



**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 2011

Company Number 1012357

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FRIENDS OF THE EARTH LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

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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:

J Birch	D. Horsman
D Coleman (retired October 2010)	Dr M. Hughes (resigned February 2011)
S. Counsell (Chair)	B. Jackson
J. Gold	C. Parsons (resigned November 2010)
F. Green (appointed October 2010)	A. Rae
H. Griffiths	Dr T. Sayer (appointed October 2010)
J. Halladay	P. Whitney
M. Hammond (retired October 2010)	

The Board has 3 sub-committees: an Organisational Excellence Committee (which looks at Finance, governance and resource matters), a Campaigns Committee, and an Engagement Committee. The committees enable appropriate scrutiny and monitoring of different areas of the Friends of the Earth Limited's work.

Executive Director:	A. Atkins
Company Secretary:	E. Kavanagh

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

Principal advisers

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

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 May 2011.

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. In these ways it also supports Friends of the Earth Trust, a charity, to achieve its charitable objectives.

REVIEW OF ACTIVITIES

This year Friends of the Earth marked 40 years of campaigning for the environment. Over the decades we have developed a pioneering reputation, being in the vanguard of the UK movement from the 1970's. Our local groups have taken practical action on issues from recycling and incinerators to establishing nature reserves. We have demonstrated repeatedly how enabled citizens can influence their neighbours and both local and national Government. With our international network we have had many successes, ranging from making a major contribution to achieving the UN Convention on Climate Change, and putting tropical forest conservation on the international agenda, to exposing the impact of oil and gas drilling.

Friends of the Earth Limited worked closely with Friends of the Earth Trust by providing support to its climate change campaign, Get Serious about CO₂, through motivating our Local Groups and activists to lobby their councils to adopt a target of 40% per capita reduction in emissions by 2020. We also supported the Food Chain Campaign to make one of the most polluting industries, meat & dairy, more planet-friendly.

Friends of the Earth Limited undertakes campaigning work that it would not be appropriate for the charity to do and, as such, concentrates on three fronts - building on our collaboration with overseas organisations; supporting and encouraging local, regional and national groups in their work; and coordinating national activism by developing an effective network. At the heart of our successes have been these networks; comprising experts, activists and dedicated supporters who have helped us capture the imagination of thousands of people and gain their trust.

CLIMATE CHANGE

International

As part of Friends of the Earth International we have been a major presence at United Nations climate talks, helping to support developing countries in their push for a strong and fair international climate agreement. These countries have done the least to cause climate change but some are already suffering the impacts of higher global temperatures. In talks in Germany, China and Mexico we continued to push for agreement on cutting emissions as well as suggesting practical solutions, such as the introduction of a new tax on financial transactions to provide the money to help developing countries.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

During the talks Friends of the Earth International organised a convoy of 250 people from the Chiapas region of Mexico, already affected by the impacts of climate change (increased frequency of heat waves and floods, lower annual rainfall), to demonstrate and march through Cancun with thousands of people from other groups, calling for strong and fair action on climate change.

Activism

We have helped 68 of our volunteer groups to take action locally, including organising public meetings, carrying out surveys, meeting their MP's and undertaking media work. We are delighted that 16 of our local groups have persuaded their councils to adopt motions to make deep emissions cuts - bringing the total number to 20. As the only national organisation successfully working on climate change at a local government level, our campaign is having a real impact. Our work is helping councils who want to act on climate change to do so and is building momentum for all to act.

Incinerators are often seen by government and industry as a solution to waste, but they have many problems. They burn resources that could be recycled - producing pollution and climate changing emissions; they are expensive to install and run; they create fewer jobs than recycling and they are highly inefficient at creating energy from the waste they burn. Friends of the Earth local groups have been working with the UK Without Incinerators Network (UKWIN) against plans for incinerators across the country - and promoting alternatives - with great success, including Chesterfield, Shepshed, Coventry and Shrewsbury.

