



**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 2002

Company Number 1012357



FRIENDS OF THE EARTH LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2002

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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)	
A. Chapman	J. Kenward
P. Coombe	C. Maguire
T. Fletcher	D. Manhire (appointed 30 September 2001)
M. Harrison	J. Mellor
R. Higman	M. Seifert
N. Jones (appointed 16 March 2002)	M. Shepherd

T Broughton (resigned 29 September 2001)

J Golby (resigned 29 June 2002)

Company Secretary: S. Welsh

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

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

Senior Management Team:

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

Principle 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 2002.

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

Friends of the Earth England, Wales and Northern Ireland is part of the most extensive environmental network in the world - Friends of the Earth International. There are one million supporters across five continents and 70 national organisations worldwide. In England, Wales and Northern Ireland alone we have a unique network of campaigning local groups working in more than 200 communities. This inter-connectedness helps us speak with one voice, and is invaluable for helping inspire or pressure Governments and world leaders into finding real solutions to environmental problems. This has helped inform our demand to Earth Summit leaders for global rules for corporations.

Closer to home Friends of the Earth Cymru's fantastic achievement stopping trials of genetically modified (GM) crops in Wales has been an inspiration for campaigners throughout Europe, as this makes Wales the first Government in Europe to set a legally binding separation distance between GM and other crops. To provide a media-friendly focal point during actions we worked with Friends of the Earth Europe to take a giant bee prop around Britain and the continent.

During the year there were three key campaigns. The climate team's desire to re-breathe life into the Kyoto treaty was undoubtedly the biggest success, with 77 countries ratifying, including the EU and Japan. And a Government think tank has also reviewed Britain's energy policy in a bid to meet Kyoto targets. Despite this progress the Government seems intent on returning to nuclear power which requires concerted opposition. Work on the great food gamble - which included lobbying of Parliament for organic targets - has built on earlier awareness raising about food safety. Then in March 2002 a week of activities focussing on the failure of rail has helped more people see Friends of the Earth as the passengers' champion.

First efforts at drawing together the impacts of corporate globalisation have seen some terrific successes, including Balfour Beatty pulling out of the Illisu dam, in Turkey, and Scotts stopping its peat mining operations on three moors. Campaigners have helped raise awareness amongst shareholders about sustainability and equity issues during so-called naked protests on high streets nationwide and at target board meetings.

In Northern Ireland there has been celebration with the securing of the aggregates levy; plus an innovative report on local food economies that recommends farmers diversify.

Friends of the Earth's determined opposition to incineration, backed by local group actions, helped the Government launch a full-scale review of its waste strategy. Local incinerator victories include an about-turn at Kidderminster; Guildford and Redhill defeated at planning stage and Wrexham called in by the Welsh Assembly.

Local group members are able to concentrate on their campaigns more easily now that they can access and download many materials directly from a dedicated area of the website. We've also sourced other easy-to-use resources including branded jackets, tablecloths and campaign-specific posters help raise our profile and save local groups a lot of time and trouble. And we've added another useful title to the *How to win* series with *How to save wildlife sites*.

FRIENDS OF THE EARTH LIMITED

DIRECTORS' REPORT (Continued)

One of our most effective publications pressing for change is *Campaign express* – and there are now 7,000 people primed to take – or demand - instant environmental action.

Working together with other NGOs is a growing trend which is cost effective and gets important messages out to ever bigger audiences. This method has helped make our demands for improved Organic Targets get better listened to in Government. It's led to fantastic teamwork on the Stop Esso Campaign and furthered our equity work at home and overseas. It has also helped to highlight the failings of the Government's proposed overhaul to the planning system and the Government was forced back to the drawing board.

FUTURE DEVELOPMENTS

Our priority campaign in the coming year will be to step up our work on combatting the negative environmental and social impacts of corporate globalisation. We will expose examples of corporate bad practice and also expose the lobbying activities of companies in relation to World Trade Organisation talks. As part of a coalition (with Amnesty, CAFOD, New Economics Foundation and Save the Children), we will be lobbying hard for a new Corporate Responsibility (CORE) private members Bill to be passed by Parliament.

FINANCIAL REVIEW

We are pleased to report an increase of £0.7 million in total income to £5.3 million for the year ended 31 May 2002.

