

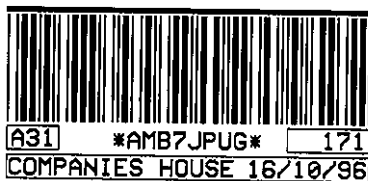
FRIENDS OF THE EARTH LIMITED

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

REPORT AND ACCOUNTS

for the year ended 31 May 1996

Company Number 1012357



FRIENDS OF THE EARTH LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 1996

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FRIENDS OF THE EARTH LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Full Name of Company: Friends of the Earth Limited

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

Governing Document: Memorandum and Articles of Association

Company Registration Number: 1012357

Registered Office: 26-28 Underwood Street
London N1 7JQ
Tel: 0171 490 1555 Fax: 0171 490 0881
e-mail: info@foe.co.uk

Directors: D. Byrne, Chair
L. Beth
K. Bradford (appointed 23 September 1995)
A. Carter
E. Ison
M. Johnston
P. Mobbs
A. Moore (appointed 23 September 1995)
J. Ratti
M. Seifert
M. Shepherd
P. Whitney

S. Kelly, C. Studman, L. Wetenhall and S. Yearley retired 23rd September 1995.

Secretary: S. Welsh

Chief Executive: Charles Secrett

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

Solicitors: Lawrence Graham
190 Strand
London WC2R 1JN

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

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT

The directors present their report and accounts of the company for the year ended 31 May 1996

OBJECTIVES OF THE COMPANY

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

REVIEW OF ACTIVITIES

During the year we pursued a range of high profile campaigns, with a particular focus this year on highlighting and reducing the environmental impact of the car. With other groups we published 'End of the Road', demonstrating that traffic management alternatives to the proposed Newbury bypass would solve that town's congestion. We worked in a new way by developing and training teams of legal observers to monitor the protests against the clearing of the route for the proposed bypass.

In alliance with other groups we gathered wide public support for a Parliamentary bill to introduce a reduction target for the level of road traffic in the UK. Another major piece of new legislation was our Wildlife Bill, designed to give stronger legal protection to the UK's best wildlife habitats. This has all-party support and has passed successfully through the House of Commons.

Our capacity to use information technology to disseminate campaign information was developed during the year. The Chemical Release Inventory was launched, a computer-based system making pollution data nationwide available to the general public. The organisation's Internet site gained new features including a 'virtual car' informing users of the environmental and health costs of motoring.

Friends of the Earth's expert staff and independent witness team made the organisation the lead objector at the inquiry into NIREX's proposed 'rock laboratory' for radioactive waste disposal at Sellafield.

We proved our rapid response capability with a campaign in the aftermath of the Sea Empress disaster in Pembrokeshire. This was enabled by our strengthened capacity in Wales through Friends of the Earth Cymru.

Our work throughout England, Wales and Northern Ireland has been enormously enhanced this year with the introduction of a campaign post in Northern Ireland to compliment his Welsh counterpart. This allows us to provide the most appropriate and focussed campaigns for local environments which then dove-tail with our national campaigns. In the year to 31 May 1996 our 240 local groups have been actively supporting our work on traffic reduction and have carried out many high profile campaigns for the protection of wildlife habitats in their areas such as Selar Grasslands in the Neath Valley. Increasingly our local groups are showing how working in coalition can bring major campaign benefits. In West London, groups have very effectively worked together to coordinate their objections at the Public Enquiry regarding the introduction of Terminal Five at Heathrow Airport and in West Yorkshire eight groups have joined forces to share media contacts, technological resources, produce publications and research and run coordinated public campaigns.

The company was represented on the Executive Committee of Friends of the Earth International and participated in international programmes on sustainable societies, international financial institutions and trade, and the environment and sustainability.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

FUTURE DEVELOPMENTS

Friends of the Earth is gearing up for a campaign to protect the world's forests through reducing the use of paper and wood, and similarly to safeguard water resources by securing measures to prevent waste. Addressing climate change through the green energy options which are available is a key campaign goal in the lead up to energy liberalisation in 1998. Proposing reform of the tax system to favour sustainable use of resources and foster employment is another priority for the coming year. Our local groups will continue to work on a varied local and national agenda with transport (both road and air) having a major focus over the next three years.

FINANCIAL REVIEW

Last year proved a difficult climate for fundraising with more and more voluntary organisations competing for funds and the impact of the National Lottery on voluntary giving. Despite this, we managed to hold total income steady against last year at nearly £3.8 million. Higher contributions from supporters has compensated for a drop in income from events. This reflects our decision not to run our annual sponsored bike ride due to the rising costs of staging it. We are particularly pleased with the continued growth in committed giving from our supporters (see note 2) which increased from £2 million to £2.2 million. The comparative reliability of this type of income helps us plan to make best use of our resources.