Regions and Nations

Our local groups continued to inspire councils in spite of the pressures of the spending cuts. We are raising awareness of action by councils who are confident that they can make financial savings through low carbon solutions.

Plans for a bio-liquids power station in Bristol were made more sustainable thanks to the work of local people. After a huge local campaign Bristol City Council refused a planning application because of concerns over the environmental impacts of bio-liquid production.

Over the past year we have been working with the residents of Merthyr Tydfil opposing a new incinerator in the town. If built this would be one of the largest in the UK and add further to the dirty industry that already blights the area. So far 10,500 people have registered to object to the project and we have commissioned research showing that 3,000 jobs could be created by boosting recycling as an alternative to incineration.

Over the coming year we will be campaigning on the Localism Bill to ensure that planning reforms deliver a low carbon future for this country instead of the same old carbon-intensive economic growth.

BIODIVERSITY / FOOD CHAIN / BIOFUELS

International

During the year we have continued to work through our international network to help local people to combat intensive soy monoculture in Paraguay that feeds the EU meat

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

and dairy industry. We have also managed to get our views heard by EU politicians responsible for the new Common Agricultural Policy - the final report recognised that intensive livestock production is an issue that needs to be addressed.

What are we hoping to achieve overall?

- A Common Agricultural Policy that encourages sustainable farming and the protection of natural resources
- Removal of billions of pounds worth of subsidies currently propping up the factory farming industry
- Breaking European dependence on imported soy in favour of locally produced, sustainable feeds.
- The halt of palm oil expansion and decrease in rate of deforestation
- Increased national and international awareness of the issues
- Effective government action in addressing the underlying issues

Activism

As a result of support for Friends of the Earth Trust's Food Chain campaign, we recruited 844 new individual activists, many attracted by our fresh approach in "*Join the MOOvement*", which was given Highly Commended recognition at a social media communications awards. Around 40,000 postcards and 20,000 emails were sent to MPs, urging them to fix the food chain. We made extensive use of new media such as Twitter, Facebook and virals and we'll seek to build on this experience in future campaigns. The Government has committed to play its part in reducing the impact of meat and dairy farming on the planet - in March Jim Paice, Farming Minister, made this pledge at an event attended by experts from farming, academia, retail, government and campaigning organisations.

Regions and Nations

The local group network contributed greatly to the Food Chain campaign, with groups getting public support for the Bill in Robert Ffello's constituency; having a presence at all of the major party conferences prior to the second reading of the Livestock Bill; and forging links with local farmers and schools. Local groups in Wales found the campaign to be very relevant to them and were able to approach it in a way that suited the geographical, political and farming situation in Wales.

FUTURE DEVELOPMENTS

2010 / 11 was the third year of the strategic plan that was devised for the period from 2008 to 2013. The mid-point of the period was taken as an opportunity to review our achievements to date and focus going forward, particularly as key members of the senior management team were only recently appointed. The outcome of the review was a refined statement of the organisation's mission, vision and values and a statement of the concept of a route map to the year 2050, when we hope to have been instrumental in bringing about a new era when man will live within sustainable environmental limits. This will only be achievable through incremental and far-reaching political change - in the first place in the UK and EU, and then, from the example set, to the rest of the world.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

We will develop and advocate fair solutions to environmental problems. We will have the most impact through campaigning, seeking changes in legislation and opinion as well as reaching out to a broader and deeper supportive audience.

