the Earth representation.

We're encouraging policy makers to cut waste, and suggesting ways they could do this. *Friends of the Earth Residual Waste Research* was published in October 2007, that explained how recycling could be increased and waste reduced at local level. We went on to hold workshops for local people on how to act on the outcomes of the report and persuade councils to improve recycling and composting rates.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

Capacity-building

Our local groups network, as well as individual volunteers, have achieved local successes and contributed to national wins.

In 2007/08 we welcomed 15 new local groups, bringing the total to 233 – our highest number yet. These include: Barnsley; Bedford; Bury St Edmunds; Cheadle & Cheadle Hulme; Doncaster; Mole Valley; Middlesbrough & Redcar; North Staffordshire; Totton & Eling; Wanstead & Woodford; Wearside; Whitby & District; Heart of Wales; Llangollen & District; and Neath Port Talbot.

More and more groups have been inspired to take an innovative approach towards campaigns: The Southwark group launched Homes Going Green in SE15, a five-month programme of interactive workshops on greener living designed to engage people from different ethnic, faith and socio-economic backgrounds. The project will be shared as a model for working with disadvantaged groups.

South Bedfordshire Friends of the Earth secured £7 million of government funding to turn a new housing development into a national example of sustainable transport with better bus links and pedestrian and cycle paths. Members have joined the project steering group and are working with the Council to protect local biodiversity.

For Friends of the Earth groups in Northern Ireland, improvisation was the order of the day in December 2007 when they teamed up with Christian Aid, Trócaire and Eco-Congregation Ireland for a synchronised bell-ringing event in churches and cathedrals across Ireland. The event took place at 2pm to represent the need to prevent temperatures from rising more than 2 degrees Celsius.

We're also creating new ways for people to get involved in our work. The Campaign Champions network was launched in 2007 for those who want to do something but cannot commit the time to joining a local group. To date 2,000 people have signed up.

Regional Reach

Policy decisions made at regional level also have a national impact. We have been influencing regional and devolved government with our work in England's nine regions, Wales and Northern Ireland.

In **England** in July 2007 we published the report *How Green is my Region?* which measured Regional Assemblies' progress in taking forward a sustainable agenda for economic growth, despite pressure from the Government to pursue growth by other means. Friends of the Earth invited fellow NGOs, Regional Development Agencies, Regional Assemblies, the UK Sustainable Development Commission and Government departments to a seminar at the end of 2007 to help shape future sustainable policies.

Highlights of other regional activity include:

Persuading seven of the nine regions in England to set targets for greenhouse gas emission reductions in their Regional Spatial Strategies.

Securing the initial rejection of the proposed Thames Gateway Bridge after sustained campaigning in London. We carried out research which revealed how the bridge would generate more traffic, noise and pollution in the surrounding area. As a result, when the public inquiry into the environmental impacts of the proposed bridge concluded in July 2007, the Inspector rejected the scheme. The Government has since announced that it will re-open the inquiry to explore potential regeneration benefits, so our work will continue.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

Undertaking a survey in the South West which revealed that 250 community groups were involved in activity around climate change. *A Movement of the People: Community Climate Action in SW England* persuaded the Regional Assembly to draw up a climate change action plan. We went on to persuade several other regions to adopt similar plans.

In **Wales**, Friends of the Earth Cymru convinced the Welsh Assembly Government to set an annual CO₂ emissions reduction target of 3 per cent in areas of devolved power by 2011. The Assembly has also followed our recommendation and appointed an Environment Minister – Jane Davidson – with responsibility for climate change, energy, housing and planning. Friends of the Earth Cymru is represented on three of the working groups established as part of the new Climate Change Commission for Wales.

In **Northern Ireland**, Friends of the Earth has been instrumental in persuading the Northern Ireland Assembly to opt into the Climate Change Bill. More than half of the Assembly Members have signed a pledge supporting country-specific targets. Persistent lobbying around the Bill also led to the formation of the Climate Change Coalition in October 2007, the Northern Ireland equivalent of Stop Climate Chaos.

Working in partnership with other environment and development organisations has strengthened our presence in Northern Ireland. And we are also working with Christian, Islamic and Jewish faith groups. A groundbreaking meeting in May 2008 saw 25 leaders from different faith groups discuss how climate change relates to issues that are central to their faiths. Further meetings are planned.

FUTURE DEVELOPMENTS

We've done the groundwork over the past five years that has shaped an ambitious new plan for 2008-13. We will support Friends of the Earth Trust in its objectives and respond to the scale and urgency of the environmental challenges that we now face and will engage more people to have a greater impact.

While we have won a number of campaigns over previous decades – acid rain, better protection for the UK countryside, higher levels of recycling, cleaner air and water – global climate change and biodiversity loss threaten to engulf these victories. We will therefore focus on these two critical issues, supporting Trust to scale up the campaigns to beat climate change and protect biodiversity, as well as creating a fairer society and economics that work for everyone.