We were pleased to be able to increase our spend on campaigning and providing information by 17% which enabled us to achieve the activities outlined above. This was made possible by reductions in fundraising and trading costs despite holding income steady.

During the year we began a 4 year programme of upgrading our office furniture to Health and Safety standards and upgrading our computer capability to meet the increasing complexity of campaign opportunities. Information relating to changes in Fixed Assets is detailed in note 9 to the accounts.

Overall we made a surplus of income over expenditure of £134,647 and this has increased our accumulated surplus to £858,570. The Directors feel that this level of reserves is appropriate for an organisation of our size and complexity.

CHARITABLE CONTRIBUTIONS

The company contributed £51,943 to Friends of the Earth Trust Ltd, a registered charity.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

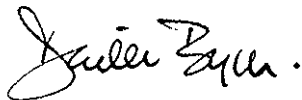
DIRECTORS' REMUNERATION

No Directors have any interests in the company and none received any remuneration for their services during the year.

AUDITORS

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

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to read 'D. Byrne', with a stylized flourish at the end.

D. BYRNE
Chair

Date: 28 September 1996

FRIENDS OF THE EARTH LIMITED

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

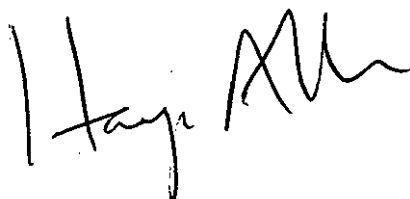
BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1996 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hays Allan
Chartered Accountants
Registered Auditors

Southampton House
317 High Holborn
London
WC1V 7NL

Date: 1st October 1996

FRIENDS OF THE EARTH LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 1996

	Notes	1996	1995
		£	£
INCOME			
Supporters' contributions	2	3,528,560	3,465,317
Events		24,574	113,654
Gross profit on trading	3	97,046	95,735
Other		125,589	109,079
TOTAL INCOME		<u>3,775,769</u>	<u>3,783,785</u>
EXPENDITURE			
Campaigning & information provision		2,718,972	2,311,781
Supporter servicing		269,933	251,317
Supporter recruitment		102,798	121,548
Fundraising		336,790	472,593
Events		11,506	29,790
Trading		86,196	206,547
Administration		72,078	62,486
Irrecoverable VAT	4	42,849	135,864
TOTAL EXPENDITURE	6	<u>3,641,122</u>	<u>3,591,926</u>
NET SURPLUS FOR THE FINANCIAL YEAR		134,647	191,859
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		723,923	532,064
ACCUMULATED SURPLUS AT END OF YEAR		<u>858,570</u>	<u>723,923</u>

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

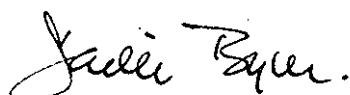
All transactions during the year are derived from continuing activities.

FRIENDS OF THE EARTH LIMITED

BALANCE SHEET AS AT 31 MAY 1996

	Notes	1996 £	1995 £
TANGIBLE FIXED ASSETS	9	<u>249,090</u>	<u>148,350</u>
CURRENT ASSETS			
Stocks		18,251	38,074
Debtors	11	117,527	173,077
Cash at bank and in hand		<u>812,697</u>	<u>759,860</u>
		948,475	971,011
CREDITORS - DUE WITHIN ONE YEAR	12	<u>(338,995)</u>	<u>(395,438)</u>
NET CURRENT ASSETS		<u>609,480</u>	<u>575,573</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>858,570</u>	<u>723,923</u>
GENERAL FUND			
Accumulated surplus		<u>858,570</u>	<u>723,923</u>

The accounts on pages 6 to 12 were approved by the board of directors on 28 September 1996, and were signed on its behalf by:



D. BYRNE
Director

FRIENDS OF THE EARTH LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 1996

	Notes	1996 £	1995 £
Operating surplus		134,647	191,859
Adjusted by:			
Interest receivable		(50,892)	(45,369)
Interest paid		-	141
Depreciation charges		128,039	90,564
Loss on disposal of tangible fixed assets		3,917	4,817
Decrease / (Increase) in stocks		19,823	(3,240)
Decrease / (Increase) in debtors		55,550	(18,258)
(Decrease) in creditors		(56,443)	(40,028)
NET CASH INFLOW FROM ACTIVITIES		<u>234,641</u>	<u>180,486</u>
 Returns on investments and servicing of finance			
Interest received		50,892	45,369
Interest paid		-	(141)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>50,892</u>	<u>45,228</u>
 Investment in fixed assets			
Payments to acquire tangible fixed assets	9	(233,179)	(99,518)
Receipts from disposal of tangible fixed assets		483	957
NET CASH OUTFLOW FROM INVESTMENT IN FIXED ASSETS		<u>(232,696)</u>	<u>(98,561)</u>
 INCREASE IN CASH EQUIVALENTS		<u>52,837</u>	<u>127,153</u>
 ANALYSIS OF CHANGE IN CASH EQUIVALENTS			
Balance as at 1 June 1995		759,860	632,707
Net cash inflow		52,837	127,153
Balance as at 31 May 1996		<u>812,697</u>	<u>759,860</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 MAY 1996

1. ACCOUNTING POLICIES

Basis of Accounting

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

Stocks

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

Income

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

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

Other income is accounted for on the accruals basis.

