

**Friends of  
the Earth**

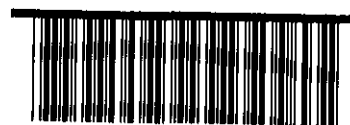
# **FRIENDS OF THE EARTH LIMITED**

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

## **REPORT AND ACCOUNTS**

for the year ended 31 May 2003

Company Number 1012357



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# **FRIENDS OF THE EARTH LIMITED**

## **REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2003**

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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](mailto: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:

S. Clarke (Chair)	D. Manhire
A. Chapman	J. Mellor
P. Coombe	V. Phillips (appointed 8 December 2002)
T. Fletcher	A. Rae (appointed 28 September 2002)
M. Jacob (appointed 29 March 2003)	M. Seifert
J. Kenward	M. Shepherd
C. Maguire	

J. Golby (retired 29 June 2002)	R. Higman, N. Jones (retired 28 September 2002)
M. Harrison (retired 28 June 2003)	

The Board has four sub-committees to inform its decision making: a Finance Committee, and a Local Groups Committee which meet four times a year, a Campaigns Strategy Committee which meets 3 times a year and a Personnel Committee which meets twice a year.

Company Secretary: S. Welsh

The day to day management is delegated to the Chief Executive, Senior Management Team and the Company's staff.

#### **Senior Management Team:**

T. Juniper	Chief Executive
L. Stupples	Policy and Research Director
D. Ritchie	Local Campaigns Director
A. Wallace	Director of Communications and Fundraising
S. Welsh	Director of Resources

#### **Principal Advisors**

Registered Auditors:  
haysmacintyre, Chartered Accountants  
Southampton House, 317 High Holborn,  
London, WC1V 7NL

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

# FRIENDS OF THE EARTH LIMITED

## DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 May 2003.

### 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.

### REVIEW OF ACTIVITIES

We are campaigning to reverse climate change and turn governments towards new, low-carbon economies. We have had a year of impressive successes, in particular our Dump Nuclear line, which has at last been adopted by the formerly very pro-nuclear Department of Energy. Not only will there be no new nuclear power stations: a closure programme is now underway. When the Government launched its Energy White Paper in February, it recognised climate change for the first time. The result was an ambitious low-carbon policy which includes a commitment for the UK to reduce its carbon dioxide emissions by 60 per cent from current levels by 2050 and to be on target for that by 2020.

UK plc is a strong campaign which brought the victims of companies' environmental pollution, from Nigeria to South Africa, to meet the directors at shareholder meetings during the spring AGM season. Representatives from fenceline communities from the Philippines to the USA at Shell's AGM helped highlight the need for tightened corporate laws. The hard-hitting fake report: *Failing the challenge – the other Shell report 2002* helped show up the loopholes and double environmental standards routinely used by companies.

As well as challenging the worst corporate behaviour, Friends of the Earth has been putting effort into some impressive coalition efforts to secure corporate responsibility (CORE). Corporate responsibility, an idea originally proposed by Friends of the Earth, New Economics Foundation (NEF) and WWF, looks set to see the biggest and most needed overhaul ever of company law, and to ensure that the Government's own efforts will be effective. NEF is chairing the coalition and Friends of the Earth hosting the secretariat. By early summer 2003 more than 4 million members of this coalition were calling for changes to company law, and the coalition's Corporate Responsibility Bill was being championed by Linda Perham, MP.

Working with the Trade Justice Movement coalition, we helped organise the biggest ever lobby of MPs in June 2002. The event saw more than 320 MPs pressed to make international trade rules fairer by Friends of the Earth local group members from their constituencies. A one-off radio station was set up on the day, which helped keep queuing constituents entertained, and there were interviews from the Oxford-based band Radiohead.

Local groups have also been busy stopping new roads, feeding into multi-modal studies around the South and the South East and challenging the worst business ideas in their own areas, such as the controversial Tyne Tunnel (South Tyneside).

At the European level our GM work continues to be of immense value. There is still no approval at EU or UK level for GM and this adds to our GM-Free Britain campaigning work. Local groups have been extremely effective in making local authorities vote to become GM-free zones.

Toxic Ted, our cuddly Safer Chemicals mascot, continues to persuade high street retailers to take action to remove risky chemicals, some of which are intended for babies and young children.