In order to work towards our vision, we have identified 5 areas that need to make transformative change in the world throughout the 40 year period:

- a) Climate and energy security - Friends of the Earth will identify and promote the policies, finance and other measures needed to deliver dramatic and rapid step change in the uptake of renewable energy and energy saving, challenging the UK to end its addiction to fossil fuels and explore the potential role of greening cities
- b) Land, food and water security - Friends of the Earth will research and advocate policies and practices that will provide food sustainably for a growing global population such as livestock production systems that reduce inputs (oil, fertiliser, imported feeds) and benefit biodiversity and carbon storage
- c) Nature and eco-systems security - Friends of the Earth will rebuild the biological foundation upon which our society depends, including abundance of species and healthy ecosystems and, in so doing, the relationship between people, the economy and ecosystems.
- d) Economics and resource use - Friends of the Earth will develop the expertise and alliances to provide an analysis of the economic and resource use driver that will underpin and support all the other programme areas
- e) Fair and planned transition - Working with others to significantly scale up the informing and empowerment of local groups and communities in the UK to promote a transition to sustainable development.

Development of thinking and changes made in these areas will contribute to and inform the way that we put together our iconic, motivating and engaging campaigns - pieces of work that will create the image of Friends of the Earth that most people see, and that deliver on as many of the policy areas as is reasonable, practical and achievable

FINANCIAL REVIEW

We are pleased to report an increase of £0.5 million in total income to £2.8 million for the year ended 31 May 2011.

Donations from individual supporters make up 71% of our total income, of which committed giving income (standing orders and direct debits) accounts for 69%. 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 11% this year (by over £0.6 million). This regular income enables us to plan our future campaigns with confidence.

The proportion of donation income of total income has decreased markedly from last year due to an increase in non-donation income including a refund from HMRC of £675k. This refund was for VAT incurred between 1974 and 1997 which could be refunded as a result of applying recent case law and included backdated interest.

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.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

We were satisfied to see Legacy income increase this year, by £26,426. This source of income is very unpredictable and fluctuates from year to year. We thank all those who remember us in their will.

We decreased expenditure overall by £0.4 million. This included making a grant to Friends of the Earth Trust of £730,000.

RESERVES

Overall there was a deficit of expenditure over income from ordinary activities in the year of £6,957. This reduced reserves to £1,602,829 and is in line with our strategic plan. Our current level of reserves represents almost 30 week's worth of normal operating expenditure which is above our policy but is intentional to support the charity should it need further funds.

We consider that the current 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.

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.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (continued)

accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 ongoing 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 2011, Friends of the Earth Limited made an unrestricted grant of £730,000 to the charity.

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 the Companies Act 2006.

Approved by the Directors on 05 November 2011 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 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. 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 set out on page 7, the directors are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards of Accounting (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's *Ethical Standards for Auditors*.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

FRIENDS OF THE EARTH LIMITED

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Bernie Watson
Senior statutory auditor

for and on behalf of
haysmacintyre,
15 Fulwood Place
London
WC1V 6AY

Date: 5 November 2011

FRIENDS OF THE EARTH LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2011

	Notes	2011 £	2010 £
INCOME			
Supporters' contributions	2	2,015,846	2,267,878
Gross profit on trading	3	3,728	7,238
Other	4	802,833	88,134
TOTAL INCOME		<u>2,822,407</u>	<u>2,363,250</u>
EXPENDITURE			
Campaigning & information provision		2,505,540	2,049,843
Supporter recruitment		-	51,575
Fundraising		264,516	154,724
Management & administration		59,308	57,602
Restructuring costs		-	103,529
TOTAL EXPENDITURE	5	<u>2,829,364</u>	<u>2,417,273</u>
NET DEFICIT FOR THE FINANCIAL YEAR		(6,957)	(54,023)
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR		1,609,786	1,663,809
ACCUMULATED SURPLUS		<u>1,602,829</u>	<u>1,609,786</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
CO. NO. 1012357
BALANCE SHEET AS AT 31 MAY 2011

