

# **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 1998

Company Number 1012357



# **FRIENDS OF THE EARTH LTD**

## **REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 1998**

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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](mailto:info@foe.co.uk) Web site: <http://www.foe.co.uk>

Directors: S. Clarke, Chair (appointed 10 December 1997)  
P. Brissenden (appointed 20 September 1997)  
F. Browne  
D. Byrne  
A. Carter (appointed 7 March 1998)  
B. Cumblidge (appointed 20 September 1997)  
R. Higman  
M. Johnston  
P. Mobbs  
A. Moore  
M. Seifert  
M. Shepherd  
J. Stoupe  
P. Whitney  
  
A. Carter retired 20 September 1997.

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 1998.

### **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**

The year to 31 May 1998 was one of our most successful ever in achieving our objectives.

Our biggest campaign was run on the issue of Climate Change. This issue goes right to the heart of Friends of the Earth's sustainable development agenda. At the G8 Earth Summit II in June 1997 we brought pressure to bear on the political framework in which international negotiations took place through a campaign that made the link between local, national and international concern. At the Kyoto Climate Summit in December, we exposed, confronted and blocked the lobbying efforts of the Global Climate Coalition. We were influential in persuading the new Labour Government to pledge to make a 20% cut in emissions which helped the Kyoto conference result in a legally binding treaty on climate action. Four months later, our 'Shell Demon' tour achieved its goal as Shell withdrew from the Global Climate Coalition.

Over the last year, Friends of the Earth has consistently received more media coverage for its campaigns than our size might suggest. Our Food Campaign, for example, focused the public's mind on the risks of genetically engineered food. This technology is developing ahead of our understanding of the science and the likely environmental and health impacts. We found that we could halt the process towards commercial releases by objecting to GE seed going on the Approved Seed List. Local campaign actions at supermarkets achieved lots of local coverage in the media on the issue.

We continued to raise issues concerning sustainable development by launching a Private Members Bill on the recycled content of newspaper and used No Shop Day to highlight the excesses of consumerism. We published the Incineration Campaign Guide and a Polluting Factories Campaign Guide.

We continued to make innovative use of our web-site, launching the Wild Places! website which has had over 17,000 visitors. We continued our successful parliamentary campaigns which led to the passing of the Road Traffic Reduction (National Targets) Act and the Private Hire (Vehicles) London Act in July 1998. Currently 8 out of the top 12 Parliamentary Early Day Motions are Friends of the Earth inspired.

Our new campaign on housing helped generate a fever of media concern which led John Prescott to introduce a more flexible planning regime for housing.

After a long running Friends of the Earth Cymru campaign National Power dropped plans to burn oil, 'the world's filthiest fuel', at Pembroke power station. Our 228 local groups continued to campaign on a huge variety of national and local issues.

### **FUTURE DEVELOPMENTS**

During the coming year our primary campaign will focus on climate change, food issues and consumption. We will continue to work at a local, national and international level to achieve our campaigns.

## **FRIENDS OF THE EARTH LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **FINANCIAL REVIEW**

We are pleased to be able to report total incoming resources which have remained steady at £3.5 million for both the year ended 31 May 1997 and 1998. This is against a background where voluntary organisations with an income of between £1 and £10 million have seen a drop in income on average of 6% between 1994-1997.

We are very grateful, as always, to the individual supporters whose contributions formed £3.3 million of the total or 96%. An increasing amount of this income is received in the form of committed giving (standing orders and direct debits) which is so critical to our ability to plan ahead knowing that we can rely on a certain level of income.

We thank those who remembered us in their will from whom we received £54,019 in legacies.

Other contributions, which include individual donations, raffles and our House to House appeal declined during the year. We have decided not to run another House to House appeal due to the costs involved.

We were also very pleased to receive a repayment of VAT which amounted to £430,767. This amount relates to VAT that we had previously paid over the last 8 years and which due to a ruling made in 1993 we found we were able to recover. This will also reduce our irrecoverable VAT in future years and thereby enable us to spend more on campaigning. Since our irrecoverable VAT was allocated over all our activities in the results for the year ended May 1997 most areas of cost have seen a decrease. We plan to spend this recovered VAT over the next few years on increased campaigning and upgrading our supporter database.

During the year we stepped up our spend on supporter recruitment as part of a deliberate attempt to increase our supporter base. We believe that an increase in the number of active supporters will give us more opportunities to influence and persuade.

We continued the programme to upgrade our office furniture to Health and Safety standards which has made a significant improvement to the quality of life for those working at FOE and the effectiveness with which we operate. The movement in fixed asset cost and depreciation are detailed in note 9 to the accounts.

The employee and staff costs are detailed in note 6 to the accounts but this does not take account of the tremendous contribution made by volunteers who work through out the organisation and without whom we could not achieve anything like as much as we have done.

