

**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 2004

Company Number 1012357



FRIENDS OF THE EARTH LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004

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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 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)	C. Maguire
A. Chapman (retired 15 October 2003)	D. Manhire
D. Coleman (appointed May 2004)	J. Mellor
P. Coombe	V. Phillips
T. Fletcher	A. Rae
M. Harrison (retired 28 June 2003)	M. Seifert
M. Jacob	M. Shepherd
J. Kenward	

The Board has four sub-committees to inform its decision making: a Finance Committee, a Campaigns Strategy Committee and a Local Groups Committee which meet four 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 (T. Juniper), the Organisational Management Team (made up of employees selected for their expertise in the various activities of the organisation) and the Company's other staff.

Principal Advisors

Registered Auditors:
haysmacintyre
Chartered Accountants
Fairfax House, 15 Fulwood Place
London, WC1V 6AY

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 2004.

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

This year has been another one of campaign successes for Friends of the Earth. Working with politicians and the Government, across the UK Parliament and Welsh Assembly, we have been instrumental in the introduction of legislation to protect the environment, and the prevention of steps that could further harm our natural world.

The core thread running through all our work this year has been the recognition that our environment is intricately connected with issues of poverty, unfair global trade, social justice and human rights. This year has been the first of our new five-year strategy to work with communities that are directly affected by environmental degradation, enabling them to pursue justice and equality.

Our biggest victory of the year was the passing into law of the Household Waste Recycling Bill, which was drafted by Friends of the Earth and received widespread support from MPs. By obliging local authorities to collect recyclable waste from every home by 2010, the Act will make a concrete reduction in the amount of waste going to landfill.

The threat of climate change is perhaps the biggest challenge facing mankind today, and the need for immediate action to reduce its causes is stronger than ever. For more than 30 years, Friends of the Earth has been taking action on climate change, particularly to stem the UK's reliance on burning fossil fuels to meet our energy needs.

In the summer our 60ft inflatable Carbon Dinosaur toured around 50 European cities, visiting factories, oil refineries, coal mining sites and energy-gobbling companies, to expose those who are blocking action to tackle climate change. Our Carbon Dinosaurs campaign calls for tight caps to be placed on industrial emissions of greenhouse gasses, and the removal of public subsidies for coal.

Our climate change campaign enjoyed some significant successes. In July it became clear that the Government is beginning to hear our message on the need for renewable energy when it licensed the expansion of off-shore wind farms that could eventually provide power for one in six of UK homes. Following lobbying by Friends of the Earth and our supporters, the House of Lords introduced a Parliamentary amendment that could eventually see fuel suppliers obliged to make a proportion of their fuel from renewables such as biodiesel.

Another of our major campaigns this year was to make big companies more responsible and accountable for the environmental damage they cause, and to highlight the negative environmental and social effects that communities suffer due to their activities. With more than 200 other organisations, Friends of the Earth lobbied for a Parliamentary Bill to be introduced that would force companies to report on their environmental impact and to consider environmental and social issues when making business decisions. Though the Government stonewalled the Bill, it allowed us to galvanise local people to challenge their MPs on the issue, and to raise its profile in the media, providing a strong foundation for carrying this work forward.

As part of our Corporate Accountability campaign, we again staged our UK Plc attendance at company's shareholder meetings, buying shares in firms with poor environmental track records so we could challenge boards of directors face-to-face.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

The Corporates campaign also held a successful seminar for MPs about Shell's poor environmental practices. We published the campaign report *Greasy Palms, Palm Oil, the Environment and Big Business* in March to expose the links between them. We urged the Government to take action to control UK companies' involvement in palm oil production and, with international partners, launched an email campaign that resulted in thousands of messages, from 41 different countries, being sent to palm oil producers.

Genetically modified (GM) food is an issue that crosses two Friends of the Earth campaigns: on corporate accountability and on food and farming. We celebrated two significant victories against biotechnology firm Bayer this year. Despite campaigning by Friends of the Earth, which forced a Government hearing on the issue, ministers gave the go ahead for Bayer to introduce GM maize into the UK. But the restrictions that were imposed on its cultivation following the hearing led to the company postponing its plans until at least 2008. We also won a legal victory against Bayer, which had attempted to prevent Friends of the Earth from informing our supporters how and where they could legally access scientific data about one of the company's pesticides. The company eventually agreed to drop the suit and reimburse our costs.