	Notes	2011 £	2010 £
TANGIBLE FIXED ASSETS	9	<u>119,029</u>	<u>163,415</u>
CURRENT ASSETS			
Debtors	10	1,403,492	1,239,578
Cash at bank		667,073	661,013
		<u>2,070,565</u>	<u>1,900,591</u>
CREDITORS - DUE WITHIN ONE YEAR	11	<u>(586,765)</u>	<u>(454,220)</u>
NET CURRENT ASSETS		<u>1,483,800</u>	<u>1,446,371</u>
NET ASSETS		<u><u>1,602,829</u></u>	<u><u>1,609,786</u></u>
RESERVES			
Accumulated Surplus		<u><u>1,602,829</u></u>	<u><u>1,609,786</u></u>

The accounts on pages 11 to 19 were approved by the Directors on 05 November 2011 and were signed on their behalf by



S COUNSELL

Chair of the Board

FRIENDS OF THE EARTH LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2011

	Notes	2011 £	2010 £
Net outgoing resources for the year		(6,957)	(54,023)
Adjusted by:			
Interest receivable		(1)	-
Depreciation charges	9	98,595	94,070
(Increase) in debtors		(163,914)	(203,798)
Increase/(Decrease) in creditors		132,545	(91,416)
NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES		<u>60,268</u>	<u>(255,167)</u>
 Returns on investments and servicing of finance			
Interest received		1	-
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>1</u>	<u>-</u>
 Capital Expenditure			
Payments to acquire tangible fixed assets	9	(54,209)	(42,521)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(54,209)</u>	<u>(42,521)</u>
 INCREASE/(DECREASE) IN CASH		<u>6,060</u>	<u>(297,688)</u>
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2010		661,013	958,701
Net cash inflow/(outflow)		6,060	(297,688)
Balance as at 31 May 2011		<u>667,073</u>	<u>661,013</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

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 the level of reserves required annually and we use a risk-based approach to determine the level required.

Investments

Friends of the Earth Limited 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 2011

2. SUPPORTERS' CONTRIBUTIONS

	2011 £	2010 £
Committed giving (standing orders and direct debits) including magazine subscriptions	1,939,123	2,219,560
Legacies	44,453	18,027
Other supporters' contributions	32,270	30,291
	<u>2,015,846</u>	<u>2,267,878</u>

3. TRADING

	2011 £	2010 £
Trading turnover	7,593	11,324
Cost of sales	(3,865)	(4,086)
	<u>3,728</u>	<u>7,238</u>

4. OTHER INCOME

	2011 £	2010 £
Bank Interest	1	-
Advertising in supporter magazine	16,433	6,918
Miscellaneous (**)	786,399	81,216
	<u>802,833</u>	<u>88,134</u>

** Miscellaneous income includes a refund of £675,195, this was for VAT incurred between 1974 and 1997 which could be refunded as a result of applying recent case law and included backdated interest. Other miscellaneous income includes Local Group licences, Conference Fees and a service charge for asset usage to Friends of the Earth Trust Limited.

5. EXPENDITURE

	2011 £	2010 £
The deficit for the year is after charging:		
Staff costs (see note 6)	1,244,527	1,178,862
Restructuring Costs (see note 16)	-	103,529
Depreciation of fixed assets	98,595	94,070
Auditors - statutory audit	7,750	7,750
Auditors - other	500	500
Hire of equipment under operating leases (see note 8)	19,402	13,835
Building leases rentals (see note 8)	117,943	113,530

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

6. EMPLOYEES AND STAFF COSTS

	2011	2010
	£	£
Salaries	1,102,672	1,050,723
National Insurance	105,358	93,550
Pension	36,497	34,589
	<u>1,244,527</u>	<u>1,178,862</u>

The average number of persons (full-time equivalent) employed by the company during the year was 32 (2010: 32).

The number of higher paid staff receiving emoluments, including taxable benefits but excluding employer's pension contributions, over £60,000 are shown in the table below:

	2011	2010
No. of employees who earn between £60,000 and £69,999	1	1
No. of employees who earn between £70,000 and £79,999	1	1

These salaries were split between Friends of the Earth Trust Limited and Friends of the Earth Limited, according to the time spent on each company's activities, and the costs included in the Employee and Staff costs above.

