

**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 2001

Company Number 1012357



FRIENDS OF THE EARTH LTD

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2001

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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: 020 7490 1555 Fax: 020 7490 0881
e-mail: info@foe.co.uk Web site: <http://www.foe.co.uk>

Directors: S. Clarke, Chair
T. Broughton
A. Chapman
P. Coombe
T. Fletcher
J. Golby (appointed 30 September 2000)
R. Higman
C. Maguire
J. Mellor
M. Seifert
M. Shepherd

J. Martin resigned 30 September 2000
A. Carter and D. Thomas resigned 30 June 2001

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: haysmacintyre, 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 2001.

OBJECTIVES OF THE COMPANY

Friends of the Earth Ltd 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

2000/2001 has been a year of campaign successes for Friends of the Earth. Main priorities have been Safer Chemicals, Climate Change and the Real Food campaign.

Our work on food issues has continued with intensity throughout the year. The campaign against farm-scale trials for GM crops continued to undermine the credibility of both the GM crop companies and the government's regulatory approach. Our ground-breaking legal challenge under seed listing law against the approval of a GM maize created by Aventis generated massive national and international press coverage. Friends of the Earth Cymru also successfully lobbied the Welsh National Assembly to reject flawed seed regulations as part of the GM-free Wales campaign.

Friends of the Earth has also been a key player in the current national debate about the future of food and farming which was triggered by the disastrous outbreak of foot and mouth disease. There have been a host of specific successes on food such as the ban on lindane, a dangerous pesticide, from agricultural use.

It has also been an important year for the climate campaign. Friends of the Earth staged a powerful peaceful demonstration at the Hague climate talks which involved the building of a huge dyke around the entire conference centre. Later, at the climate negotiations in Bonn, Friends of the Earth campaigners worked flat out to persuade world leaders to ratify the Kyoto treaty on climate change. Friends of the Earth was also able to seize the opportunity to stimulate debate at the time of severe weather conditions and the fuel protests.

The Warm Homes Bill, proposed and drafted by Friends of the Earth, has now passed into law. This commits the government to eradicating fuel poverty by making thousands of UK homes more energy efficient so that their occupants can afford to keep them warm.

For wildlife campaigning, this year has been historic with The Countryside and Rights of Way Bill finally becoming law. This significant step forward for wildlife conservation in England and Wales was the result of 18 years of campaigning. Also, a major victory was secured against companies who continue to destroy vital peat lands. The country's major remaining peat extraction sites were finally given legal protection.

Friends of the Earth was also active at the time of the General Election. An innovative campaign, aimed at securing environmental promises from the parties at the most opportune time, resulted in 1400 specific environmental pledges from parliamentary candidates, many of whom are now MPs.

This year saw the launch of the Safer Chemicals campaign, an influential consumer campaign to persuade major retailers and manufacturers to commit not to knowingly selling products that include risky chemicals.

Friends of the Earth this year has stepped up its campaign to curb the damaging practices of corporations across the globe and to encourage positive environmental action from willing companies. There have been many specific campaign gains on this front including successfully persuading Shell to withdraw from the Kirthar National Park in Pakistan and convincing B&Q to schedule a total shift to peat free compost within ten years.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

Friends of the Earth's local groups continue to be vital to our success. Throughout the year, their campaigning has been a key contributor to the campaign successes outlined above. They have also gained major successes in their local areas. Examples include the prevention of a new incinerator in Kidderminster (Wye Forest FOE) and the stopping of a GM farm trial which was planned to be conducted next to an important organic research centre (Rugby and Coventry FOE). Campaigning on a regional level is becoming more important. One success was the opposition to the Hastings bypasses which saw Friends of the Earth working in coalition with other local campaign groups. Days of action, where groups countrywide push the same campaign in their areas, were organised on Real Food, Safer Chemicals, Organic food, the General Election and peat extraction.

The series of How to Win books, designed to improve local campaigners' skills, continues to be developed. The latest in the series, on campaigning against incinerators, was published this year.

Friends of the Earth has been upgrading its visual identity over the past year. The new identity is already proving useful in the design of eye-catching publicity materials, and in giving a coherent brand to Friends of the Earth's work. It will improve campaign effectiveness and ensure increased recruitment and donations.

FUTURE DEVELOPMENTS

Friends of the Earth will build on its Corporates campaign next year with the launch of a wide-appeal consumer campaign against specific corporate targets. This will highlight the destructive power of unethical investments and will offer people simple actions that they can take.

Transport will also be a major focus next year with the launch of a popular campaign on railways. Commuters will be encouraged to speak out together for a positive transport system that works efficiently and safeguards the environment.

FINANCIAL REVIEW

We are very pleased to report that total income increased to £4.5 million for the year ended 31 May 2001.