Campaign Express continues its vital role mobilising our best supporters to pressure the worst offenders into cleaning up their act. There are now 10,000 subscribers who can respond to urgent campaigning needs.

## **FRIENDS OF THE EARTH LIMITED**

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

But our outstanding success has been Friends of the Earth's increasing Parliamentary pressure, from the waste rally outside Westminster in January 2003 to enormous levels of letter-writing, public and constituency meetings and high street actions by local groups. These efforts secured our Household Waste Recycling Bill victory (set to become law in October 2003). The Bill, championed by Joan Ruddock, MP, has earned Friends of the Earth widespread praise from Hansard to the *Guardian*, and will ensure that all households have access to doorstep recycling by 2010.

#### **FUTURE DEVELOPMENTS**

We will work towards making corporations accountable for their environmental and social impacts and make the UK more accountable for resource use and its effects on biodiversity and pollution levels. We will ensure that key environmental limits, essential to the well being of our planet, are reflected in policy and law through our climate change campaign and our campaign to challenge unsustainable transport growth. We will also focus on maintaining a GM free Britain. We will inspire effective grassroots action to protect the environment, working closely with our local groups network and empowering others through our citizen rights campaign.

#### **FINANCIAL REVIEW**

We are pleased to report an increase of £0.3 million in total income to £5.6 million for the year ended 31 May 2003.

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.

Donations from individual supporters make up 87% of our total income, of which committed giving income (standing orders and direct debits) accounts for 72%. This regular, reliable source increased by £0.3 million. We choose to concentrate on developing committed giving because this regular income enables us to plan our future campaigns with confidence.

We were disappointed that Legacy income decreased this year, by £0.2 million. This source of income is very unpredictable and fluctuates from year to year. We thank all those who remember us in their will.

We allocated an additional £0.2 million to our Campaigning and Information provision, which has boosted our campaign successes through the year.

As a result of our continuing strategy to increase investment in recruitment, we also saw growth in the total number of financial and campaign supporters who will be crucial to our future success.

We have been able to decrease our fundraising, management and administration costs.

#### **RESERVES**

Overall there was a deficit of expenditure over income from ordinary activities in the year of £27,242. This has reduced our reserves to £539,346 and is in line with our strategic plan to use more of our funds for campaigning and new supporter recruitment and temporarily to hold less in reserves. Our current level of reserves represents less than 2 months worth of normal operating expenditure.

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. In the coming financial year we plan to reduce our reserves further, as a temporary measure, to make the necessary investment in recruiting more individual supporters and to increase our campaigning and information expenditure.

# **FRIENDS OF THE EARTH LIMITED**

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

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 volunteers who work throughout the organisation and without whom we could not achieve so much.

### **DIRECTORS' RESPONSIBILITIES**

Company law requires 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 and 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.

### **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 on-going 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 undertaking research, education and publishing and it provides an information service on environmental problems and their solutions.

Friends of the Earth Limited rents some of its office space from Friends of the Earth Trust. For administrative efficiency, the 2 companies also have members of the senior management team in common and share a number of office services.

The value of these transactions are 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 Section 385(2) of the Companies Act 1985.

Approved by the Directors on 4 October 2003 and signed on behalf of the board,



**S. CLARKE**  
Chair of Board

## **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 2003 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the company's directors are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom 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.

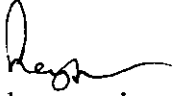
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**FRIENDS OF THE EARTH LIMITED**

**AUDITOR'S REPORT (Continued)**

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2003 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Haysmacintyre

Date : 4.10.03

Chartered Accountants, Registered Auditors

Southampton House, 317 High Holborn, London, WC1V 7NL

# FRIENDS OF THE EARTH LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2003

	Notes	2003 £	2002 £
<b>INCOME</b>			
Supporters' contributions	2	4,808,052	4,784,298
Gross profit on trading	3	4,758	19,795
Other	4	743,207	468,538
<b>TOTAL INCOME</b>		<u>5,556,017</u>	<u>5,272,631</u>
<b>EXPENDITURE</b>			
Campaigning & information provision		4,772,611	4,603,798
Supporter recruitment		587,022	433,225
Fundraising		143,859	189,454
Management & administration		79,767	92,002
<b>TOTAL EXPENDITURE</b>	5	<u>5,583,259</u>	<u>5,318,479</u>
<b>NET (DEFICIT) FOR THE FINANCIAL YEAR</b>		(27,242)	(45,848)
<b>ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR</b>		566,588	612,436
<b>ACCUMULATED SURPLUS</b>		<u><u>539,346</u></u>	<u><u>566,588</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.