Fixed Assets

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

Office furniture	-	10 years
Computers & office equipment	-	4 years

Operating Leases

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

Reserves

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

2. SUPPORTERS' CONTRIBUTIONS

	1996	1995
	£	£
Committed giving (standing orders and direct debits)	2,222,065	2,046,008
Legacies	77,408	92,037
Other contributions	1,229,087	1,327,272
	<u>3,528,560</u>	<u>3,465,317</u>

3. TRADING

	£	£
Trading turnover	248,380	318,109
Cost of sales	(151,334)	(222,374)
Gross profit on trading	<u>97,046</u>	<u>95,735</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1996

4. IRRECOVERABLE VAT

In common with many other voluntary organisations, Friends of the Earth Ltd is unable to reclaim all of its input VAT. In the year ended 31 May 1996 this amounted to £135,233 which represents 4% of our total expenditure.

During the year, we received a refund of input VAT incorrectly charged in previous accounting periods of £92,384 and this reduced the total irrecoverable VAT expended during the year to £42,849.

5. CORPORATION TAX

The majority of the company's income is not taxable. Tax is only payable on trading activities. For the year ended 31st May 1996 the liability is nil (1995: nil).

6. EXPENDITURE

	1996 £	1995 £
Included within expenditure are the following items:		
Donation to Friends of the Earth Trust Ltd	51,943	1,940
Staff costs (see note 7)	1,337,118	1,207,558
Depreciation of fixed assets	128,039	90,564
Auditors' remuneration	7,832	8,350
Hire of equipment under operating leases (see note 8)	29,290	35,486
Building leases rentals (see note 8)	<u>130,364</u>	<u>110,162</u>

7. EMPLOYEES AND STAFF COSTS

Salaries	1,215,507	1,096,952
National Insurance	121,611	110,606
Total staff costs	<u>1,337,118</u>	<u>1,207,558</u>

The average number of persons employed by the company during the year was 68 (1995: 65).
The directors received no remuneration for their services.
No employee was paid £40,000 per annum or more.

8. OPERATING LEASES

The company leases buildings and equipment on short-term leases. The annual rental on these leases was £159,654 (1995: £145,648). The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. The minimum annual rentals under the operating leases are as follows:

Building operating leases renewed annually	103,549	96,607
Building operating leases which expire within 5 years	7,567	3,000
Building operating leases which expire after 5 years	28,000	21,000
Equipment operating leases	34,814	37,935
	<u>173,930</u>	<u>158,542</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1996

9. FIXED ASSETS

	Office Furniture	Computers & Office Equipment	Totals
	£	£	£
COST			
Balance at 1 June 1995	-	481,374	481,374
Additions	63,475	169,704	233,179
Disposals	-	(83,598)	(83,598)
Balance at 31 May 1996	<u>63,475</u>	<u>567,480</u>	<u>630,955</u>
DEPRECIATION			
Balance at 1 June 1995	-	333,024	333,024
Charge for the year	6,347	121,692	128,039
Disposals	-	(79,198)	(79,198)
Balance at 31 May 1996	<u>6,347</u>	<u>375,518</u>	<u>381,865</u>
NET BOOK VALUE			
At 31 May 1996	<u>57,128</u>	<u>191,962</u>	<u>249,090</u>
At 31 May 1995	<u>-</u>	<u>148,350</u>	<u>148,350</u>

10. CAPITAL COMMITMENTS

	1996 £	1995 £
Capital expenditure contracted for but not provided for in the accounts	<u>32,200</u>	<u>53,800</u>
Capital expenditure on furniture and computers authorised by the Directors but not contracted for	<u>122,500</u>	<u>130,300</u>

11. DEBTORS

Trade debtors	19,422	11,935
Prepayments and accrued income	55,206	90,406
Amount due from Friends of the Earth Trust Ltd	17,691	44,489
Other debtors	25,208	26,247
	<u>117,527</u>	<u>173,077</u>

12. CREDITORS: DUE WITHIN ONE YEAR

Trade creditors	66,036	150,337
Interest-free loans	5,000	5,000
Taxation and National Insurance payable	49,081	42,610
Accruals and deferred income	198,907	181,131
Other creditors	19,971	16,360
	<u>338,995</u>	<u>395,438</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1996

13. 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 1996 the number of members was 11 (1995: 2).

14. 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.