A Parliamentary Bill that would have prevented the Government introducing GM crops for commercial use in the UK without a debate among MPs was, unfortunately, stalled by Ministers. However, having got this onto the media and political agenda, we are well placed to influence the decision making over the regulation of planting of GM crops.

On the international stage, we played a vital role in supporting the poorest countries as they rejected a proposed expansion of the World Trade Organisation's (WTO) remit that would have further opened their markets to big business. The collapse of the Cancun talks in September was widely reported as a failure; in fact it provides a basis for developing new proposals that would create fair and sustainable economies.

Friends of the Earth was also a key player this year in the new Bite Back coalition, which unites civil society groups in 91 countries to call for the WTO to abandon action by the United States that could force countries to accept GM foods against the wishes of their citizens.

Supporting local campaign work was again a significant part of our work this year. Our supporter newsletter, *Earth Matters*, had an estimated readership of over 90,000 and our newsletter for our 200 local groups, *Change Your World*, reached more than 4,000 people.

Among local groups, and with 28 other organisations, we were instrumental in the launch of the Way to Go campaign on local transport issues. Tens of thousands of local people sent postcards to their MPs asking them to support a transport strategy based on better public transport, cycling and walking.

Another success was our campaign against plans to dismantle 13 decrepit and ageing US ships on the British coastline. According to a High Court ruling that praised Friends of the Earth, the Hartlepool ship breaker did not have the correct permissions to dismantle the fleet, which local people feared would pollute their local wildlife. The 'Ghost Ships' issue received huge national media coverage, and the Teesside group at the heart of the campaign won *The Guardian's* Eco Gong for their work.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

A notable local victory was against the construction of a massive new container port in Southampton that would have destroyed wildlife of national and international importance. Friends of the Earth worked alongside local people, including the local council and MP, to oppose the plans that were eventually also rejected by the Government.

FUTURE DEVELOPMENTS

Over the coming year we will be prioritising work on climate change, particularly persuading the UK Government to lead the international community, via its chairing of the G8 and holding the EU presidency, to take effective action to reduce climate changing emissions. We will continue to mobilise our strong grass roots networks to promote a model of sustainable food and farming that does not include the introduction of GM. Our work on corporate accountability will remain a priority as we seek to influence the Government's own companies legislation in order to impose a duty of care on company directors to safeguard communities and the environment.

FINANCIAL REVIEW

The decrease of £0.1 million in total incoming resources to £5.5 million for the year ended 31 May 2004 is due to a reduction in the consultancy services supplied to Friends of the Earth Trust (see note 14 to the accounts).

Donations from individual supporters make up 94% of our total income, of which committed giving income (standing orders and direct debits) accounts for 81%. This regular, reliable source increased by £0.4 million. We choose to concentrate on developing committed giving because this regular income enables us to plan our future campaigns with confidence.

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.

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

We reduced our expenditure in all areas by £0.3 million.

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

RESERVES

Overall there was a surplus of income over expenditure from ordinary activities in the year of £156,342. This has increased our reserves to £695,688. Our current level of reserves represents less than 7 weeks worth of normal operating expenditure and is in line with our policy detailed in note 1.

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, as a temporary measure, to make the necessary investment in recruiting more individual supporters and to increase our campaigning and information expenditure.

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.

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 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.

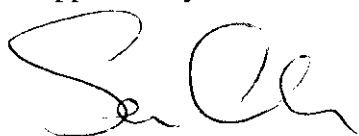
Friends of the Earth Limited rents some of its office space from Friends of the Earth Trust. For administrative efficiency, the two companies also have members of staff in common and share a number of office services.

The value of these transactions is 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 9 October 2004 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 2004 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.