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 91% of our total income, of which committed giving income (standing orders and direct debits) accounts for 70%. This regular, reliable source increased by £0.5 million. We choose to concentrate on developing committed giving because this regular income enables us to plan our future campaigns with confidence.

We were satisfied to see Legacy income also increase this year, to £0.4 million - our best year ever. 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 £0.6 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 kept to a minimum the increase in fundraising management and administration costs.

RESERVES

Overall there was a deficit of expenditure over income from ordinary activities in the year of £45,848. This has reduced our reserves to £566,588 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 Ltd 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.

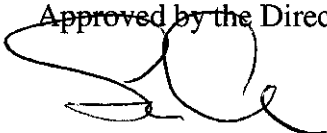
Friends of the Earth Limited rents some of its office space from Friends of the Earth Trust. For administrative efficiency, the 2 companies also have members of the senior management team in common and share a number of office services.

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 28 September 2002 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 2002 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.

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.

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 2002 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


haysmacintyre

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

Date: 28.09.02

FRIENDS OF THE EARTH LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MAY 2002

	Notes	2002 £	2001 £
INCOME			
Supporters' contributions	2	4,784,298	4,124,511
Gross profit on trading	3	19,795	9,815
Other		468,538	402,462
TOTAL INCOME		<u>5,272,631</u>	<u>4,536,788</u>
EXPENDITURE			
Campaigning & information provision		4,603,798	4,045,216
Supporter recruitment		433,225	347,468
Fundraising		189,454	185,695
Management & administration		92,002	82,316
TOTAL EXPENDITURE	5	<u>5,318,479</u>	<u>4,660,695</u>
NET (DEFICIT) FOR THE FINANCIAL YEAR		(45,848)	(123,907)
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR		612,436	736,343
ACCUMULATED SURPLUS		<u><u>566,588</u></u>	<u><u>612,436</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 2002

	Notes	2002 £	2001 £
TANGIBLE FIXED ASSETS	9	330,075	288,405
CURRENT ASSETS			
Stocks		-	4,800
Debtors	10	433,126	384,937
Cash at bank		442,738	333,198
		<u>875,864</u>	<u>722,935</u>
CREDITORS - DUE WITHIN ONE YEAR	11	<u>(639,351)</u>	<u>(398,904)</u>
NET CURRENT ASSETS		<u>236,513</u>	<u>324,031</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>566,588</u>	<u>612,436</u>
RESERVES			
Accumulated Surplus		<u>566,588</u>	<u>612,436</u>

The accounts on pages 6 to 12 were approved by the Directors on 28 September 2002 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 2002

	Notes	2002 £	2001 £
Net outgoing resources for the year		(45,848)	(123,907)
Adjusted by:			
Interest receivable		(23,703)	(29,622)
Depreciation charges		121,059	96,913
Loss/(gain) on disposal of tangible fixed assets		58	(2,678)
Decrease in stock		4,800	397
(Increase) in debtors		(48,189)	(32,402)
Increase/(Decrease) in creditors		240,447	(139,603)
NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES		<u>248,624</u>	<u>(230,902)</u>
 Returns on investments and servicing of finance			
Interest received		23,703	29,622
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>23,703</u>	<u>29,622</u>
 Capital Expenditure			
Payments to acquire tangible fixed assets	9	(163,914)	(133,620)
Receipts from disposal of assets		1,127	2,449
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		<u>(162,787)</u>	<u>(131,171)</u>
 INCREASE/(DECREASE) IN CASH		<u>109,540</u>	<u>(332,451)</u>
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2001		333,198	665,649
Net cash inflow/(outflow)		109,540	(332,451)
Balance as at 31 May 2002		<u>442,738</u>	<u>333,198</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2002

1 ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared under the historical cost basis, in accordance with applicable accounting standards.

Stocks

All stocks have been written off this year due to their age and immaterial value.

Income

Income arising from supporters' contributions and donations is accounted for as and when received.

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 value added tax.

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.