Overall there was a current year deficit of expenditure over income from ordinary activities of £52,147. This together with the income from the exceptional item of irrecoverable VAT of £430,767 has increased our accumulated surplus to £1,031,627. The Directors consider that this level of reserves is appropriate for an organisation of our size and complexity.

#### **YEAR 2000 COMPLIANCE**

We have been regularly reviewing and updating our systems and have been ensuring for some time that all our systems and modifications are 'Year 2000 compliant'. Wherever possible we utilise standard software packages from major software houses who are committed to delivering in good time, whatever Year 2000 modifications to their software are necessary. We have also been taking advantage of replacing systems approaching the end of their useful lives with systems that are Year 2000 compliant. The year 2000 issue does create risk from third parties and we will be reviewing this business risk. Preparation for the Millennium will require additional costs to be incurred but this is not expected to be material and the majority is acceleration of spend that would have taken place in any event.

## **FRIENDS OF THE EARTH LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **IRRECOVERABLE VAT**

In common with many other voluntary organisations, Friends of the Earth Ltd is unable to reclaim all of its input VAT. In the year ended 31 May 1998 this amounted to £38,390 (1997: £134,905) which is 1% of our total expenditure.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

#### **DIRECTORS' REMUNERATION**

No Directors have any interests in the company and S. Clarke, the chair, received an honorarium of £1,250 to recompense him for time spent on the company's business. No other director received any remuneration for their services during the year.

#### **AUDITORS**

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

Signed on behalf of the board,



S. Clarke  
Chair of Board

Approved by the board on: 3rd October 1998

## **FRIENDS OF THE EARTH LIMITED**

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

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

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

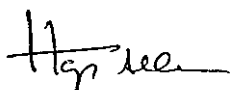
#### **BASIS OF OPINION**

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

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

#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1998 and of its deficit 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: 5th October 1998

# **FRIENDS OF THE EARTH LIMITED**

## **INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 1998**

	Notes	1998 £	1997 £
<b>INCOME</b>			
Supporters' contributions	2	3,327,434	3,389,544
Gross profit on trading	3	23,362	18,936
Other		123,503	100,522
<b>TOTAL INCOME</b>		<u>3,474,299</u>	<u>3,509,002</u>
<b>EXPENDITURE</b>			
Campaigning & information provision		2,782,172	2,907,571
Supporter servicing		226,407	252,520
Supporter recruitment		253,591	135,524
Fundraising		175,053	344,948
Trading		10,140	10,109
Management & administration		79,083	63,893
<b>TOTAL EXPENDITURE</b>	5	<u>3,526,446</u>	<u>3,714,565</u>
<b>NET (DEFICIT) FOR THE FINANCIAL YEAR</b>		(52,147)	(205,563)
<b>EXCEPTIONAL ITEM</b>			
Prior year irrecoverable VAT repayment	8	<u>430,767</u>	<u>-</u>
Surplus		378,620	-
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>		653,007	858,570
<b>ACCUMULATED SURPLUS</b>		<u>1,031,627</u>	<u>653,007</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 1998**

	Notes	1998 £	1997 £
<b>TANGIBLE FIXED ASSETS</b>	9	<u>199,566</u>	<u>241,749</u>
<b>CURRENT ASSETS</b>			
Stocks		39,157	5,833
Debtors	11	332,966	392,441
Cash at bank and in hand		781,330	426,615
		<u>1,153,453</u>	<u>824,889</u>
<b>CREDITORS - DUE WITHIN ONE YEAR</b>	12	<u>(321,392)</u>	<u>(413,631)</u>
<b>NET CURRENT ASSETS</b>		<u>832,061</u>	<u>411,258</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,031,627</u>	<u>653,007</u>
<b>RESERVES</b>			
Accumulated surplus		<u>1,031,627</u>	<u>653,007</u>

The accounts on pages 6 to 12 were approved by the board of directors on 3rd October 1998 and were signed on its behalf by:



S Clarke  
Chair of the Board

# **FRIENDS OF THE EARTH LIMITED**

## **CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 1998**

	Notes	1998 £	1997 £
<b>Operating (loss)</b>		(52,147)	(205,563)
VAT repayment	8	430,767	-
Interest receivable		(48,006)	(35,095)
Depreciation charges		96,861	107,448
(Gain) on disposal of tangible fixed assets		-	(451)
(Increase)/Decrease in stocks		(33,324)	12,418
Decrease/(Increase) in debtors		59,475	(274,914)
(Decrease)/Increase in creditors		(92,239)	74,636
<b>NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES</b>		<u>361,387</u>	<u>(321,521)</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		48,006	35,095
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>48,006</u>	<u>35,095</u>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	9	(54,678)	(100,145)
Receipts from disposal of tangible fixed assets		-	489
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		<u>(54,678)</u>	<u>(99,656)</u>
<b>INCREASE/(DECREASE) IN CASH</b>		<u>354,715</u>	<u>(386,082)</u>
<b>ANALYSIS OF CHANGES IN NET FUNDS</b>			
Balance as at 1 June 1997		426,615	812,697
Net cash inflow/(outflow)		354,715	(386,082)
Balance as at 31 May 1998		<u>781,330</u>	<u>426,615</u>