Most of this growth came from increased donations from individual supporters and we are extremely grateful for their contributions (which make up over 90% of total income) towards our work. The largest element of supporters' contributions is from committed giving (standing orders and direct debits) which increased again this year. We choose to concentrate on developing committed giving because this regular income enables us to plan our future campaigns with confidence. As a result of our strategy to invest in recruitment, we also saw growth in the total number of financial and campaign supporters who will be crucial to our future success.

We allocated an additional £0.1 million to our Campaigning and Information provision, which has helped our continuing campaign successes through the year. With the exception of the investment in supporter recruitment, we have reduced all other areas of costs.

Overall there was a deficit of expenditure over income from ordinary activities in the year of £123,907. This has reduced our reserves to £612,436 and is in line with our strategic plan to use more of our funds for campaigning and new supporter recruitment and to hold less in reserves. Our current level of reserves represents 1½ months worth of normal operating expenditure. In the coming financial year we plan to reduce our reserves further, as a temporary measure to make the necessary investment in our strategic plan. This opinion is informed by the fact that over 70% of our total income is committed giving (as referred to above).

We have no equity investments and hence these accumulated reserves are primarily represented by bank deposits, which have reduced during the year. Our investment policy is set out in note 11 to the accounts.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

The employee and staff costs are detailed in note 6 to the accounts but this does not take account of the invaluable contribution made by the many volunteers who work throughout the organisation, including in our local groups, without whom we would achieve far less.

We continued the programme to upgrade our office furniture to Health and Safety standards in our regional offices and upgraded our computer equipment to enhance our effectiveness. The movement in fixed asset cost and depreciation are detailed in note 8 to the accounts.

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 2001 this amounted to £44,410 (2000: £69,851) 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.

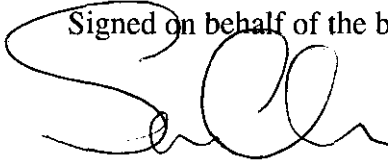
DIRECTORS' REMUNERATION

No directors have any interests in the company. S. Clarke, the Chair, received an honorarium of £5,222 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 during the year.

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.

Signed on behalf of the board,



S. Clarke
Chair of Board

Approved by the board on: 29th September 2001

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.

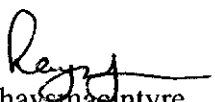
BASIS OF OPINION

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 2001 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Haydn McIntyre
Chartered Accountants
Registered Auditors
Southampton House
317 High Holborn
London
WC1V 7NL

Date 29th Sept 2001

FRIENDS OF THE EARTH LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2001

	Notes	2001 £	2000 £
INCOME			
Supporters' contributions	2	4,125,334	3,700,639
Gross profit on trading	3	9,815	65,686
Other		401,639	332,003
TOTAL INCOME		<u>4,536,788</u>	<u>4,098,328</u>
EXPENDITURE			
Campaigning & information provision		3,862,011	3,759,914
Supporter servicing		207,294	217,995
Supporter recruitment		315,705	292,653
Fundraising		176,960	183,590
Management & administration		98,725	108,338
TOTAL EXPENDITURE	5	<u>4,660,695</u>	<u>4,562,490</u>
NET (DEFICIT) FOR THE FINANCIAL YEAR		(123,907)	(464,162)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		736,343	1,200,505
ACCUMULATED SURPLUS		<u><u>612,436</u></u>	<u><u>736,343</u></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 2001

	Notes	2001 £	2000 £
TANGIBLE FIXED ASSETS	8	<u>288,405</u>	<u>251,469</u>
CURRENT ASSETS			
Stocks		4,800	5,197
Debtors	10	384,937	352,535
Cash at bank and in hand	11	333,198	665,649
		<u>722,935</u>	<u>1,023,381</u>
CREDITORS - DUE WITHIN ONE YEAR	12	<u>(398,904)</u>	<u>(538,507)</u>
NET CURRENT ASSETS		<u>324,031</u>	<u>484,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>612,436</u>	<u>736,343</u>
RESERVES			
Accumulated surplus		<u>612,436</u>	<u>736,343</u>

The accounts on pages 6 to 12 were approved by the Directors on 29th September 2001 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 2001

	Notes	2001 £	2000 £
Operating (loss)		(123,907)	(464,162)
Adjusted by:			
Interest receivable		(29,622)	(52,131)
Depreciation charges		96,913	88,335
(Gain) on disposal of tangible fixed assets		(2,678)	(1,317)
Decrease in stocks		397	15,439
(Increase) in debtors		(32,402)	(94,515)
(Decrease)/Increase in creditors		(139,603)	107,237
NET CASH (OUTFLOW) FROM ACTIVITIES		<u>(230,903)</u>	<u>(401,114)</u>
 Returns on investments and servicing of finance			
Interest received		29,622	52,131
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>29,622</u>	<u>52,131</u>
 Capital expenditure			
Payments to acquire tangible fixed assets	8	(133,620)	(145,422)
Receipts from disposal of tangible fixed assets		2,449	2,500
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(131,171)</u>	<u>(142,922)</u>
 (DECREASE) IN CASH		<u>(332,451)</u>	<u>(491,905)</u>
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2000		665,649	1,157,554
Net cash (outflow)		(332,451)	(491,905)
Balance as at 31 May 2001		<u>333,198</u>	<u>665,649</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2001

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 both of sales from our Local Groups mail order catalogue and of commission from the Natural Collection catalogue. Turnover represents amounts invoiced, excluding value added tax.