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 7% of their salary each year and these costs are charged to the income and expenditure account as incurred.

7. DIRECTORS' REMUNERATION

No directors have any interests in the company. S. Counsell, the Chair, received an honorarium of £10,000 (2009: £10,000) 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 £137,345 (2010: £127,365). As at 31 May 2011, the minimum annual commitments under the leases are as follows:

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

	2011	2010
	£	£
Building operating leases renewed annually	5,644	6,182
Building operating leases which expire within 5 years	26,282	29,977
Equipment operating leases	40,372	56,000
	<u>72,298</u>	<u>92,159</u>

9. FIXED ASSETS

	Office Furniture £	Computers and Office Equipment £	Computer Software £	Totals £
COST				
Balance at 1 June 2010	293,109	799,713	512,544	1,605,366
Additions	4,978	25,060	24,171	54,209
Disposals	-	(46,855)	(80,432)	(127,287)
Balance at 31 May 2011	<u>298,087</u>	<u>777,918</u>	<u>456,283</u>	<u>1,532,288</u>
DEPRECIATION				
Balance at 1 June 2010	271,215	730,518	440,218	1,441,951
Charge for the year	8,676	43,897	46,022	98,595
Disposals	-	(46,855)	(80,432)	(127,287)
Balance at 31 May 2011	<u>279,891</u>	<u>727,560</u>	<u>405,808</u>	<u>1,413,259</u>
NET BOOK VALUE				
At 31 May 2011	<u>18,196</u>	<u>50,358</u>	<u>50,475</u>	<u>119,029</u>
At 31 May 2010	<u>21,894</u>	<u>69,195</u>	<u>72,326</u>	<u>163,415</u>

10. DEBTORS

	2011	2010
	£	£
Trade debtors	9,385	19,577
Prepayments and accrued income	195,171	177,005
Amount due from Friends of the Earth Trust Ltd	1,151,505	1,002,092
Other debtors	47,431	40,904
	<u>1,403,492</u>	<u>1,239,578</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

11. CREDITORS - DUE WITHIN ONE YEAR

	2011	2010
	£	£
Trade creditors	255,491	147,462
Other taxes and social security	141,242	127,639
Accruals and deferred income	115,126	72,058
Interest-free loans	5,000	5,000
Other creditors	69,906	102,061
	<u>586,765</u>	<u>454,220</u>

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 2011 the number of members was 10 (2010: 12).

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 8. During the year Friends of the Earth Trust Limited paid Friends of the Earth Limited for the following items:

	2011	2010
	£	£
Shared office services (*)	2,395,340	1,517,478
Service charge for asset usage	92,296	63,452
Salaries incurred by Friends of the Earth Trust	3,641,540	4,003,820
Total expenditure incurred by Friends of the Earth Trust	<u>6,129,176</u>	<u>5,584,750</u>
Less rent charged by Friends of the Earth Trust Limited	(48,420)	(49,211)
Less grant made to Friends of the Earth Trust Limited	(730,000)	(300,000)
Cash transfers from Friends of the Earth Trust Limited	(5,201,343)	(5,024,270)
Net transactions in the year	<u>149,413</u>	<u>211,269</u>
Amount owed by Friends of the Earth Trust at year end	<u>1,151,505</u>	<u>1,002,092</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2011

14. RELATED PARTY TRANSACTIONS (cont)

*-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. The service charge for asset usage relates to assets purchased by and depreciated solely within Friends of the Earth Limited, but also used by Friends of the Earth Trust Limited and charged according to usage.

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 2011 the liability is Nil (2010: 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 2011 this amounted to £31,835 (2010: £20,316), which is 1.1% of total expenditure.

16. RESTRUCTURING COSTS

There were no further costs of restructuring the organisation incurred in the year (2010: £103,529) and it is not anticipated that further work of a similar nature will be required in the foreseeable future.