# **FRIENDS OF THE EARTH LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 1998**

### **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.

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
<b>2 SUPPORTERS' CONTRIBUTIONS</b>		
Committed giving (standing orders and direct debits)	2,472,380	2,318,787
Legacies	54,019	82,733
Other contributions	801,035	988,024
	<u>3,327,434</u>	<u>3,389,544</u>
 <b>3 TRADING</b>		
Trading turnover	61,268	106,942
Cost of sales	(37,906)	(88,006)
Gross profit on trading	<u>23,362</u>	<u>18,936</u>

## FRIENDS OF THE EARTH LIMITED

### NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1998

#### 4 CORPORATION TAX

The majority of the company's income is not taxable. Tax is only payable on trading activities. For the year ended 31st May 1998 the liability is nil (1997: nil).

#### 5 EXPENDITURE

Included within expenditure are the following items:

	1998 £	1997 £
Donation to Friends of the Earth Trust Ltd	17,000	-
Staff costs (see note 6)	1,512,819	1,458,275
Depreciation of fixed assets	96,861	107,448
Auditors' remuneration	8,050	7,343
Hire of equipment under operating leases (see note 7)	41,598	38,583
Building leases rentals (see note 7)	<u>134,608</u>	<u>127,502</u>

#### 6 EMPLOYEES AND STAFF COSTS

Salaries	1,380,242	1,327,147
National Insurance	<u>132,577</u>	<u>131,128</u>
Total staff costs	<u>1,512,819</u>	<u>1,458,275</u>

The average number of persons employed by the company during the year was 71 (1997: 73).

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

#### 7 OPERATING LEASES

The company leases buildings and equipment on short-term leases. The annual rental on these leases was £176,206 (1997: £166,085). 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	98,072	97,712
Building operating leases which expire within 5 years	7,678	7,678
Building operating leases which expire after 5 years	28,000	28,000
Equipment operating leases	<u>46,796</u>	<u>42,429</u>
	<u>180,546</u>	<u>175,819</u>

#### 8 EXCEPTIONAL ITEM

We were also very pleased to receive a repayment of VAT which amounted to £430,767. This amount relates to VAT that we had previously paid over the last 8 years and which, due to a ruling made in 1993, we found we were able to recover. This will also reduce our irrecoverable VAT in future years and thereby enable us to spend more on campaigning. Since our irrecoverable VAT was allocated over all our activities in the results for the year ended May 1997 most areas of cost have seen a decrease.

# **FRIENDS OF THE EARTH LIMITED**

## **NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1998**

<b>9 FIXED ASSETS</b>	<b>Office Furniture £</b>	<b>Computers &amp; Office Equipment £</b>	<b>Totals £</b>
<b>COST</b>			
Balance at 1 June 1997	119,477	556,773	<b>676,250</b>
Additions	46,593	8,085	<b>54,678</b>
Disposals	-	-	-
<b>Balance at 31 May 1998</b>	<b><u>166,070</u></b>	<b><u>564,858</u></b>	<b><u>730,928</u></b>
<b>DEPRECIATION</b>			
Balance at 1 June 1997	18,295	416,206	<b>434,501</b>
Charge for the year	16,600	80,261	<b>96,861</b>
Disposals	-	-	-
<b>Balance at 31 May 1998</b>	<b><u>34,895</u></b>	<b><u>496,467</u></b>	<b><u>531,362</u></b>
<b>NET BOOK VALUE</b>			
<b>At 31 May 1998</b>	<b><u>131,175</u></b>	<b><u>68,391</u></b>	<b><u>199,566</u></b>
<b>At 31 May 1997</b>	<b><u>101,182</u></b>	<b><u>140,567</u></b>	<b><u>241,749</u></b>
<b>10 CAPITAL COMMITMENTS</b>		<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
Capital expenditure contracted for but not provided for in the accounts		<u>-</u>	<u>-</u>
<b>11 DEBTORS</b>			
Trade debtors		31,272	17,213
Prepayments and accrued income		216,168	127,520
Amount due from Friends of the Earth Trust Ltd		59,305	211,118
Other debtors		<u>26,221</u>	<u>36,590</u>
		<b><u>332,966</u></b>	<b><u>392,441</u></b>
<b>12 CREDITORS - DUE WITHIN ONE YEAR</b>			
Trade creditors		111,065	48,156
Interest-free loans		5,000	5,000
Taxation and National Insurance payable		49,932	48,291
Accruals and deferred income		123,519	288,726
Other creditors		<u>31,876</u>	<u>23,458</u>
		<b><u>321,392</u></b>	<b><u>413,631</u></b>

**FRIENDS OF THE EARTH LIMITED**

**NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1998**

**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 1998 the number of members was 11 (1997: 10).

**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.