2 SUPPORTERS' CONTRIBUTIONS

	2002 £	2001 £
Committed giving (standing orders and direct debits)	3,707,097	3,235,406
Legacies	428,766	138,586
Other supporters' contributions	648,435	750,519
	<u>4,784,298</u>	<u>4,124,511</u>

3 TRADING

Trading turnover	26,263	15,880
Cost of sales	(6,468)	(6,065)
	<u>19,795</u>	<u>9,815</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2002 (continued)

4 CORPORATION TAX AND VAT

The majority of the company's income is not taxable. Tax is only payable on trading activities. For the year ended 31 May 2002 the liability is nil (2001: 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 2002 this amounted to £67,950 (2001: £44,410), which is 1% of our total expenditure.

5 EXPENDITURE

	2002	2001
	£	£
The deficit for the year is after charging:		
Staff costs (see note 6)	2,258,570	2,010,396
Depreciation of fixed assets	121,059	96,913
Auditors - statutory audit	7,700	8,000
- other	525	-
Hire of equipment under operating leases (see note 8)	47,128	51,672
Building leases rentals (see note 8)	<u>159,915</u>	<u>160,728</u>

6 EMPLOYEES AND STAFF COSTS

Salaries	2,011,770	1,793,219
National Insurance	185,585	170,707
Pension	61,215	46,470
	<u>2,258,570</u>	<u>2,010,396</u>

The average number of persons (full-time equivalent) employed by the company during the year was 90 (2001: 82).

Number of employees who earned more than £50,000	<u>Nil</u>	<u>Nil</u>
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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 £5,363 (2001: £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.

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2002 (continued)

8 OPERATING LEASES

The company leases buildings and equipment on short term leases. The annual rental paid on these leases was £207,043 (2001: £212,400) and are subject to re-negotiation at various intervals specified in the leases. The minimum annual return under the leases are as follows:

	2002	2001
	£	£
Building operating leases renewed annually	117,411	119,124
Building operating leases which expire within 5 years	29,751	29,251
Building operating leases which expire after 5 years	21,000	21,000
Equipment operating leases	58,603	61,654
	<u>226,765</u>	<u>231,029</u>

9 FIXED ASSETS

	Office Furniture £	Computers and Office Equipment £	Computer Software £	Totals £
COST				
Balance at 1 June 2001	223,559	603,080	22,719	849,358
Additions	30,725	93,618	39,571 *	163,914
Disposals	-	(193,029)	-	(193,029)
Balance at 31 May 2002	<u>254,284</u>	<u>503,669</u>	<u>62,290</u>	<u>820,243</u>
DEPRECIATION				
Balance at 1 June 2001	95,858	442,376	22,719	560,953
Charge for the year	25,428	95,631	-	121,059
Disposals	-	(191,844)	-	(191,844)
Balance at 31 May 2002	<u>121,286</u>	<u>346,163</u>	<u>22,719</u>	<u>490,168</u>
NET BOOK VALUE				
At 31 May 2002	<u>132,998</u>	<u>157,506</u>	<u>39,571</u>	<u>330,075</u>
At 31 May 2001	<u>127,701</u>	<u>160,704</u>	<u>-</u>	<u>288,405</u>

* In accordance with our fixed asset depreciation policy (see note 1), the new software purchased has not been depreciated in the current financial year as it had not been put into use by the year end.

10 DEBTORS

	2002	2001
	£	£
Trade debtors	15,677	12,366
Prepayments and accrued income	93,297	55,119
Amount due from Friends of the Earth Trust Ltd	88,763	95,371
Other debtors	235,389	222,081
	<u>433,126</u>	<u>384,937</u>

FRIENDS OF THE EARTH LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2002 (continued)

	2002	2001
	£	£
11 CREDITORS - DUE WITHIN ONE YEAR		
Trade creditors	283,369	155,154
Taxation and National Insurance payable	74,300	65,967
Accruals and deferred income	257,590	141,866
Interest-free loans	5,000	5,000
Other creditors	19,092	30,917
	<u>639,351</u>	<u>398,904</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 2002 the number of members was 10 (2001: 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

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

	2002	2001
	£	£
Consultancy projects	389,470	276,072
Shared office services (*)	504,333	437,315
Total expenditure paid by Friends of the Earth Trust	<u>893,803</u>	<u>713,387</u>
Less rent charged by Friends of the Earth Trust	(105,608)	(110,500)
Net	<u>788,195</u>	<u>602,887</u>
Amount owing by Friends of the Earth Trust at year end	<u>88,763</u>	<u>95,371</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.