

# **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 1997

Company Number 1012357



**FRIENDS OF THE EARTH LTD**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 1997**

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# **FRIENDS OF THE EARTH LTD**

## **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  
F. Browne (appointed 28 September 1996)  
A. Carter  
R. Higman (appointed 8 December 1996)  
M. Johnston  
P. Mobbs  
A. Moore  
M. Seifert  
M. Shepherd  
J. Stoupe (appointed 15 March 1997)  
P. Whitney  
  
E. Ison and J. Ratti retired 28 September 1996.  
L. Beth retired 8 December 1996.  
K Bradford retired 15 March 1997.

Secretary: F. Shaw

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 1997.

### **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**

Our 25th Anniversary year saw a number of significant campaign successes, most notably the passing of the Road Traffic Reduction Act (in collaboration with several other organisations) and the defeat at the public enquiry of the proposal by NIREX to site a "rock laboratory" at Sellafield for radioactive nuclear waste disposal. We co-published with Routledge "Promising the Earth", a review of 25 years of environmental campaigning at Friends of the Earth.

Years of campaigning by us to reduce mahogany logging were vindicated by the announcement that mahogany imports into the UK had fallen by 68% since 1992, when we first launched our campaign. This year, in our Wild Woods campaign, we highlighted how paper consumption is helping to destroy the last remaining natural ancient forests in Scandinavia .

In September we organised a campaigning public arts event called Art Bypass by the site of the Newbury bypass. This event brought a new audience to our campaign and raised awareness of the damaging effects of the car.

We continued to use the law as another of our campaigning tools, compiling a report on the Sea Empress disaster and putting pressure on the Environment Agency to prosecute those responsible for the spill. We also sought a judicial review of the refusal by the government to release their Induced Traffic Assessment report on the Salisbury Bypass and the report was released before the court hearing.

Friends of the Earth sought to highlight environmental issues during the general election campaign and hosted the first press conference attended by the Environment spokesperson for each of the three main parties. All three parties subsequently produced the greenest ever election manifestoes.

Our 240 local groups have continued to campaign on a huge variety of national and local issues. Two examples of long running local campaigns which culminated in victory for the groups involved are: the rejection of a proposal to create the largest landfill site in Europe at Magheramorne after exhaustive campaigning by Larne FOE; and the decision to hold a public enquiry into National Power's proposal to burn orimulsion at Milford Haven followed tireless campaigning by Pembrokeshire FOE. Many groups also held public meetings during the general election campaign to raise environmental issues.

Within Friends of the Earth International we participated in the international financial institutions and sustainable societies programmes, coordinated the trade environment and sustainability programme and jointly coordinated the energy/climate change campaign. In September we hosted the Friends of the Earth International Annual General Meeting in Leeds, bringing together environmentalists from all over the world.

## **FRIENDS OF THE EARTH LIMITED**

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

#### **FUTURE DEVELOPMENTS**

During the coming year our primary campaign focus will be on climate change and, in particular, lobbying the various inter-governmental summits and negotiations for legally binding reductions in global carbon dioxide emissions. We will follow our success in getting the Road Traffic Reduction Act passed by lobbying, with a broad coalition of groups, for national traffic reduction targets to be set through the Road Traffic Reduction (UK Targets) Bill.

#### **FINANCIAL REVIEW**

Total income fell by 7% to just over £3.5 million reflecting a decrease from most sources, although committed giving in the form of standing orders and direct debits continued to increase. We revised our trading operations to provide stable income for Friends of the Earth with minimal costs and risks.

Despite the fall in income we decided to further increase our spend on campaigning and information provision by almost £200,000. This was made possible by reductions in fundraising, trading costs and administration costs and by our decision to reduce our reserves.

During the year we continued the 4 year programme to upgrade our office furniture to Health and Safety standards and to upgrade our computer capability to meet the increasing complexity of campaign opportunities. Information relating to changes in Fixed Assets is detailed in note 8 to the accounts.