Other income is accounted for on the accruals basis.

Fixed Assets

Fixed assets are stated at cost and are all written off in equal annual instalments over their estimated useful lives as follows:

Office furniture	-	10 years
Computers & office equipment	-	4 years
Computer software	-	2 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

	2001 £	2000 £
Committed giving (standing orders and direct debits)	3,235,406	2,847,279
Legacies	138,586	135,097
Other contributions	751,342	718,263
	<u>4,125,334</u>	<u>3,700,639</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 2001

	2001	2000
	£	£
3 TRADING		
Trading turnover	23,413	73,855
Cost of sales	<u>(13,598)</u>	<u>(8,169)</u>
Gross profit on trading	<u>9,815</u>	<u>65,686</u>

Turnover for the year ended 30 May 2000 includes a one-off goodwill payment from a new catalogue company.

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 2001 the liability is nil (2000: nil).

5 EXPENDITURE

Included within expenditure are the following items:

Donation to Friends of the Earth Trust Ltd	-	60,000
Staff costs (see note 6)	2,010,396	1,957,165
Depreciation of fixed assets	96,913	88,335
Auditors - audit	8,000	7,195
Auditors - non-audit	-	2,800
Hire of equipment under operating leases (see note 7)	51,672	55,634
Building leases rentals (see note 7)	<u>160,728</u>	<u>153,485</u>

6 EMPLOYEES AND STAFF COSTS

Salaries	1,793,219	1,757,003
National Insurance	170,707	165,080
Pension	46,470	35,082
Total staff costs	<u>2,010,396</u>	<u>1,957,165</u>

The average number of persons (full-time equivalent) employed by the company during the year was 82 (2000: 83)

The number of employees who were paid in excess of £40,000 (excluding pension contributions) within the following ranges was:

£40,000 to £50,000	1	1
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S. Clarke, the chair, received an honorarium of £5,222 (2000: £5,105) 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 their services during the year.

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 5% of their salary each year and these costs are charged to the income and expenditure account as incurred.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 2001

7 OPERATING LEASES

The company leases buildings and equipment on short-term leases. The annual rental paid on these leases was £212,400 (2000: £209,119). 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:

	2001 £	2000 £
Building operating leases renewed annually	119,124	118,596
Building operating leases which expire within 5 years	29,251	18,413
Building operating leases which expire after 5 years	21,000	28,000
Equipment operating leases	61,654	53,417
	<u>231,029</u>	<u>218,426</u>

8 FIXED ASSETS	Office Furniture £	Computers & Office Equipment £	Computer Software £	Totals £
COST				
Balance at 1 June 2000	208,214	673,221	22,719	904,154
Additions	15,345	118,275	-	133,620
Disposals	-	(188,416)	-	(188,416)
Balance at 31 May 2001	<u>223,559</u>	<u>603,080</u>	<u>22,719</u>	<u>849,358</u>
DEPRECIATION				
Balance at 1 June 2000	73,502	556,464	22,719	652,685
Charge for the year	22,356	74,557	-	96,913
Disposals	-	(188,645)	-	(188,645)
Balance at 31 May 2001	<u>95,858</u>	<u>442,376</u>	<u>22,719</u>	<u>560,953</u>
NET BOOK VALUE				
At 31 May 2001	<u>127,701</u>	<u>160,704</u>	<u>-</u>	<u>288,405</u>
At 31 May 2000	<u>134,712</u>	<u>116,757</u>	<u>-</u>	<u>251,469</u>

9 CAPITAL COMMITMENTS

	2001 £	2000 £
Capital expenditure contracted for but not provided for in the accounts	<u>-</u>	<u>-</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 2001

	2001	2000
	£	£
10 DEBTORS		
Trade debtors	12,366	18,004
Prepayments and accrued income	55,119	126,407
Amount due from Friends of the Earth Trust Ltd	95,371	85,639
Other debtors	222,081	122,485
	<u>384,937</u>	<u>352,535</u>

11 CASH AT BANK AND IN HAND

Friends of the Earth 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.

12 CREDITORS - DUE WITHIN ONE YEAR

Trade creditors	154,376	183,641
Taxation and National Insurance payable	65,967	63,441
Accruals and deferred income	141,866	268,266
Interest-free loans	5,000	5,000
Other creditors	31,695	18,159
	<u>398,904</u>	<u>538,507</u>

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 2001 the number of members was 11 (2000: 11).

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.