We have seen surge of public concern in response to these environmental challenges. Harnessing this mainstream awareness and engaging larger numbers of people in our work will help secure the solutions needed. We will continue to seek change locally, nationally and internationally, with greater emphasis on global priorities. Our reputation built over four decades that combines sound research with sharp campaigning; our local groups network and support of Friends of the Earth Limited; and our ability to work with other charities, non-governmental organisations and our sister organisations around the world are all strengths we can play to. But our new approach will be different. It will focus on pushing for solutions.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW

The decrease of £0.9 million in total incoming resources to £3.9 million for the year ended 31 May 2008 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 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 88%. 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 to just over £1000. However, this source of income is very unpredictable and fluctuates from year to year. Tax advantages make it beneficial to leave legacies to Friends of the Earth Trust which is a charity and has found legacy income increase over past years. We thank all those who remember us in their will.

We increased our expenditure overall by £0.3 million. This includes a grant made to Friends of the Earth Trust of £200,000.

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 deficit of income over expenditure from ordinary activities in the year of £90,079. This has reduced our reserves to £1,725,412. This level of reserves represents 23 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.

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 2008, Friends of the Earth Limited made an unrestricted grant of £200,000 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.

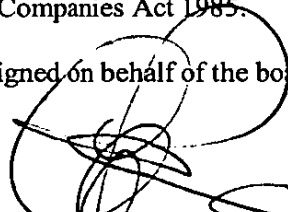
AUDITORS

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 1 November 2008 and signed on behalf of the board,



S. COUNSELL Chair



C. PARSONS

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 2008 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.

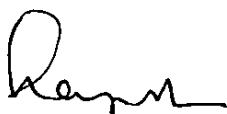
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 company as at 31 May 2008 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 Director's Report is consistent with the financial statements.



haysmacintyre

Chartered Accountants, Registered Auditors

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

Date: 1 November 2008

FRIENDS OF THE EARTH LIMITED
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2008

	Notes	2008 £	2007 £
INCOME			
Supporters' contributions	2	3,783,697	4,657,776
Gross profit on trading	3	5,594	15,147
Other	4	97,422	129,568
TOTAL INCOME		<u>3,886,713</u>	<u>4,802,491</u>
EXPENDITURE			
Campaigning & information provision		3,569,992	3,260,906
Supporter recruitment		129,806	136,639
Fundraising		206,296	216,801
Management & administration		70,698	61,584
TOTAL EXPENDITURE	5	<u>3,976,792</u>	<u>3,675,930</u>
NET (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(90,079)	1,126,561
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR		1,815,491	688,930
ACCUMLUATED SURPLUS		<u>1,725,412</u>	<u>1,815,491</u>

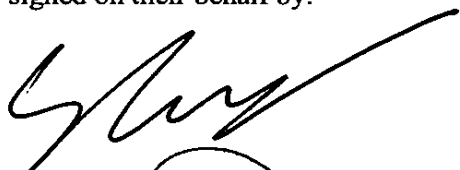
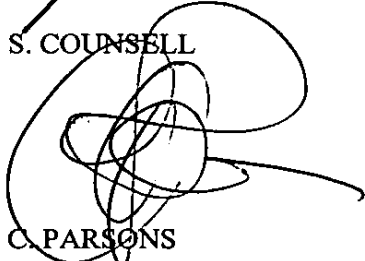
All recognised gains and losses are included in the income and expenditure account.

All transactions during the year are derived from continuing activities.

FRIENDS OF THE EARTH LIMITED
BALANCE SHEET AS AT 31 MAY 2008

	Notes	2008 £	2007 £
TANGIBLE FIXED ASSETS	9	<u>201,490</u>	<u>186,202</u>
CURRENT ASSETS			
Debtors	10	1,119,979	1,761,380
Cash at bank		1,217,206	502,328
		<u>2,337,185</u>	<u>2,263,708</u>
CREDITORS - DUE WITHIN ONE YEAR	11	<u>(813,263)</u>	<u>(634,419)</u>
NET CURRENT ASSETS		<u>1,523,922</u>	<u>1,629,289</u>
NET ASSETS		<u><u>1,725,412</u></u>	<u><u>1,815,491</u></u>
RESERVES			
Accumulated Surplus		<u>1,725,412</u>	<u>1,815,491</u>

The accounts on pages 10 to 17 were approved by the Directors on 1 November 2008 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 2008

	Notes	2008 £	2007 £
Net incoming resources for the year		(90,079)	1,126,561
Adjusted by:			
Interest receivable		(22,778)	(28,271)
Depreciation charges		120,668	132,070
(Increase) in debtors		641,401	(1,057,490)
Increase in creditors		178,844	5,306
NET CASH INFLOW FROM ACTIVITIES		<u>828,056</u>	<u>178,176</u>
Returns on investments and servicing of finance			
Interest received		22,778	28,271
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>22,778</u>	<u>28,271</u>
Capital Expenditure			
Payments to acquire tangible fixed assets	9	(135,956)	(28,577)
Receipts from disposal of assets		-	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(135,956)</u>	<u>(28,577)</u>
INCREASE IN CASH		<u>714,878</u>	<u>177,870</u>
ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2007		502,328	324,458
Net cash inflow		714,878	177,870
Balance as at 31 May 2008		<u>1,217,206</u>	<u>502,328</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2008