Overall there was a deficit of income over expenditure of £205,563 and this has reduced our accumulated surplus to £653,007. The Directors consider that this level of reserves is appropriate for an organisation of our size and complexity.

#### **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 1997 this amounted to £134,905 (1996: £135,233) which is 4% 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.

# **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.

Signed on behalf of the board,

A handwritten signature in dark ink, appearing to read 'D. Byrne', written in a cursive style.

D. Byrne  
Chair of Board

Approved by the board on: 20th September 1997

## **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.

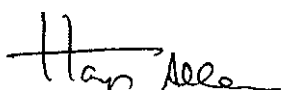
#### **BASIS OF OPINION**

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 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 1997 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: 20th September 1997

**FRIENDS OF THE EARTH LIMITED****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 1997**

	Notes	1997 £	1996 £
<b>INCOME</b>			
Supporters' contributions	2	3,383,117	3,528,560
Events		6,427	24,574
Gross profit on trading	3	18,936	97,046
Other		100,522	125,589
<b>TOTAL INCOME</b>		<u>3,509,002</u>	<u>3,775,769</u>
<b>EXPENDITURE</b>			
Campaigning & information provision		2,907,571	2,711,246
Supporter servicing		252,520	269,166
Supporter recruitment		135,524	129,488
Fundraising		339,314	361,760
Events		5,634	11,473
Trading		10,109	86,116
Management & administration		63,893	71,873
<b>TOTAL EXPENDITURE</b>	5	<u>3,714,565</u>	<u>3,641,122</u>
<b>NET (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR</b>		(205,563)	134,647
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>		858,570	723,923
<b>ACCUMULATED SURPLUS</b>		<u>653,007</u>	<u>858,570</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 1997

	Notes	1997 £	1996 £
<b>TANGIBLE FIXED ASSETS</b>	8	<u>241,749</u>	<u>249,090</u>
<b>CURRENT ASSETS</b>			
Stocks		5,833	18,251
Debtors	10	392,441	117,527
Cash at bank and in hand		426,615	812,697
		<u>824,889</u>	<u>948,475</u>
<b>CREDITORS - DUE WITHIN ONE YEAR</b>	11	<u>(413,631)</u>	<u>(338,995)</u>
<b>NET CURRENT ASSETS</b>		<u>411,258</u>	<u>609,480</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>653,007</u>	<u>858,570</u>
<b>RESERVES</b>			
Accumulated surplus		<u>653,007</u>	<u>858,570</u>

The accounts on pages 6 to 12 were approved by the board of directors on 20 September 1997 and were signed on its behalf by:



D. Byrne  
Chair of the Board

# FRIENDS OF THE EARTH LIMITED

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 1997

	Notes	1997 £	1996 £
<b>Operating (loss)/surplus</b>		(205,563)	134,647
Interest receivable		(35,095)	(50,892)
Interest paid		-	-
Depreciation charges		107,448	128,039
(Gain)/Loss on disposal of tangible fixed assets		(451)	3,917
Decrease in stocks		12,418	19,823
(Increase)/Decrease in debtors		(274,914)	55,550
Increase/(Decrease) in creditors		74,636	(56,443)
<b>NET CASH (OUTFLOW)/INFLOW FROM ACTIVITIES</b>		<u>(321,521)</u>	<u>234,641</u>
 <b>Returns on investments and servicing of finance</b>			
Interest received		35,095	50,892
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>35,095</u>	<u>50,892</u>
 <b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	8	(100,145)	(233,179)
Receipts from disposal of tangible fixed assets		489	483
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		<u>(99,656)</u>	<u>(232,696)</u>
 <b>(DECREASE)/INCREASE IN CASH</b>		<u>(386,082)</u>	<u>52,837</u>
 <b>ANALYSIS OF CHANGES IN NET FUNDS</b>			
Balance as at 1 June 1996		812,697	759,860
Net cash (outflow)/inflow		(386,082)	52,837
Balance as at 31 May 1997		<u>426,615</u>	<u>812,697</u>