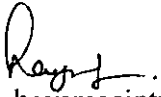
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



haysmacintyre

Chartered Accountants, Registered Auditors

Fairfax House, 15 Fulwood Place, London, WC1V 6AY

Date : 9 October 2004

FRIENDS OF THE EARTH LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2004

	Notes	2004 £	2003 £
INCOME			
Supporters' contributions	2	5,138,086	4,808,052
Gross profit on trading	3	16,135	4,758
Other	4	326,987	743,207
TOTAL INCOME		<u>5,481,208</u>	<u>5,556,017</u>
EXPENDITURE			
Campaigning & information provision		4,557,553	4,772,611
Supporter recruitment		576,072	587,022
Fundraising		122,334	143,859
Management & administration		68,907	79,767
TOTAL EXPENDITURE	5	<u>5,324,866</u>	<u>5,583,259</u>
NET SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		156,342	(27,242)
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR		539,346	566,588
ACCUMLUATED SURPLUS		<u>695,688</u>	<u>539,346</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 2004

	Notes	2004 £	2003 £
TANGIBLE FIXED ASSETS	9	<u>313,714</u>	<u>297,961</u>
CURRENT ASSETS			
Debtors	10	375,962	261,239
Cash at bank		454,175	672,603
		<u>830,137</u>	<u>933,842</u>
CREDITORS - DUE WITHIN ONE YEAR	11	<u>(448,163)</u>	<u>(692,457)</u>
NET CURRENT ASSETS		<u>381,974</u>	<u>241,385</u>
NET ASSETS		<u><u>695,688</u></u>	<u><u>539,346</u></u>
RESERVES			
Accumulated Surplus		<u><u>695,688</u></u>	<u><u>539,346</u></u>

The accounts on pages 8 to 15 were approved by the Directors on 9 October 2004 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 2004

	Notes	2004 £	2003 £
Net incoming/(outgoing) resources for the year		156,342	(27,242)
Adjusted by:			
Interest receivable		(18,482)	(17,301)
Depreciation charges		114,076	139,347
Loss/(gain) on disposal of tangible fixed assets		10,309	(1,284)
(Increase)/Decrease in debtors		(114,723)	171,887
(Decrease)/Increase in creditors		(244,294)	53,106
NET CASH (OUTFLOW)/INFLOW FROM ACTIVITIES		<u>(96,772)</u>	<u>318,513</u>
 Returns on investments and servicing of finance			
Interest received		18,482	17,301
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>18,482</u>	<u>17,301</u>
 Capital Expenditure			
Payments to acquire tangible fixed assets	9	(140,138)	(107,783)
Receipts from disposal of assets		-	1,834
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(140,138)</u>	<u>(105,949)</u>
 (DECREASE)/INCREASE IN CASH		<u>(218,428)</u>	<u>229,865</u>
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2003		672,603	442,738
Net cash (outflow)/inflow		(218,428)	229,865
Balance as at 31 May 2004		<u>454,175</u>	<u>672,603</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004

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 working capital cash requirements. Our current policy is to hold 3-8 weeks of normal operating expenditure in reserves.

Investments

Friends of the Earth Ltd 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

Committed giving (standing orders and direct debits) including magazine subscriptions

Legacies

Other supporters' contributions

2004	2003
£	£
4,431,932	4,013,619
185,795	212,509
520,359	581,924
<u>5,138,086</u>	<u>4,808,052</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004 (continued)

	2004	2003
	£	£
3 TRADING		
Trading turnover	18,874	19,748
Cost of sales	<u>(2,739)</u>	<u>(14,990)</u>
	<u>16,135</u>	<u>4,758</u>
4 OTHER INCOME		
Consultancy (see note 14)	184,210	520,707
VAT repayment (*)	-	140,148
Miscellaneous (**)	<u>142,777</u>	<u>82,352</u>
	<u>326,987</u>	<u>743,207</u>

* This amount related to input VAT that we had under-claimed during 1995-2000, which we were later advised that we were able to recover.