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 2008

2. SUPPORTERS' CONTRIBUTIONS

	2008	2007
	£	£
Committed giving (standing orders and direct debits) including magazine subscriptions	3,432,272	4,179,649
Legacies	1,050	19,452
Other supporters' contributions	<u>350,375</u>	<u>458,675</u>
	<u><u>3,783,697</u></u>	<u><u>4,657,776</u></u>

3. TRADING

	2008	2007
	£	£
Trading turnover	21,322	19,672
Cost of sales	<u>(15,728)</u>	<u>(4,525)</u>
	<u><u>5,594</u></u>	<u><u>15,147</u></u>

4. OTHER INCOME

Bank Interest	22,778	28,271
Pub Sales	46,236	60,065
Miscellaneous	<u>28,408</u>	<u>41,232</u>
	<u><u>97,422</u></u>	<u><u>129,568</u></u>

Miscellaneous income includes Local Group licences and Conference Fees. The previous year also included compensation awarded in legal cases that were won.

5. EXPENDITURE

The surplus for the year is after charging:

Staff costs (see note 6)	2,004,911	1,894,859
Depreciation of fixed assets	120,668	132,070
Auditors - statutory audit	7,600	7,900
Hire of equipment under operating leases (see note 8)	21,591	17,973
Building leases rentals (see note 8)	<u>137,436</u>	<u>120,053</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2008

6. EMPLOYEES AND STAFF COSTS

Salaries	1,776,824	1,671,494
National Insurance	172,344	166,983
Pension	55,743	56,382
	<u>2,004,911</u>	<u>1,894,859</u>

The average number of persons (full-time equivalent) employed by the company during the year was 57 (2007: 56). The emoluments, including pension and other benefits, of higher paid staff are shown in the table below:

Number of employees who earn £60,000 - £69,999	-	1
Number of employees who earn £70,000 - £79,999	1	-

This salary was split between Friends of the Earth Trust Ltd and Friends of the Earth Limited, which paid 38% of it.

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. Simon Counsell, the Chair, received an honorarium of £14,285 (2007: £5,780) 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 £159,027 (2007: £138,026). As at 31 May 2008, the minimum annual commitments under the leases are as follows:

	2008	2007
	£	£
Building operating leases renewed annually	8,542	55,518
Building operating leases which expire within 5 years	35,492	35,154
Building operating leases which expire after 5 years	70,984	70,544
Equipment operating leases	58,603	58,603
	<u>173,621</u>	<u>219,819</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2008

9. FIXED ASSETS

	Computers			
	Office	and Office	Computer	
	Furniture	Equipment	Software	Totals
	£	£	£	£
COST				
Balance at 1 June 2007	281,508	649,181	352,627	1,283,316
Additions	7,428	63,481	65,047	135,956
Disposals	-	-	-	-
Balance at 31 May 2008	<u>288,936</u>	<u>712,662</u>	<u>417,674</u>	<u>1,419,272</u>
DEPRECIATION				
Balance at 1 June 2007	235,678	575,193	286,243	1,097,114
Charge for the year	13,253	52,382	55,033	120,668
Disposals	-	-	-	-
Balance at 31 May 2007	<u>248,931</u>	<u>627,575</u>	<u>341,276</u>	<u>1,217,782</u>
NET BOOK VALUE				
At 31 May 2008	<u>40,005</u>	<u>85,087</u>	<u>76,398</u>	<u>201,490</u>
At 31 May 2007	<u>45,830</u>	<u>73,988</u>	<u>66,384</u>	<u>186,202</u>

10. DEBTORS

	2007	2007
	£	£
Trade debtors	15,801	20,006
Prepayments and accrued income	146,720	79,276
Amount due from Friends of the Earth Trust Ltd	865,497	1,395,948
Other debtors	<u>91,961</u>	<u>266,150</u>
	<u>1,119,979</u>	<u>1,761,380</u>

11. CREDITORS - DUE WITHIN ONE YEAR

Trade creditors	411,245	276,907
Accruals and deferred income	159,476	163,178
Interest-free loans	5,000	5,000
Other creditors	<u>237,542</u>	<u>189,334</u>
	<u>813,263</u>	<u>634,419</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2008

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 2008 the number of members was 11 (2007: 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>1,237,803</u>	<u>1,039,687</u>
Total expenditure by Friends of the Earth Trust	1,237,803	1,039,687
Less rent charged by Friends of the Earth Trust	<u>(99,586)</u>	<u>(86,954)</u>
Net Due	<u>1,138,217</u>	<u>952,733</u>
Amount owing by Friends of the Earth Trust at year end	<u>865,497</u>	<u>1,395,948</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 2008, Friends of the Earth Limited made a grant to Friends of the Earth Trust of £200,000 (2006/07: £ nil).

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 2008 the liability is Nil (2007: 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 2008 this amounted to £65,103 (2007: £41,986), which is 1.6% of our total expenditure.