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS YEAR ENDED 31 MAY 1997

### 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.

	1997	1996
	£	£
2. SUPPORTERS' CONTRIBUTIONS		
Committed giving (standing orders and direct debits)	2,318,787	2,222,065
Legacies	82,733	77,408
Other contributions	981,597	1,229,087
	<u>3,383,117</u>	<u>3,528,560</u>
3. TRADING		
Trading turnover	106,942	248,380
Cost of sales	(88,006)	(151,334)
Gross profit on trading	<u>18,936</u>	<u>97,046</u>

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1997

### 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 1997 the liability is nil (1996: nil).

5. EXPENDITURE	1997 £	1996 £
Included within expenditure are the following items:		
Donation to Friends of the Earth Trust Ltd	-	51,943
Staff costs (see note 6)	1,458,275	1,337,118
Depreciation of fixed assets	107,448	128,039
Auditors' remuneration	7,343	7,832
Hire of equipment under operating leases (see note 7)	38,583	29,290
Building leases rentals (see note 7)	<u>127,502</u>	<u>130,364</u>

### 6. EMPLOYEES AND STAFF COSTS

Salaries	1,327,147	1,215,507
National Insurance	<u>131,128</u>	<u>121,611</u>
Total staff costs	<u>1,458,275</u>	<u>1,337,118</u>

The average number of persons employed by the company during the year was 73 (1996: 68).

The directors received no remuneration for their services.

The company did not pay any employee £40,000 per annum or more.

### 7. OPERATING LEASES

The company leases buildings and equipment on short-term leases. The annual rental on these leases was £166,085 (1996: £159,654). 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	97,712	103,549
Building operating leases which expire within 5 years	7,678	7,567
Building operating leases which expire after 5 years	28,000	28,000
Equipment operating leases	<u>42,429</u>	<u>34,814</u>
	<u>175,819</u>	<u>173,930</u>

# **FRIENDS OF THE EARTH LIMITED**

## **NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1997**

<b>8. FIXED ASSETS</b>	<b>Office Furniture</b>	<b>Computers &amp; Office Equipment</b>	<b>Totals</b>
<b>COST</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 June 1996	63,475	567,480	630,955
Additions	56,002	44,143	100,145
Disposals	-	(54,850)	(54,850)
<b>Balance at 31 May 1997</b>	<u>119,477</u>	<u>556,773</u>	<u>676,250</u>
<b>DEPRECIATION</b>			
Balance at 1 June 1996	6,347	375,518	381,865
Charge for the year	11,948	95,500	107,448
Disposals	-	(54,812)	(54,812)
<b>Balance at 31 May 1997</b>	<u>18,295</u>	<u>416,206</u>	<u>434,501</u>
<b>NET BOOK VALUE</b>			
<b>At 31 May 1997</b>	<u>101,182</u>	<u>140,567</u>	<u>241,749</u>
<b>At 31 May 1996</b>	<u>57,128</u>	<u>191,962</u>	<u>249,090</u>
<b>9. CAPITAL COMMITMENTS</b>		<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
Capital expenditure contracted for but not provided for in the accounts		<u>-</u>	<u>32,200</u>
<b>10. DEBTORS</b>			
Trade debtors		17,213	19,422
Prepayments and accrued income		127,520	55,206
Amount due from Friends of the Earth Trust Ltd		211,118	17,691
Other debtors		<u>36,590</u>	<u>25,208</u>
		<u>392,441</u>	<u>117,527</u>
<b>11. CREDITORS - DUE WITHIN ONE YEAR</b>			
Trade creditors		48,156	66,036
Interest-free loans		5,000	5,000
Taxation and National Insurance payable		48,291	49,081
Accruals and deferred income		288,726	198,907
Other creditors		<u>23,458</u>	<u>19,971</u>
		<u>413,631</u>	<u>338,995</u>

# **FRIENDS OF THE EARTH LIMITED**

## **NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 MAY 1997**

### **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 1997 the number of members was 10 (1996: 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.