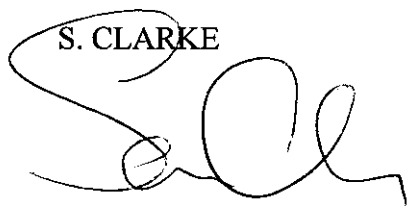
**FRIENDS OF THE EARTH LIMITED**  
**BALANCE SHEET AS AT 31 MAY 2003**

	Notes	2003 £	2002 £
<b>TANGIBLE FIXED ASSETS</b>	9	<u>297,961</u>	<u>330,075</u>
<b>CURRENT ASSETS</b>			
Debtors	10	261,239	433,126
Cash at bank		672,603	442,738
		<u>933,842</u>	<u>875,864</u>
<b>CREDITORS - DUE WITHIN ONE YEAR</b>	11	<u>(692,457)</u>	<u>(639,351)</u>
<b>NET CURRENT ASSETS</b>		<u>241,385</u>	<u>236,513</u>
<b>NET ASSETS</b>		<u>539,346</u>	<u>566,588</u>
<b>RESERVES</b>			
Accumulated Surplus		<u>539,346</u>	<u>566,588</u>

The accounts on pages 7 to 13 were approved by the Directors on 4 October 2003 and were signed on their behalf by:

S. CLARKE

Chair of the Board



# FRIENDS OF THE EARTH LIMITED

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2003

	Notes	2003 £	2002 £
<b>Net outgoing resources for the year</b>		(27,242)	(45,848)
Adjusted by:			
Interest receivable		(17,301)	(23,703)
Depreciation charges		139,347	121,059
(Gain)/loss on disposal of tangible fixed assets		(1,284)	58
Decrease in stock		-	4,800
Decrease/(increase) in debtors		171,887	(48,189)
Increase in creditors		53,106	240,447
<b>NET CASH INFLOW FROM ACTIVITIES</b>		<u>318,513</u>	<u>248,624</u>
 <b>Returns on investments and servicing of finance</b>			
Interest received		17,301	23,703
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>17,301</u>	<u>23,703</u>
 <b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets	9	(107,783)	(163,914)
Receipts from disposal of assets		1,834	1,127
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		<u>(105,949)</u>	<u>(162,787)</u>
 <b>INCREASE IN CASH</b>		<u>229,865</u>	<u>109,540</u>
 <b>ANALYSIS OF CHANGES IN NET FUNDS</b>			
Balance as at 1 June 2002		442,738	333,198
Net cash inflow		229,865	109,540
Balance as at 31 May 2003		<u>672,603</u>	<u>442,738</u>

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2003

### 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 the 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 annually the level of reserves required and our policy is to maintain the minimum necessary to fund reasonably foreseeable cash requirements.

#### Investments

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.

#### Foreign Currencies

Transactions in foreign currencies are translated at the rates ruling at the date of the transaction.

### 2 SUPPORTERS' CONTRIBUTIONS

	2003 £	2002 £
Committed giving (standing orders and direct debits)	4,013,619	3,707,097
Legacies	212,509	428,766
Other supporters' contributions	581,924	648,435
	<u>4,808,052</u>	<u>4,784,298</u>

### 3 TRADING

Trading turnover	19,748	26,263
Cost of sales	(14,990)	(6,468)
	<u>4,758</u>	<u>19,795</u>

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2003 (continued)

	2003	2002
	£	£
<b>4 OTHER INCOME</b>		
Consultancy (see note 14)	520,707	389,470
VAT repayment (*)	140,148	-
Miscellaneous	82,352	79,068
	<u>743,207</u>	<u>468,538</u>

\* This amount related to input VAT that we had under-claimed during 1995-2000, which we were advised that we were able to recover. After making the repayment, Customs and Excise have raised an assessment to recover this amount. We have received Counsel's opinion that this assessment is not valid and hence we have made no provision.