** We recovered £62,000 of legal costs for cases which we won during the year ended 2004.

5 EXPENDITURE

The surplus for the year is after charging:

Staff costs (see note 6)	2,476,811	2,423,673
Depreciation of fixed assets	114,076	139,347
Auditors - statutory audit	7,169	7,955
- other	500	500
Hire of equipment under operating leases (see note 8)	53,599	42,037
Building leases rentals (see note 8)	<u>172,481</u>	<u>185,800</u>

6 EMPLOYEES AND STAFF COSTS

Salaries	2,186,429	2,152,782
National Insurance	219,612	200,574
Pension	<u>70,770</u>	<u>70,317</u>
	<u>2,476,811</u>	<u>2,423,673</u>

The average number of persons (full-time equivalent) employed by the company during the year was 92 (2003 : 95).

Number of employees who earned between £50,000 and £60,000	<u>1</u>	<u>1</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.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004 (continued)

7 DIRECTORS' REMUNERATION

No directors have any interests in the company. S. Clarke, the Chair, received an honorarium of £5,612 (2003: £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, C. Maguire was paid a one off consultancy fee of £350 during the year for non-board related work.

8 OPERATING LEASES

The company leases buildings and equipment on short term leases and these are subject to re-negotiation at various intervals specified in the leases. The annual rental paid on leases in operation during the year was £226,080 (2003: £227,837). As at 31 May 2004, the minimum annual commitments under the leases are as follows:

	2004	2003
	£	£
Building operating leases renewed annually	123,221	122,522
Building operating leases which expire within 5 years	44,575	37,621
Building operating leases which expire after 5 years	21,000	21,000
Equipment operating leases	58,603	58,603
	<u>247,399</u>	<u>239,746</u>

9 FIXED ASSETS

	Office Furniture £	Computers and Office Equipment £	Computer Software £	Totals £
COST				
Balance at 1 June 2003	275,352	485,653	87,043	848,048
Additions	14,845	46,313	78,980	140,138
Disposals	(11,726)	(26,119)	-	(37,845)
Balance at 31 May 2004	<u>278,471</u>	<u>505,847</u>	<u>166,023</u>	<u>950,341</u>
DEPRECIATION				
Balance at 1 June 2003	148,568	363,184	38,335	550,087
Charge for the year	27,847	75,407	10,822	114,076
Disposals	(7,694)	(19,842)	-	(27,536)
Balance at 31 May 2004	<u>168,721</u>	<u>418,749</u>	<u>49,157</u>	<u>636,627</u>
NET BOOK VALUE				
At 31 May 2004	<u>109,750</u>	<u>87,098</u>	<u>116,866</u>	<u>313,714</u>
At 31 May 2003	<u>126,784</u>	<u>122,469</u>	<u>48,708</u>	<u>297,961</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004 (continued)

	2004	2003
	£	£
10 DEBTORS		
Trade debtors	31,993	11,617
Prepayments and accrued income	81,826	58,013
Amount due from Friends of the Earth Trust Ltd	175,852	58,571
Other debtors	86,291	133,038
	<u>375,962</u>	<u>261,239</u>
11 CREDITORS - DUE WITHIN ONE YEAR		
Trade creditors	119,964	208,008
Taxation and National Insurance payable	107,212	82,525
Accruals and deferred income	203,483	371,688
Interest-free loans	5,000	5,000
Other creditors	12,504	25,236
	<u>448,163</u>	<u>692,457</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 2004 the number of members was 11 (2003: 11).

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

Consultancy projects (*)	184,210	520,707
Shared office services (**)	566,227	483,273
Total expenditure paid by Friends of the Earth Trust	<u>750,437</u>	<u>1,003,980</u>
Less rent charged by Friends of the Earth Trust	(118,558)	(124,151)
Net	<u>631,879</u>	<u>879,829</u>
Amount owing by Friends of the Earth Trust at year end	<u>175,852</u>	<u>58,571</u>

* In prior years, Friends of the Earth Trust commissioned consultancy projects from the company. During the year ended May 2004, the Trust carried out more of this work itself and hence the value of these projects has reduced considerably.

** 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.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2004 (continued)

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 2004 the liability is nil (2003: 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 2004 this amounted to £55,746 (2003: £56,775), which is 1% of our total expenditure.