### 5 EXPENDITURE

The deficit for the year is after charging:

Staff costs (see note 6)	2,423,673	2,258,570
Depreciation of fixed assets	139,347	121,059
Auditors - statutory audit	7,955	7,700
- other	500	525
Hire of equipment under operating leases (see note 8)	42,037	47,128
Building leases rentals (see note 8)	<u>185,800</u>	<u>159,915</u>

### 6 EMPLOYEES AND STAFF COSTS

Salaries	2,152,782	2,011,770
National Insurance	200,574	185,585
Pension	70,317	61,215
	<u>2,423,673</u>	<u>2,258,570</u>

The average number of persons (full-time equivalent) employed by the company during the year was 95 (2002: 90).

Number of employees who earned between £50,000 and £60,000	<u>1</u>	<u>Nil</u>
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This salary was split equally between Friends of the Earth Trust Ltd and Friends of the Earth Ltd.

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 statement of financial activities as incurred.

### 7 DIRECTORS' REMUNERATION

No directors have any interests in the company. S. Clarke, the Chair, received an honorarium of £5,523 (2002: £5,443) 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.

In addition, A. Chapman was paid a one off consultancy fee of £200 during the year for non-board related work.

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2003 (continued)

### 8 OPERATING LEASES

The company leases buildings and equipment on short term leases. The annual rental paid on these leases was £227,837 (2002: £207,043) and are subject to re-negotiation at various intervals specified in the leases. The minimum annual commitments under the leases are as follows:

	2003	2002
	£	£
Building operating leases renewed annually	122,522	117,411
Building operating leases which expire within 5 years	37,621	29,751
Building operating leases which expire after 5 years	21,000	21,000
Equipment operating leases	58,603	58,603
	<u>239,746</u>	<u>226,765</u>

### 9 FIXED ASSETS

	Office Furniture £	Computers and Office Equipment £	Computer Software £	Totals £
<b>COST</b>				
Balance at 1 June 2002	254,284	503,669	62,290	820,243
Additions	21,574	61,456	24,753	107,783
Disposals	(506)	(79,472)	-	(79,978)
Balance at 31 May 2003	<u>275,352</u>	<u>485,653</u>	<u>87,043</u>	<u>848,048</u>
<b>DEPRECIATION</b>				
Balance at 1 June 2002	121,286	346,163	22,719	490,168
Charge for the year	27,535	96,196	15,616	139,347
Disposals	(253)	(79,175)	-	(79,428)
Balance at 31 May 2003	<u>148,568</u>	<u>363,184</u>	<u>38,335</u>	<u>550,087</u>
<b>NET BOOK VALUE</b>				
At 31 May 2003	<u>126,784</u>	<u>122,469</u>	<u>48,708</u>	<u>297,961</u>
At 31 May 2002	<u>132,998</u>	<u>157,506</u>	<u>39,571</u>	<u>330,075</u>

### 10 DEBTORS

	2003	2002
	£	£
Trade debtors	11,617	15,677
Prepayments and accrued income	58,013	93,297
Amount due from Friends of the Earth Trust Ltd	58,571	88,763
Other debtors	133,038	235,389
	<u>261,239</u>	<u>433,126</u>

# FRIENDS OF THE EARTH LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2003 (continued)

	2003	2002
	£	£
<b>11 CREDITORS - DUE WITHIN ONE YEAR</b>		
Trade creditors	208,008	283,369
Taxation and National Insurance payable	82,525	74,300
Accruals and deferred income	371,688	257,590
Interest-free loans	5,000	5,000
Other creditors	25,236	19,092
	<u>692,457</u>	<u>639,351</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 2003 the number of members was 11 (2002: 10).

### 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 4.

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

	2003	2002
	£	£
Consultancy projects	520,707	389,470
Shared office services (*)	483,273	504,333
Total expenditure paid by Friends of the Earth Trust	<u>1,003,980</u>	<u>893,803</u>
Less rent charged by Friends of the Earth Trust	<u>(124,151)</u>	<u>(105,608)</u>
Net	<u>879,829</u>	<u>788,195</u>
Amount owing by Friends of the Earth Trust at year end	<u>58,571</u>	<u>88,763</u>

\* 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.

### 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 2003 the liability is nil (2002: 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 2003 this amounted to £56,775 (2002: £67,951), which is 1% of our total expenditure.